



# ENERGY FOCUS REPORT Q1 2026



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# Oil and Gas Sector

## 1. A Critical Assessment of the Petroleum Industry Act (PIA): Five Years Post-Enactment.

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### Introduction

Few statutes in Nigeria's recent legislative history have attracted as much attention as the Petroleum Industry Act (PIA), 2021. Enacted after years of policy delays and reform attempts, it was widely seen as the framework to address structural challenges in the petroleum sector. The Act aimed to promote regulatory clarity, strengthen governance, improve fiscal efficiency, attract investment, address host community concerns, and establish a modern legal regime for petroleum administration. As such, it represented a major reform effort in a critical sector of the Nigerian economy.

Five years after its enactment, however, its relevance must be measured by its practical impact. While the PIA introduced key reforms, including the restructuring of NNPC, revised fiscal arrangements, the Host Community Development Trust framework, and clearer decommissioning obligations, concerns persist regarding implementation. Issues such as continued gas flaring, weak compliance with host community funding, and regulatory overlap raise questions about whether the Act has achieved its objectives.

This article critically evaluates the PIA five years on, examining both its achievements and shortcomings, particularly in relation to implementation, institutional coherence, and regulatory impact. It argues that the success of the Act lies not merely in its design, but in its ability to deliver accountability, certainty, environmental responsibility, and sustainable reform in practice.

### I. Structural and Commercial Wins

#### A. NNPC's Commercialisation

The conversion of NNPC into a limited liability company was among the most significant changes the PIA introduced. Before the Act, NNPC was an agency that reported to the Federal Government, with no obligation to publish audited accounts, no independent board with genuine commercial authority, and a governance structure that made it easy for political

considerations to override economic ones. NNPC recorded net losses as recently as 2019, and it was only in 2020, that it recorded its first-ever profit of N287 billion for the first time in 44 years.

The PIA restructured this by incorporating NNPC Limited under the Companies and Allied Matters Act, subjecting it to the same corporate governance obligations as any other commercial entity, and this restructuring has resulted in remarkable implications for the company and the sector at large. NNPC Limited's 2023 audited accounts recorded a net profit of N3.297 trillion, a 28% increase over the N2.548 trillion recorded in 2022. By 2024, profit after tax had grown to N5.4 trillion, representing a 64% year-on-year increase on total revenue of N45.1 trillion.

NNPC Limited is also advancing plans for a partial public listing on the Nigerian Exchange Group, with a target timeline of 2028. Once NNPC Limited has external shareholders, it will be required to sustain the reporting discipline and strategic coherence that the PIA introduced on paper as one of its objectives. The listing has not happened yet, and the path thus far remains uncertain, but this is a step in the right direction.

## **B. Fiscal Terms and Investment Recovery**

Nigeria's previous fiscal framework did not keep pace with the realities of the global oil market. It was spread across separate statutes, which made the system more complex and less predictable, especially in relation to offshore petroleum operations. The rules on royalties, taxation, and cost recovery were not contained in a single modern and coherent framework, and this weakened investor confidence in the commercial viability of long-term projects. This uncertainty contributed to Nigeria's weak ability to attract capital, as the country received only \$3.5 billion out of the \$70 billion that entered African oil and gas markets from 2013 to 2022.

The Petroleum Industry Act responded to this problem, by creating a more unified fiscal framework for petroleum operations. Under the Act, the system was restructured through clearer royalty provisions, the introduction of hydrocarbon tax for relevant upstream operations, and the application of Companies Income Tax within the new statutory framework. Chapter 4 of the Act reinforced this new approach; by introducing revised royalty tiers, rationalised tax treatment, and clearer cost recovery structures across different categories of acreage.

Over \$5.5 billion in new investment commitments were recorded after the enactment of the Act, and Nigeria also recorded production of about 1.58 million barrels per day in 2024, a significant improvement from prior years. These developments show that the PIA improved the fiscal structure of the industry, although the long-term success of the framework still depends on effective implementation and broader sector stability.

## C. The Host Community Development Trust Framework

The relationship between oil operators and host communities in the Niger Delta had, for most of the industry's history, been governed by non-binding corporate discretion. Corporate Social Responsibility (CSR) arrangements were voluntary, inconsistently applied, and entirely at the operator's discretion. Communities had no legal mechanism to enforce any expectation and no guaranteed share of the revenues generated from their land.

The PIA replaced this with the Host Community Development Trust framework. Under **Section 235** of the Act, operators are legally required to contribute 3% of their actual annual operating expenditure into a trust established for the benefit of adjacent host communities. The trust must have a defined governance structure, including a Board of Trustees, a Management Committee with mandatory community representation, and an Advisory Committee. Contributions are not discretionary. They are a legal obligation, enforceable through the regulatory framework.

Annual HCDT contributions, when fully implemented across the sector, are projected to reach between \$500 million and \$800 million per year, estimated to be roughly ten times the average annual social investment by oil companies under the previous CSR model.

## D. Decommissioning Liability Management

Before the PIA, Nigeria had no serious legal framework governing decommissioning. This was not an oversight unique to Nigeria. Across many oil-producing jurisdictions, early regulatory frameworks focused on production and gave little attention to what would happen when the oil stopped flowing. In Nigeria's case, the Petroleum Act of 1969 and its accompanying regulations imposed only general environmental obligations on operators, with no specific requirement to plan or fund the cost of shutting down infrastructure, once operation ceased. As a result, as oil fields matured and infrastructure aged, the question of who would bear the cost of cleanup was left unanswered. In practice, it fell to no one.

The effect of that omission is documented across the Niger Delta. The UNEP Environmental Assessment of Ogoni land in Rivers state, published in 2011, found evidence of hydrocarbon contamination of soil and groundwater at depths and concentrations suggesting that some of the damage had been accumulating for decades without any remediation effort. The affected communities had continued to live and farm on the farm land.

The PIA addressed this through **Sections 232** and **233**, which require all licensees and lessees to develop decommissioning and abandonment plans and to back those plans with verified

financial security arrangements. Since April 2023, Nigerian Upstream Petroleum Regulatory Commission (NUPRC) has approved 94 such plans, covering total identified liabilities of \$4.424 billion. More than \$400 million of that has already been ring-fenced through letters of credit and escrow accounts. This means that, for the first time, money is being legally committed in advance to cover the cost of environmental cleanup. Operators can no longer simply walk away from ageing or abandoned infrastructure and leave liability unresolved. These are legally secured financial obligations, not aspirational targets. For liability that was entirely invisible before 2021, this represents a concrete shift in how Nigeria manages the end-of-life obligations of its petroleum sector.

## II. Persistent Failures

### A. Gas Flaring

The PIA made commitments that have not yielded results. **Sections 101- 109** of the Act established a new framework involving tighter regulatory oversight, increased penalties for flaring, and an obligation on operators to submit Gas Flare Elimination and Monetisation Plans to NUPRC. **Section 108** specifically required that gas associated with oil production be captured or utilised, with flaring permitted only as a last resort and subject to authorisation.

The legislative intent was clear, but the implementation has not matched it. Gas flaring volumes in Nigeria increased by approximately 12% in 2024, making Nigeria the country with the second-largest absolute increase in flaring globally during the reference year, according to the World Bank's Global Gas Flaring Tracker Report. NUPRC's 2024 Annual Report confirms that approximately 192.9 billion standard cubic feet (scf) of gas were flared during the reference year, up from 191.8 billion scf in 2024.

Flaring persists because it remains cheaper for many operators than building the gas gathering infrastructure required to monetise associated gas. This is most apparent in ageing fields where the capital cost of gas processing investment does not justify the expenditure. The PIA's penalty regime, while an improvement on what preceded it, has not reached the level at which it changes the economic incentive for operators. Also, the jurisdictional ambiguities between NUPRC and NMDPRA, have created unclear areas around responsibility for pursuing and sanctioning flaring violations. That the PIA is five years old and flaring has increased is an outcome that requires a more direct regulatory response than has been forthcoming.

## B. HCDT Non-Compliance

Under **Section 235** of the PIA, every operator with a licence in an oil-producing area is required to establish a Host Community Development Trust and contribute 3% of their actual annual operating expenditure into the fund. Three years after that obligation came into force, the compliance picture is poor, approximately 30% of upstream licence holders had not established a trust at all, and three years after the Act came into force. Of the 167 trusts that had been created, 97 remained unfunded. Communities that were legally entitled to contributions had received nothing.

Part of the implementation difficulty is attributable to factors within the community itself. The NUPRC's 2024 Annual Report acknowledged that petitions and litigations were stalling the incorporation of HCDTs and the setting up of governance structures. Also, the HostComply digital portal, the Commission's primary tool for monitoring HCDT compliance, had not been fully deployed as at the end of 2024.

**Section 9** of the **Nigeria Upstream Petroleum Host Communities Development Regulations 2022** provides for a penalty of \$2,500 per month for failure to establish an HCDT within the required timeframe, with the possibility of licence revocation after 45 days of continued default, and there have been no sanctions so far as prescribed by the law.

## C. Regulatory Jurisdictional Overlap: NUPRC and NMDPRA

Before the PIA, Nigeria's entire petroleum regulatory function sat within the Department of Petroleum Resources. For decades, the country's oil and gas sector faced significant challenges due to unclear rules, changing policies, and low investor confidence.

The PIA responded to this challenge by creating two new bodies. The upstream functions of the DPR were transferred to the Nigerian Upstream Petroleum Regulatory Commission, while the technical midstream and downstream role was transferred to the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA).

The problem was that the boundary between the two, as drawn in the PIA, was not precise enough. Areas of overlapping responsibility emerged between NUPRC and NMDPRA, including export terminals and pipelines connected to upstream production systems, causing conflict between both regulators and subjecting operators to dual licensing. Both agencies sought to regulate the sale and delivery of petroleum liquids to bulk customers from export terminals, with NUPRC relying on **Section 7(ee)** of PIA 2021 and NMDPRA relying on **Sections 174** and **197** of the same Act. Investors seeking approvals in those overlapping areas were encountering two regulators, each with a legal basis for asserting authority, sometimes giving conflicting guidance on the same activity.

The issue was resolved on 8 May 2023, when President Tinubu issued an executive order for clarification directing the NUPRC to take over the supervision of all crude oil export terminals by virtue of its powers under **Section 7(ee)** of the PIA.

That a presidential directive was required to resolve an ambiguity in a law that had just been enacted does not reflect well on the drafting process. A proposed amendment of the PIA now seeks to establish a joint project team between the Commission and the Authority for integrated operations, which suggests that the directive alone was not sufficient to close the gap permanently.

This shows a regulatory framework sound in concept, but not detailed enough in execution. The PIA set out to bring clarity to a sector that had long suffered from regulatory ambiguity. In this area, it introduced new ambiguity of its own.

## Conclusion

Five years after its enactment, the Petroleum Industry Act can neither be dismissed as a failure nor accepted as a complete success. It introduced reforms that, at a structural level, reshaped the legal and commercial foundation of Nigeria's petroleum industry. The commercialisation of NNPC Limited, revised fiscal terms, the recognition of host community trusts, and decommissioning obligations represent significant improvements on the pre-2021 framework. These developments demonstrate that the Act has had real impact and has moved the industry away from some of its previous institutional weaknesses.

At the same time, the past five years show that legislative reform alone is insufficient. In key areas such as gas flaring, host community compliance, and regulatory coordination, implementation has revealed notable deficiencies. Where obligations are not enforced, mechanisms remain underfunded, and overlapping mandates persist, the effectiveness of the law is undermined. While the PIA provides a stronger framework, its true value depends on consistent enforcement, institutional coherence, and the political will to implement its provisions.

## 2. A Legal Analysis of Presidential Executive Order to Safeguard Federation Oil And Gas Revenues and Provide Regulatory Clarity, 2026 (Executive Order 9)

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### Introduction

Petroleum remains Nigeria's most critical revenue source, sustaining all tiers of government. Accordingly, any framework that permits substantial upfront deductions before revenues reach the Federation Account raises serious fiscal concerns, as it limits funding for infrastructure, security, and public welfare. The Petroleum Industry Act (**PIA**) 2021 was enacted to modernize Nigeria's oil and gas sector, revive a previously stagnating industry, attract investment, and enhance revenue generation, following over two decades of delay due to political and legislative indecisiveness.

Despite the delay and the good intentions behind the enactment of the PIA, certain provisions and their practical application have contributed to the problem in focus. While aimed at modernizing the industry, the Act empowered the Nigerian National Petroleum Company Limited (**NNPCL**) to retain significant portions of oil revenues to cover its internal costs. As these funds were withheld at source, the 36 states and 774 local governments were left with only the residual balance after such deductions.

As these internal retentions increased, inflows to the Federation Account Allocation Committee (FAAC) declined significantly. This resulted in recurring Zero-Remittance months in previous years. Notwithstanding favourable global oil prices, the Federation Account frequently received minimal proceeds from oil sales, as the NNPCL maintained that revenues were fully absorbed by operational costs and subsidies. This situation has severely constrained subnational governments, affecting their ability to meet basic obligations such as salary payments, healthcare delivery, and primary education. By early 2026, the funding shortfall had escalated into a constitutional concern, threatening the fiscal stability of the Federation.

This highlights a critical legislative flaw. A law intended to drive growth, ensure efficient resource management, and restore investor confidence has, in practice, enabled the NNPCL to prioritise its internal interests, effectively diverting funds meant for the Federation.

In response to this crisis, the signing of the Executive Order to Safeguard Federation Oil and Gas Revenues and Provide Regulatory Clarity, 2026 (“**EO9**”) on 13 February 2026, by President Bola Ahmed Tinubu marks a significant shift in the fiscal management of Nigeria's petroleum resources. The Order mandates the direct remittance of all oil and gas revenues into the Federation Account, effectively curtailing the NNPCL's power to make upfront deductions prior to remittance. In essence, this suspends certain revenue retention and disbursement mechanisms under the PIA 2021.

Consequently, the Federal Government has quietly revised the framework to allow royalties and taxes, which are settled in barrels of crude rather than cash, to remain under NNPC's collection, paid into a newly created Central Bank of Nigeria domiciled account rather than directly into the Federation Account, reflecting the practical complexities of full immediate remittance.

This executive action has sparked a nationwide debate over the scope of presidential powers, with an argument that the President engaged in executive overreach. Some commentators contend that an Executive Order lacks the legal authority to amend the PIA which is a piece of legislation. Others argue that in the interest of expediency and financial prudence, the President has the right to issue directives that safeguard the nation's critical revenue source and ensures a balancing of all tiers of government operations.

From a legal interpretative perspective, however, a strict reliance on procedural arguments ignores the substantive legal reality that the EO9 primarily seeks to rectify fundamental structural defects within the PIA, bringing the legislation back into alignment with the 1999 Constitution.

## What is an Executive Order?

The term 'Executive Order' is not defined in the 1999 Constitution, nor is it interpreted in any legislation of the National Assembly or House of Assembly of any State. It has been defined as “an order issued by or on behalf of the president, intended to direct or instruct the actions of executive agencies or government officials, or to set policies for the executive branch to follow.” They are basically directed at the executive branch of government and its agencies.

**Section 5(1)** vests the executive powers of the Federation on the President and extends same to the “execution and maintenance” of the Constitution and all laws made by the national legislatures. Equally, **Section 315 (2)** and **(4)** empowers the President to “make such modifications in the text of any existing law as he considers necessary or expedient to bring that law into conformity with the provisions of this Constitution”. **Section 315(1)(a)** further provides that such modification shall be deemed to be an Act of the National Assembly. In essence, the President is vested with the discretion to determine, in the first instance, whether any provisions of an Act enacted prior to the 1999 Constitution are inconsistent with the Constitution and, upon such determination, to amend the text of the Act to bring it into conformity with the Constitution. This can also be interpreted to apply to enacted laws that contravene with provisions of the constitution.

This provision was upheld in **A.G Abia State v A.G Federation**, where the Supreme Court held that the powers given under Section 315 (2) of the Constitution 'is not an abuse of the principle of the doctrine of separation of powers' but rather 'it is essential to giving meaning to an

existing law so that the Constitution itself is not abused.' The Supreme Court stated that the two tests for determining the constitutionality of modification to an existing law are:

- I. whether the modification order brings the relevant Act into conformity with the provisions of the Constitution; and
- ii. whether there has been an infraction of the Constitution by the order.

This can be implied as the legal basis upon which the EO9 was duly passed by the President; to bring the PIA in tandem with the provisions of the Constitution.

## **The Structural Ills of the PIA and the Defects Addressed in Executive Order 9**

The PIA, enacted after over two decades of delay, was intended to transform the NNPC into a modern, profit-driven entity operating under the Companies and Allied Matters Act (CAMA). Instead, the PIA created a private company with the statutory right to tax the federation. EO9 targets the following specific defects:

- **The 30% Management Fee:** Under Section 64(b) and (c) of the PIA, NNPC retained 30% of the Federation's oil revenues as a management fee on Profit Oil and Profit Gas derived from Production Sharing Contracts (PSCs) and Risk Service Contracts. EO9 abolishes this. It has been realized that since NNPC already retains 20% of its profits for working capital and operational costs, giving it an additional 30% management fee was an unjustified, duplicative cash grab.
- **The 30% Frontier Exploration Fund (FEF) Drain:** Section 9(4) and (5) of the PIA also mandates that another 30% of profit oil and gas be channeled into the FEF to search for oil in commercially marginal, frontier basins. EO9 strips NNPC of this fund.
- **The Diversion of Gas Flaring Penalties:** The PIA directed gas flaring penalties into the Midstream and Downstream Gas Infrastructure Fund (MDGIF) rather than the Federation Account. EO9 suspends this, directing those penalties straight into the national treasury, curing the defect of fragmented, revenue pools existing outside standard budgetary oversight.

These deductions contradict standard corporate principles. A true commercial entity sustains its operations through profit margins or an approved budget; it does not divert national revenue at the source. By granting NNPC the privilege of retaining massive percentages of revenue before it reached the Federation Account, the PIA created a system of legalized revenue suppression that starved the federal, state and local governments of essential funding. This is unconstitutional on its face, as the Constitution requires all Federation revenues to flow into the Federation account.

## Constitutional Contradictions and the Legal Validity of Executive Order 9

The existence of these financial defects created a conflict between statutory law (the PIA) and the 1999 Constitution. While NNPC's deductions were legal because they were backed by an Act of the National Assembly, they existed in a state of constitutional violation.

- **The Constitutional Illegality of the PIA Deductions**

**Section 162(1)** explicitly provides that all revenues collected by the Government of the Federation **shall** be paid into the 'Federation Account' for distribution among the three tiers of government. Furthermore, **Section 80(1)** mandates that all raised revenues form one Consolidated Revenue Fund. Thus, public revenue cannot lawfully be retained, applied, or warehoused outside the constitutional provision. The supremacy of the Federation Account is further validated by international financial markets. In financing arrangements, such as the recent \$3.3 billion Afreximbank loan, attempts to pledge unextracted Nigerian oil or future royalties as collateral are scrutinized.

Because **Section 1(3)** establishes the absolute supremacy of the Constitution, any law inconsistent with it, like the deduction clauses in the PIA, is void to the extent of its inconsistency. Therefore, the PIA provisions enabling upfront deductions have existed in a state of constitutional violation since their enactment. EO9 cures this, by enforcing the absolute supremacy of the Federation Account, and impliedly, the Constitution. It does not amend the PIA, but merely enforces the superior command of **Section 162**, ensuring that the Executive Power under **Section 5** is used to uphold the supreme law of the land.

- **The Legal Basis for Executive Order 9**

Critics, including oil worker unions like Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN), argue that an Executive Order cannot amend an Act of the National Assembly, claiming EO9 is an act of executive overreach that will discourage investors. However, strict legal analysis provides robust backing for the President's actions:

**Section 5(1) and Presidential Duty:** This section vests executive powers in the President, extending to the “execution and maintenance” of the Constitution. EO9 operates as an emergency intervention to enforce the Constitution where a statute fails at it. This power of the President is also in line with **Section 44(3) of the Constitution**, which vests ownership, control, and derivative rights in all minerals, mineral oils, and natural gas in, under, and upon any land in Nigeria (including its territorial waters and exclusive economic zone) in the federal government. As the head of the federal government, the President has a fiduciary duty to protect these assets. This is also in line with **Section 1** of the **PIA** which vests property and ownership of petroleum within Nigeria and its territorial waters in the

Government of the Federation. By issuing EO9, the President is fulfilling his constitutional mandate to prevent the bifurcation of mineral revenue, ensuring that these resources benefit all three tiers of government (Federal, State, and Local) as intended by the Constitution.

**Section 315(2) and (4) - The Power of Modification:** The Constitution explicitly empowers the President to modify the text of any existing law to bring it into conformity with the Constitution. The Supreme Court validated this in **A.G Abia State v A.G Federation [2003] 4 NWLR (PT 809) p. 124 at 177 para. F**, ruling that the President's power under Section 315 is not an abuse of the separation of powers, but rather an essential tool to prevent the Constitution itself from being abused.

Also, the Nigerian judiciary has consistently struck down attempts to bypass the Federation Account. A landmark precedent is **Attorney-General of Rivers State V. Attorney-General of the Federation & Ors [2003] 4 NWLR (PT 809)** In this case, the Court decisively struck down the Federal Government's practice of directly deducting funds (0.5% of total revenue) from the Federation Account to fund the Nigeria Police Trust Fund, declaring Section 4(1) (a) and (b) of the establishing Act unconstitutional. The court ruled that statutory bodies, no matter how vital to national security, cannot be funded via unconstitutional upfront deductions that bypass Section 162.

Equally, in **AG Bendel State v, AG Federation [1981] 1 All NLR 85**, the Supreme Court held that “The position of the Federal Government in maintaining the Federation Account, is by virtue of the then Section 149(1) of the Constitution, that of a trustee for the State Governments and the Local Government. It is settled that it is the duty of a trustee to keep a proper account of the trust he administers.”

- **The Fiscal Responsibility Act (FRA) 2007**

EO9 also operationalizes the FRA, which strictly mandates the prudent management of resources, transparency, and the maximization of the Consolidated Revenue Fund. By eliminating source- deducted expenditures and forcing petroleum revenues into the central treasury, EO9 directly executes the FRA's statutory requirement that government agencies operate with absolute financial transparency and remit their operating surpluses.

## **The Opposition to the Directive: The PENGASSAN Argument**

Given the magnitude of this fiscal shift, opposition to EO9 has emerged, most notably from the PENGASSAN. The union argues that mandating full remittance will stifle operational funding, discourage investment in the oil industry, and threaten the operational viability of the sector.

However, this opposition fundamentally misses the point of basic corporate governance and international investment standards. Investors do not fear transparency; rather, they are deterred by fiscal volatility, disregard of the rule of law, and lack of accountability in revenue management. The Executive Order does not stop exploration, nor does it prevent NNPC from executing contracts. It simply ensures that spending is authorized, visible, and aligned with the law. Framing transparency as a threat to investment is a flawed defense of a legacy system that allowed deductions without sovereign oversight.

## **Conclusion**

The legislative contradiction surrounding the deduction of petroleum revenues presents a conflict of two competing equities. On one hand, the PIA continuously breached the 1999 Constitution by diverting sovereign wealth at source. On the other hand, Executive Order 9 bypassed the standard legislative amendment process to halt this practice. When evaluating these realities, the preservation of the content of the constitution which is the grundnorm must take precedence. An executive directive that restores constitutional order carries a higher moral and legal weight than a statute that perpetuates a violation. Therefore, EO9 functions as a necessary emergency intervention, halting the immediate diversion of sovereign wealth, while the slower mechanisms of formal legislative amendment are prepared.

Ultimately, EO9 is a critical intervention addressing a fundamental flaw in Nigeria's petroleum governance. It removes the notion that NNPCCL enjoys a special status outside the rules of the state. By correcting structural issues within the PIA, it bridges the gap between the operational reality of the oil sector and the requirements of the 1999 Constitution, and curbs statutory leakages that have weakened the Federation Account.

# Power Sector

## 1. A review of the NERC's Order on the Registration and Authorization of Grid-Connected Private Transmission Substation

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### Introduction

In March 2026, Nigeria's electricity regulator (NERC) introduced a new order NERC/2026/013 that affects big companies and industries that receive electricity directly from the national grid through their own private substations.

Many large factories, industries, and bulk electricity users have been running these private facilities for years with little oversight. The problem? When something goes wrong at one of these private substations, it can affect the entire national grid causing blackouts that negatively impact everyone.

To fix this, the government is now requiring these private operators to formally register and follow the same rules as other electricity companies.

### What These Companies Must Now Do

If you own one of these private substations, here is what the new rules require:

- Get licensed as an official electricity transmission operator
- Install smart meters and monitoring systems so that the national grid can see what's happening at your facility in real time
- Upgrade your electrical connections to prevent a fault at your end from tripping the main power line serving your area
- Manage your power consumption efficiently, specifically keeping your power factor at 95% or above (think of this as using electricity as cleanly and efficiently as possible)
- File monthly reports with the system operator (NISO)
- Employ qualified engineers at least three COREN-registered professionals

Existing operators had 45 days from 9 March 2026 to apply. Those who don't comply face serious penalties under the Electricity Act 2023.

## Generation Dynamics: The Mismatch of Capacity and Availability

The frustrating reality is that Nigeria has over 13,000 MW of installed power capacity, but on most days, only 3,000 to 5,000 MW reaches Nigerians. That is like owning a 100-litre generator, but only being able to use 30 litres of fuel.

In February 2026, only 32% of our installed capacity was available. Most of Nigeria's power plants run on gas. To work properly, they need about 1,589 MMSCF of gas per day but they are only receiving about 653 MMSCF, which is roughly 40% of what they need. The rest of the gas either isn't available or has not been paid for.

The money problem makes it worse: for every N100 a power plant earns, between N60 and N70 goes straight to the gas supplier, but because electricity distribution companies are slow to pay, the power plants cannot pay the gas companies on time either. It is a vicious cycle.

Major power stations like Egbin, Azura-Edo, Alaoji, and Sapele regularly produce little or zero electricity as a result. Egbin which should produce 1,320 MW was running at just 37% capacity in February 2026.

The more reliable stations right now are our hydro plants Kainji, Zungeru, and Shiroro which together provide a steady 1,000 MW and keep the grid from completely collapsing.

## Market Operations and the Role of NISO

In 2025, Nigeria created the Nigerian Independent System Operator (NISO) a body separated from TCN (Transmission Company of Nigeria) and given the sole job of managing the national grid fairly and efficiently.

Some of NISO's early wins include:

- Successfully connecting Nigeria's grid to the West African Power Pool (WAPP) meaning Nigeria can now buy and sell electricity with neighbouring countries
- Working to bring 350 MW of new power from the NNPC Abuja Gas IPP project online

Helping push toward a national target of 10,000 MW transmission capacity by end of 2026 (we are currently at 8,700 MW but getting that power out reliably remains a challenge).

Even when power is generated, collecting payment for it is a huge challenge. In 2025, electricity customers were billed N3.025 trillion, but only 77% was collected, leaving N684 billion unpaid. Energy losses (power that is generated but never paid for, or simply lost in the wires) stand at nearly 38% almost double the government's target of 20%. International bulk buyers paid only 38% of their bills in Q3 2025, while local bulk buyers were better at 88%. To help clear the backlog, the Federal Government has committed a N4 trillion bond to settle debts owed to power plants and gas suppliers, plus a N590 billion Power Sector Bond launched in 2025.

## Technical Compliance Requirements for IETNOs

IETNOs must comply with specific standardization requirements to maintain their grid connection. One of the most critical is the conversion of incoming transmission lines from a "Tee-Off" configuration to a "Turn-In, Turn-Out" configuration. This architectural shift prevents a fault within a private substation from causing a trip on the main transmission line, thereby improving localized reliability.

Furthermore, private operators must ensure that their load is designed to operate at close to unity power factor, with a minimum requirement of 0.95 at the connection point, in accordance with Section 16.7.2 of the Grid Code. To meet this, Private Transmission Substation Owner (PTSOs) must deploy shunt capacitors on the customer side of the Point of Interconnection (POI), though this deployment must be approved by NISO to prevent transient voltages or resonance conditions.

To meet the necessary compliance standards, the project must adhere to a comprehensive set of operational requirements across five key categories. Primary technical mandates include the implementation of protection systems specifically interoperable schemes coordinated with grid-level relays and the automation of facilities through the installation of Remote Terminal Unit (RTU) or Substation Automation System (SAS) units with direct SCADA links to TCN substations. To maintain grid stability, the system must utilize load shedding capabilities via Automatic Under-Frequency (UFLS) and Under-Voltage (UVLS) relays. Furthermore, the framework necessitates rigorous reporting through monthly operational and reliability filings to NISO, and a dedicated personnel requirement of at least three COREN-registered experts specializing in TSO, PM&C, and O&M.

## Future Outlook: Efficiency Targets and Energy Transition

The government is also drafting new rules that would allow homes and businesses with solar panels or small wind turbines (between 50kW and 5MW) to sell their extra electricity back to the grid. This means a factory or estate with solar panels could become a mini power supplier and get paid for it.

This is good news for industrial areas that currently spend a fortune running diesel generators. However, experts warn that if renewables make up more than 30% of the grid, it could cause instability so investments in battery storage and smart grid technology will be essential.

## Strategic Recommendations

For Nigeria to finally move from paperwork to actual, reliable power, four things must happen:

1. **Modernise the grid.** Install proper monitoring and control systems so operators can detect and fix faults before they cascade into nationwide blackouts
2. **Solve the gas payment crisis.** Use the N4 trillion bond strategically to clear arrears and ensure gas companies get paid on time, so power plants can run at full capacity
3. **Align state and federal electricity rules.** As more states develop their own electricity markets, they must connect smoothly with the national grid to avoid confusion
4. **Enforce the new private substation rules.** NISO must ensure that private operators genuinely comply with the new standards, turning what were once stability risks into properly managed assets

## Conclusion

Nigeria has the infrastructure, the regulations, and now the institutional framework to fix its power crisis. What is missing is execution especially on the financial side. Every year of unreliable electricity costs Nigeria an estimated \$29 billion in lost economic activity. The tools are in place. The question is whether the sector can finally use them.

## 2. A review of the Amended Order on the Reimbursement of Meter Costs - Order No. NERC /2026/025.

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### Introduction

If you paid for an electricity meter out of your own pocket under the Meter Asset Provider (MAP) programme, you are entitled to get that money back. That is the core promise at the heart of Nigeria's electricity metering policy, and it is a promise that, for many Nigerians, has not been kept.

On 27 February 2026, the Nigerian Electricity Regulatory Commission (NERC) issued Order No. NERC/2026/025 the Amended Order on the Reimbursement of Meter Costs. This Order took effect from 1 March 2026. It is a regulatory intervention designed to correct the persistent failure of electricity distribution companies (DisCos) to properly reimburse customers who procured meters under the MAP and National Mass Metering frameworks. This article breaks down what the Order says, why it was issued, and what it means for you as an electricity consumer.

### Background: What is the MAP Framework?

Under the Meter Asset Provider and National Mass Metering Regulations 2021 (MNMMR), DisCos were empowered to deploy meters to unmetered customers through licensed Meter Asset Providers. Customers who needed meters could procure and pay for them upfront. Because it would be unfair to make customers permanently bear the full cost of metering infrastructure that primarily benefits the DisCos, the regulations required DisCos to reimburse customers over time in monthly energy credit instalments spread across an approved repayment period. Think of it as a refund paid not as cash, but as free electricity credits on your meter each month.

In 2023, NERC issued its first Order on meter cost reimbursement (Order No. NERC/2023/001), extending the reimbursement period from 36 months to 120 months (10 years), considering both the financial standing of DisCos and the 10-year average useful life of meters. Unfortunately, compliance with this extended repayment framework was deeply inadequate.

## What Went Wrong? The Compliance Gap

In February 2026, NERC reviewed DisCo compliance with the reimbursement obligation. The findings were alarming:

- DisCos had a combined outstanding reimbursement liability of N20.33 billion as of 31 December 2025.
- There had been widespread delays and deficiencies in implementing the reimbursements, confirmed by a high volume of customer complaints received by the Commission.
- Many customers had no idea they were owed money or could not confirm whether credits were being applied to their accounts.

This level of non-compliance undermined customer confidence and eroded trust in Nigeria's electricity sector. The Amended Order was NERC's direct response.

## What the Amended Order Provides

The Order has two core objectives: (i) fix the reimbursement process going forward; and (ii) fast-track recovery of the N20.33 billion that was not previously paid. The key provisions include:

### A. Full Automation of Reimbursements

DisCos must fully automate MAP meter reimbursements on customer accounts. From the moment a MAP meter is activated, the total cost of the meter must be recognized as a credit on the customer's account and automatically disbursed as monthly credits over the approved 120-month amortization period. This removes human discretion and ensures no customer is missed.

### B. Reimbursements Cannot Be Used to Clear Old Debts

DisCos are expressly prohibited from offsetting meter reimbursement credits against a customer's legacy debts. Your reimbursement and your debt to the DisCo are separate matters and must be treated independently. A DisCo cannot quietly apply your meter refund against what you already owe.

### C. Monthly Reimbursement Tokens for Prepaid Customers

If you have a prepaid meter, your DisCo's billing system must automatically generate a reimbursement token by the 4th day of every month. This token will carry energy value equivalent to your monthly entitlement. It will be sent to your registered phone number and email address. The communication must also state: the original cost of your meter, total credits applied to date, and the outstanding balance.

## D. Separate Credit Line for Postpaid Customers

For postpaid customers, the monthly reimbursement must appear as a distinct line item on your bill clearly subtracted from your total payable, shown in Naira terms. Your bill must also show the original meter cost, total credits applied, and outstanding balance.

## E. Fast-Tracking the N20.33 Billion Backlog

For customers who were not reimbursed as of 31 December 2025, DisCos must accelerate recovery of the outstanding amounts over a 12-month period from 1 March 2026:

- Prepaid customers will receive two (2) tokens per month, one regular reimbursement token and one additional token for the arrears during the 12-month catch-up period.
- Postpaid customers will see two MAP reimbursement deduction lines on their monthly bills one for regular reimbursement and one for the catch-up instalment.

## Accountability and Oversight Mechanisms

The Order introduces two important accountability measures:

- **Monthly Compliance Reports:** All DisCos must file monthly reports with NERC detailing the total monetary value of reimbursements made to customers, using a Commission-approved template.
- **Dedicated Complaints Email:** Every DisCo must set up a dedicated email address for customers to report non-receipt of reimbursements. Complaint details and resolution status must form part of the monthly reports submitted to NERC.

These measures create both a regulatory paper trail and a formal escalation channel for affected customers.

## What This Means for You as a Customer

If you purchased a meter under the MAP framework, here is what you should know and do:

- **You are entitled to monthly reimbursement credits.** These should now come automatically you do not need to request them.
- **Prepaid customers:** Look out for two tokens monthly from your DisCo during the 12-month catch-up period, and one regular token thereafter.
- **Postpaid customers:** Check your monthly bills for clearly identified MAP reimbursement deduction lines.

- If you do not receive your reimbursements, write to your DisCo's dedicated complaints email. This is now a regulatory requirement.
- If your DisCo fails to respond or resolve your complaint, escalate to NERC directly.

## Conclusion

The Amended Order on the Reimbursement of Meter Costs is a welcome and necessary regulatory intervention. It translates a longstanding obligation into a concrete, time-bound, and automated process. By mandating full automation, prohibiting the offsetting of credits against debts, requiring transparent billing, and creating structured catch-up schedules for arrears, NERC has significantly strengthened consumer protection in the metering space.

However, the effectiveness of the Order ultimately depends on DisCo compliance, and compliance depends on sustained monitoring, enforcement, and customer awareness. Nigerians who paid for their meters deserve their refunds. The Order gives them the tools to claim those refunds.

# Renewable Energy Sector

## 1. A Review of Developments in the Nigerian Tax Act 2025 in Relation to the Renewable Energy Sector (Incentives Et Al.)

### Introduction

The enactment of the Nigeria Tax Act 2025 represents the Nigerian Government's most direct legislative intervention in the economics of clean energy deployment to date. Signed into law on 26 June 2025, the Act consolidates and reforms Nigeria's tax statutes into a single, cohesive framework, with effect from 1 January 2026.

For the renewable energy sector, its significance extends well beyond administrative consolidation as the Act deliberately aligns Nigeria's internal revenue architecture with its obligations and ambitions under the Nigeria Energy Transition Plan (ETP), which sets out a pathway to net-zero emissions by 2060.

The NTA 2025 employs the full range of available fiscal instruments including levies, exemptions, reclassifications, and incentive credits in a coordinated manner that, taken together, alters the relative economics of fossil and renewable energy in Nigeria in a material way.

### Fossil Fuel Surcharge

Section 159 of the NTA 2025 introduces a 5% surcharge on chargeable fossil fuel products produced or supplied in Nigeria, levied at the retail price level. This surcharge applies to petrol and diesel in commercial and industrial supply chains. Household kerosene and cooking gas (liquefied petroleum gas and compressed natural gas) are excluded from its scope.

The importance of the surcharge to the renewable energy sector is the statutory pronouncement that renewable energy products are exempt from the surcharge. This creates a legislated price differential between fossil-derived and clean energy at the point of supply.

For large-scale industrial and commercial energy consumers, the fiscal balance has shifted in a measurable way. The surcharge increases the effective operating cost of gas-based power generation, directly shortening the payback period for investment in solar, wind, biomass and other qualifying clean energy technologies.

From a transactional standpoint, the surcharge introduces a new cost variable in energy offtake agreements, power purchase agreements (PPAs), and long-term supply contracts where the counterparty is a thermal or gas-based generator.

## **The Economic Development Tax Incentive**

The most far-reaching structural change introduced by the NTA 2025 is the abolition of the Pioneer Status Incentive (PSI) under the Industrial Development (Income Tax Relief) Act and its replacement with the Economic Development Tax Incentive (EDTI).

The distinction between the two regimes is a very important one. The PSI provided a blunt instrument granting a full corporate income tax holiday for an initial period of three years, extendable to five; rewarding presence, not performance.

The EDTI on the other hand is calibrated differently. It provides an annual tax credit of 5% of Qualifying Capital Expenditure (QCE) for up to five years and a maximum credit of 25% of the QCE over the full incentive period. Unused credits may be carried forward for a further five years before lapsing. The EDTI focuses on rewarding investment in qualifying assets, not merely the decision to incorporate in a given sector.

Critically, Renewable Energy is designated as a Priority Sector and is provided with an incentive horizon of up to 20 years for the operation of electricity generation, transmission, and distribution facilities using renewable sources. The EDT incentive aligns with the actual technical lifecycle of energy infrastructure assets, providing two decades of fiscal predictability across the full productive life of a project.

## **Conclusion**

The Nigeria Tax Act 2025 is a coherent fiscal framework for Nigeria's energy transition. By combining punitive instruments such as the fossil fuel surcharge with enabling provisions like the EDTI credits, the Act creates a favourable legislative environment for renewable energy investment in Nigeria.

From a legal and transactional perspective, the NTA 2025 shifts the analysis in project finance, PPAs, and investment structuring in ways that practitioners must now incorporate as standard. The policy lock-in provided by the Act materially enhances the bankability of renewable energy projects in Nigeria and expands the pool of institutional capital for which such projects qualify.

## 2. The Federal Government Issues First Article 6 Authorisation, Advancing Nigeria's National Carbon Market Framework

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### Introduction

In a landmark move for green financing and climate action, the Federal Government of Nigeria, through the National Council on Climate Change (NCCC), has issued its first Letter of Authorisation (LoA) under Article 6 of the Paris Agreement. The authorisation, granted to Africa's leading clean cooking company, BURN, marks a pivotal moment in Nigeria's effort to integrate into the global carbon market.

The authorisation allows BURN and its financial partners, including Key Carbon, to generate and internationally transfer 5.2 million carbon credits. These credits are slated for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSI A), a global initiative designed to offset emissions in the aviation industry.

### What is a Letter of Authorisation (LoA) Article 6 of the Paris Agreement?

Under Article 6 of the Paris Agreement, a Letter of Authorisation (LoA) is a sovereign instrument through which a host country approves a mitigation project and authorises the international transfer of its resulting emissions reductions as Internationally Transferred Mitigation Outcomes (ITMOs). This approval enables the credits to be used in compliance markets, including schemes such as CORSI A, rather than being confined to voluntary markets. Critically, the LoA also commits the host country to apply a corresponding adjustment, ensuring that exported emissions reductions are deducted from its national inventory and not double-counted, thereby preserving the environmental integrity of the transaction.

### Strengthening the National Carbon Market Framework

This development serves as a critical validation of the newly established Nigerian National Carbon Market Framework (NCMF). The NCMF aims to establish a comprehensive regulatory framework that reduces greenhouse gas emissions while driving sustainable economic growth and job creation. It is designed to build investor confidence and attract clean energy investments by clearly defining institutional roles, ensuring the transparent generation of high-integrity carbon credits, and resolving key fiscal considerations such as taxes and subsidies. Ultimately, these structured mechanisms will facilitate carbon financing and generate the revenue necessary to meet the country's conditional Nationally Determined Contributions (NDCs) and broader Paris Agreement commitments.

## Expanding Clean Cooking and Driving Climate Action

At the core of this authorisation is a sweeping initiative to tackle one of Nigeria's most pressing climate and public health challenges: the widespread reliance on traditional biomass fuels. Currently, an estimated 80% of Nigerian households depend on firewood and charcoal for daily cooking, contributing heavily to indoor air pollution, severe deforestation, and rising greenhouse gas emissions.

By leveraging carbon finance, BURN is distributing fuel-efficient cooking appliances; including LPG and advanced biomass stoves across the country. These subsidised, modern cooking solutions drastically cut fuel consumption, lower household energy expenses, and improve the health and safety of families.

## Conclusion

While the immediate impact of Nigeria's first Article 6 Letter of Authorisation (LoA) is concentrated in clean cooking and biomass efficiency, its broader significance lies in the financial architecture it establishes for renewable energy deployment. By successfully navigating the regulatory requirements of the NCMF and authorising approximately 5.2 million carbon credits for international transfer to the CORSIA, the Federal Government has delivered a critical proof of concept under Article 6 of the Paris Agreement.

This milestone sends a clear signal to global investors that Nigeria now operates a functional, transparent, and internationally credible carbon market framework. With the regulatory pathway effectively tested, carbon credits transition from a theoretical instrument to a bankable asset class, capable of attracting hard-currency climate finance. In practical terms, this establishes the financial infrastructure required to channel international capital into renewable energy projects, mitigating investment risk, and accelerating the deployment of solar, wind, and hydroelectric capacity across Nigeria's power sector.



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