KEYNOTE SPEECH DELIVERED BY HONOURABLE MINISTER OF POWER, WORKS AND HOUSING, BABATUNDE RAJI FASHOLA, SAN AT THE EUROPEAN UNION- NIGERIA BUSINESS FORUM 2016 HELD AT THE EKO HOTEL ON 10TH NOVEMBER 2016

Ladies and gentlemen:

Although this year's event is tagged "**Harnessing Nigeria's potential for economic growth,**" I have been invited to speak at this panel, which I'm told is the first, titled **"Financing opportunities in the Nigerian power sector."**

Before I delve into my panel subject, kindly permit me to preface my intervention with a few comments about economic growth.

I think it is important, because of some of the emerging distortions about how the Nigerian economy grew in the last few years, and some claims of benefits or credit for that Growth.

Let me be clear that nothing can be further from the truth than any person seeking to claim any substantial credit for that period of about 5% to 7% growth.

The growth or the substance of it cannot be credited to any overt act or economic policy.

They happened in spite of the lack of coherent economic theory.

The globally accepted drivers of growth are infrastructure and sound economic policies.

Where are the completed power plants, the completed rails and road projects and bridges, steel plants and related infrastructure?

The evidence that abounded, which was reported at the time, were thousands of uncompleted projects at the best or abandoned projects at the worst.

They are the roads and power projects that were not budgeted for or funded, that resulted in the lack of payment to contractors since 2013 and massive job layoffs.

These are not indices of growth; at least not in a sustainable way.

The growth that was recorded came from income from sale of crude oil and the attendant price hikes. All oil producing countries enjoyed it while the boom lasted and those who invested in infrastructure are coping well in what is now a very harsh global economic winter.

Those who did not invest wisely are struggling to cope with the harsh winter while waiting for the arrival of a better spring.

It is fair and true to concede the attempt of economic policies to drive local content in the oil industry, but the evidence on the ground points largely to a foreign domination in the technological and productive areas of this industry while services have accommodated local content participation.

In effect, foreign content controls the production, and by extension the growth, while allowing local content to take some of the byproducts of the benefit.

Some of the real area of local growth has been in the entertainment industry which has happened in spite of any coherent government policy by sheer entrepreneurship of the operators.

This said, I think it is clear now, why we must get Power right in order to provide a critical infrastructure to drive growth.

I will therefore start my intervention, by acknowledging the support of the European Union towards developing our infrastructure.

In particular, they have recently briefed me at a meeting about the possibility of financial grants to support our power initiatives, and we are hopeful that we can access the grant and deploy it to support our rural electrification program and increase access to electricity, support education, and agriculture.

But the money or grant on its own will not solve the problem. There must be a plan, program or project ready to be financed or implemented to make that financing impactful.

We have such a plan.

Mr. President has approved our Rural Electricity implementation program.

Its major anchors are our Universities and small Hydro dams which are largely in the rural areas.

We have completed the energy audits of 44 (FORTY FOUR) tertiary institutions, made up of 37 universities and seven teaching hospitals.

We intend to deploy 37 (THIRTY SEVEN) independent power plants to supply all of them.

They will be made up of 9 (NINE) gas plants and 28 (TWENTY EIGHT) solar plants to generate 120 MW of energy, to replace 1,105 generators that are generating 210 MW of inefficient and unclean energy.

The preliminary costs emerging from our plan is in the region of **$150 million** to cover capex, operations and maintenance.

This is only an example of what money can do, and where to inject finance, and where opportunities lie (which is what I have been invited to speak on) .

Before I go into more detail it is important to reiterate that the power sector has been privatized and this has implication for where to deploy financing and I will explain.

First by privatization, government has expressed intention to let go of power generation and power distribution, while retaining transmission, through the Transmission Company of Nigeria (TCN).

So, TCN will be a good place to invest money if they develop a bankable plan which I am supervising them to do.

However, the Ministry of Power is no longer responsible for generating or distributing power unlike in the days of PH CN.

So the hundreds of proposals sent to the Ministry of Power, Works and Housing on a daily basis to generate power by coal, gas, biomass, Solar etc. are with respect misplaced and misdirected.

While I hope it will be appropriately directed in future, I am currently ensuring that they are all forwarded to the appropriate organs and agencies who now have responsibility for them in the advent of privatization.

For the purpose of clarity and understanding, the role of the government, through the Ministry of power works and Housing is now policymaking, regulation, coordination and consumer protection.

Policy - Energy mix; safety of energy, governance (Ministry)

Regulation- Nigerian Electricity Regulatory Commission (NERC), licenses, Disco and Genco Monitoring and Sanctions. Tariff setting.

Safety - Nigerian Electricity Management Service Agency (NEMSA). Quality of installations, certification of equipment and standards, meters etc.

BPE - Governance.

NBET - Tariff negotiation and consumer protection. Solar tariff; coal tariff (still problematic). Guarantee of income during transition and Electricity Bulk Purchaser.

TCN - Transmission grid management and expansion.

With this background, I will proceed to now indicate possible opportunities for financing, because the industry clearly requires financing and liquidity stability.

Apart from agencies like the Niger Delta Power Holding Company (NDPHC) that is completing outstanding government power projects started before the privatization was concluded, the opportunities for financing and investment lies in the following places:

1. **Distribution Companies-** Funding supply of meters, upgrading distribution equipment like transformers, ring mains units, feeder – are required to ensure that power reaches their consumers; investment in equity to inject operational funds into them.

2. **GENCOs** - As for the generation companies they require funding especially in foreign exchange to acquire turbines, parts and accessories which are largely not made in Nigeria, to deliver power plants, maintain damaged ones and replace accessories.

3. **Gas suppliers** - require investments to extract and process gas from gas and oil wells to build out pipelines, install meters and other accessories to supply gas to existing power plants like Geregu I and II, AES, Omotosho and a couple of others that yet do not have their full complement of gas supply.

4. **TCN** - Transmission Company of Nigeria will benefit from financing of its grid expansion program if she presents a detailed prospect plan that demonstrates investment need and return potential. She will also benefit from investment in local galvanized steel companies and local transformer and cable companies to supply her project implementation inputs.

5. **Solar, Coal, and Other Suppliers**- require investment to finance acquisition of photovoltaic panels, heavy duty equipment and related machines not made in Nigeria.

6. **NBET** - For now, NBET plays a stabilizing role as bulk power purchaser and guarantor of payment for all operations by signing power purchase agreements with power providers. It is planning to raise a bond which I encourage investors to buy into especially because it is a government owned company.

7. **Rural Electrification Fund** - Provided for under Section 88 (12)(c) which provides for "...donations, gifts or loans made by international agencies...or ...businesses" is another opportunity for financing.

8. **Meter manufacturing companies in Nigeria. Transformer manufacturing companies. Cable manufacturing companies. Galvanized steel manufacturing companies.** - Are in need of foreign exchange to acquire some of their raw materials to enable them supply and support the industry with products made or assembled in Nigeria, in order to drive growth.

9. **NAPTN (National Power Training Institute) -** Is the skill developer institution. They recently advised me that they have completed the training of 500 graduates for house wiring and installation of electrical appliances. Training means nothing if they do not lead to jobs, such as them being employed to wire houses, and other places, install equipment like meters and earn income from it. This is the path to growth.

Ladies and gentlemen, this list of possibilities and opportunities is not exhaustive. It is only indicative.

However, let me be clear that the problem is not a lack of investment appetite.

Rather, it is directing investment to the right places based on a clear understanding of how the privatized industry now operates and where what they need.

As for what they need, this can only evolve by dedicated planning for project implementation, clear bills of quantities and a detailed implementation program.

Finally, I will like to weigh in on some reports where there are calls allegedly being made for us to " Revisit the privatization".

While I would love to have some more clarification about what is meant by "Revisit", let me be clear that we would probably not be here talking about financing opportunities in power, without privatization.

If " Revisiting " means that we should cancel the privatization it is a negative signal to investors that we do not respect contracts and I do not support it.

If revisiting means that the operators should allow more investors into the business I am for it but with the caveat that it has to be done within the Rules of Contract, negotiation and possibly arbitration.

If it means that we should hold the operators to their agreements , I am in full support ; and the ministry is fully supporting NERC the regulator , to develop verifiable parameters of ranking, compliance and sanctions , that will stand the test of objectivity.

Thank you for listening.

Babatunde Raji Fashola, SAN
Honourable Minister of Power, Works and Housing

Thursday 10th November 2016