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8. Energy Sector of Nigeria's Economy, 1999-2009: An Overview

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Introduction

For too long now, and indeed since independence, the problem of Nigeria's development anchors on areas such as poor infrastructure – energy, roads, railways, communication, poor planning and policy implementation among others. A functional infrastructural base of a nation is the backbone or the economic axis on which a nation's economy operates. The concern of this chapter is on the energy sector vis-à-vis power. There are various forms of energy for power generation. These range from solar energy, nuclear, and biomass etc. For Nigeria, the aspect of energy that is a topical issue is electricity and its generation since 1999-2009 within the control and supervision of the federal government.

Power is perhaps the engine or nucleus in which the economy evolves. The production of goods and services as well as information dissemination at whatever scale, are all dependent on the availability and reliability of energy supply. For instance, Akaeze (2009) posits that power (electricity) affects virtually everything, "...Our chain of activities here rely on power, from sterilizing equipment to the gadgets ... as well as the general comfort of patients. Our hospitals cannot function without power". Iyela (2008) quoting Sambo argued that power is an essential input to all aspects of modern life. That it is the life wire of industrial production, the fuel for transportation as well as for the generation of electricity in conventional thermal power plants. In the same vein, Ekpu (2008) puts it thus:

Energy is important for everybody, the housewife, the office worker, the industrialist and the pepper grinder.

Without energy, your foodstuff gets rotten in the refrigerator, your clothes cannot be ironed, your drinking water become oven-hot, your factory grinds to a halt, your industries fold up, the unemployment queue lengthens, prices of goods and services go up and everybody trips on the staircase and falls.

Ekpu's contribution summarizes the need for power. The energy problem in Nigeria has been and is still in comatose in spite of the huge capital invested into it.

The energy problem has been a bane to Nigeria's economic development. For instance in the manufacturing sector, in 2007, the National Bureau of Statistics posited that the manufacturing sector contributed only 4.03 of the Gross Domestic Product GDP, while agriculture, oil and gas contributed 42.01 percent. One of the causes identified for such poor performance in the manufacturing sector was the high cost of energy (Odor, Obi, Ukaegbu 2008).

According to Sam Ohuabunwa, chairman of the Nigerian Economic Summit Group and managing director/CEO, Neimeth Pharmaceutical Plc, the cost of doing business in Nigeria is high as a result of unavailability of power. That the high cost of energy is driving the cost of production, and as it drives cost high in an impoverished economy such as Nigeria's, demand will fall and when that happens, capacity utilization will fall as well. He also added, that the global competitiveness of products depends on the marginal price one can offer. He summarizes it thus:

... when we talk about global competitiveness in totality, cost vis-à-vis value and when we have cost of doing business going high as it is in Nigeria, it reduces the ability to compete at the international market, because if you make your product to highest quality and nobody buys it, that is as well as a wasted endeavour (Odor; Obi, Ukaegbu, 2008).

In August 2008, it was reported that individuals in the informal sector of the economy and some companies could no longer stay afloat, and so were forced out of business. Some companies relocated to neighbouring African countries. In

this connection, companies that relocated were in the industrial nerve centre of Kano-Sharada, Bompai and Challawa in Kano state. Following the development, about three million people lost their jobs (Adekeye 2008). In the same August, 2008 Dunlop Nigeria Plc downsized operations and over 300 workers lost their jobs because of high cost of diesel and gas to power their generators. Michelin plant in Nigeria relocated to Ghana in the West Africa sub-region and hundreds of Nigerians young and old lost their jobs (Odor, Obo, Ukaegbu, 2008). It is argued that more companies may leave Nigeria if the power crisis persists (Awoyinfa, 2009).

The job losses meant a lot for national development. It has created unexpected social problems to most homes or families. There is also a linkage effect between gainful employment and economic development. In the same corollary, if some companies are relocating to the neighbouring countries because of energy problems, it is discouraging further foreign investment in the country. Then the question is, where lies the hope and vision for the much touted Vision 2020? Adebayo Odebiyi, the vice chancellor of Achievers University, added that Nigeria loses an average of 1,000,000 highly qualified workers yearly to erratic power supply (Adekeye, 2008).

However, owing to fluctuations and outages in PHCN operations most companies usually run at a loss. For instance Dunlop complained that she lost ₦251 million in 2004 when power outage was 316 or 296 hours; that the number of outages rose to 405 in 2005, 533 in 2006 and 631 in 2007. That for a year's outage the company usually lost as much as ₦500 million during production. The loss of millions of naira during production meant that the cost is transferred to the consumers. This translates to increase in the price of goods and services in the market. With an already poor economy the consumers struggle to patronise made in Nigeria goods and the economy suffers (Odor, Obi, Ukaegbu, 2008).

Energy Situation in Nigeria before 1999

Before 1999 Nigeria had seven power generating stations, which comprised four thermal and three hydro stations. The

thermal stations are Afam, Egbin, Ughelli and Egbeda, while hydro are Kainji, Shirorro and Jebba. The thermal and Hydro stations have a combined installed capacity of about 6,000 megawatts, MW, interconnected by a network of 5,000 kilometres of 330 kilovolts, KV, and 6,000 kilometres 132 KV transmission lines. As at May 1999, at the peak period it only generated 1,600 MW. Of the 79 generating units, only 19 were in operation. The reason for the low output generation was that, they have suffered significant deterioration in output due to age. The units are between 30 and 43 years old. For instance, after the overhaul and replacement of relevant parts, they could only generate 3,774 MW in August 2005. In 2007, it dropped to 2,800 MW and in 2008 it further dropped to 1680 MW (Akpan, 2008). Such low generating capacity tends to slow down the economy in all ramifications, and contributes to high inflation because of the use of private power (mainly from generating sets) by industries and artisans (Ajanaku, 2007; Adekeye, 2009). It should be noted that the global standard per capita electricity consumption per person is 2,500 KW per hour.

However, between 1999 and 2005 when Obasanjo's administration came on board, no new power plant was constructed. The existing ones were left to further deteriorate despite the great need for power for economic and private purposes in the country. The reasons advanced for a non-functional energy sector were corruption, absence of proper systems planning, high technical and non-technical losses, tariff structure, inaccurate billing and poor revenue collection (Ajanaku, 2007). Besides, the power sector witnessed poor funding from the government especially during the military era. For instance, though a little above \$300 million was spent in the power sector in 1979, funding did not go beyond \$30 million in later years (Iyela, 2008). Failing energy sector has affected the economic status of Nigeria such that it now ranks among the poorest nations in the world (Adeoye, 2009).

Efforts by Government at Revitalising the Energy Sector from 1999-2009

The dismal performance of the power sector moved the new administration to action. The deterioration has to be tackled and the system overhauled. In this connection, eight new plants were installed and commissioned in Afam and Ughelli and 18 units were rehabilitated. By August 2003, the power output appreciated, this shot generation to 3,479 MW. However, these developments were heavily punctuated by the activities of Niger Delta militants. The militants blew-up the Warri North-Escravos axis of the Escravos-Lagos pipeline system, which supplies 140 million standard cubic feet of gas which in turn supplies gas output required to fire the Egbin power station in Lagos. Such attacks adversely affected the efforts to stabilise the power sector. The Egbin turbine provides 1320 MW (Ajanaku, 2007).

Also, in March 11, 2005 the government signed into law the Electric Power Sector Reform Act. The aim was to deregulate the power sector thereby decentralizing the generating, transmitting, distributing and marketing of electricity. In this connection, the National Electric Power Authority was unbundled into eighteen different bodies. With its inauguration, a new company, Power Holding Company of Nigeria, replaced NEPA. The PHCN is expected to carry out its business and fulfill all its obligations and functions as provided for in the Electric Power Reform Act.

Nonetheless, the Obasanjo administration rehabilitated and built new power stations. The construction of others by the Yar'Adua administration is in progress. The new power stations when constructed are expected to add 7,600 MW to the national grid. Some of the new power stations include Papalanto in Ogun state, which is expected to produce 335 MW, Omotosho power plant in Ondo state has installed capacity to produce 335 MW. The Geregu power plant in Kogi state is expected to generate 414 MW and the Ikot Nyong power station in Calabar, Cross River state can generate 561 MW (Adekeye, 2008; Iyela, 2008). There are other upcoming power

stations i.e. Egbema in Imo state, 336 MW, Eyaen 451 MW, Omoku in Rivers state, 230 MW. Sapele in Delta state to generate 451 MW, Ikot Abasi in Akwa Ibom, 300 MW, Gbarian/Ubie in Bayelsa state, to generate 225 MW.

In addition, some states and multinational companies have built Independent Power Plants (IPP) which have been commissioned in various stages. These plants are Ibom Power Plant in Akwa Ibom state, 188 MW; Omoku in Rivers State, 150 MW; Obajana in Kogi state, 350 MW; Chevron in Lagos, 780 MW; Agip in Bayelsa state, 480 MW. In all, the nation has 29 IPPs licensed between 2005 and 2007. They are expected to contribute 10,271 MW when all are operational. In 2005, government began the construction of a gas turbine in Umuobasi Ukwu Village, Abia State. When completed, it is expected to contribute 126 MW of electricity into the national grid.

However, the amount spent on power project during Obasanjo's administration became a vexed issue recently. It was laid to rest, and agreed that the power sector gulped \$5 billion dollars; while Rural Electrification and Presidential Steering Committee on National Integrated Power Plant (NIPP) took \$455 million and \$3.08 billion dollars respectively (Adekeye and Ero, 2009).

In 2008, Yar'Adua's administration set up a task force to complement Obasanjo's effort. Tagged "Presidential Committee on Accelerated Expansion of Electricity Infrastructure" (PCAEE), the committee is tasked to deliver 6,000 MW to consumers by mid-2010 and end of 2011, with the hope that funds would be made available (Adekeye, 2009).

With the PCAEEI, the following is expected from the government.

- a) appropriate structure for managing and maintaining the assets in the power sector to avoid further deterioration of existing asset base.
- b) the federal government enter into long-term service agreement with the manufacturers of all imported power equipment.

- c) the federal government put in place a national training scheme for electricity workers.
- d) the federal government to install up-to-date metering for power consumption to ensure that revenue is accounted for and collected (Adekeye, 2009).

In another perspective, the Yar'Adua administration is currently building a 600 MW capacity hydroelectric power project in Zungeru, Niger State.

Conclusion

This chapter examines the energy sector of the Nigerian economy from 1999 to 2009 with particular reference to the power sector. The power sector is the foundation, and indeed the axis on which the economy hinges. It is very unfortunate that the sector has deteriorated over the preceding years with negative implications for the nation's economy. Efforts of the government to revive the sector are quite commendable. However, there is need for government to diversify sources of energy in the country by utilising energy sources such as solar energy and biomass. Government too, as a matter of urgency, should partner with the private sector in the prosecution of the projects in the power and energy sector in the country. There should be adequate funding of the sector because it is capital intensive. Loopholes should also be plugged against corruption in the system. Effective service delivery is what is needed in the sector, in this connection PHCN should embark on aggressive debt recovery from individuals, government and companies to achieve the aim. Government should also exercise its political authority in ensuring that the power sector is revitalised and made functional.

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