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## Energy Crisis in Nigeria: A Golden Way for Building Other African Economies with Particular Reference to Ghana in the 21<sup>st</sup> Century

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### ABSTRACT

Structurally, functional infrastructural facilities are one of the stimuli for the development of any nation. For long, Nigerian has been experiencing energy crisis, with negative impact on the national economy. Power is perhaps the infrastructural axis in which economy revolves. Towards the beginning of this century, the power situation in Nigeria deteriorated each passing day forcing productive industries to generate private power through the use of generators. The production cost become too burdensome to bear and often times resorted to huge losses. This was as a result of persistent power outages, closure of businesses etc. Some African countries especially Ghana then, and even now, are doing well in the power sector. In this connection many industries in Nigeria have since relocated and some are planning to relocate to Ghana and elsewhere. Besides power, it is also contended that other environmental factors such as security, good tariff regime are favourable to business development and growth in Ghana. The paper therefore examines the impact of the power crisis in Nigeria and the benefits the Ghanaians are deriving from this crisis. It concludes that Nigerians are suffering economically and socially. The movement of key industries to Ghana have increased the unemployment ratio in Nigeria, reduced the level of taxes to states; these and others have generated social and insecurity problems and aggravated underdevelopment. Ghanaian economy is receiving a boost and potentials for growth at the expense of Nigeria caused by ineptitude of Nigerian leaders.

### INTRODUCTION

The power supply situation in Nigeria has been worrisome for years since independence in 1960. The ability of any nation to meet its energy need can be used as a test for measuring the level of its economic development. There are various forms of energy for power generation. This range from solar,



nuclear, thermal, biomass etc. Energy here as a topical issue for discussion is electricity and its generation since 1980 and now.

Power is the centre of life of any economy. Everybody needs energy. 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. Today, the power situation is in such a bad shape that it is a source of concern to electricity consumers in Nigeria. Power generation dropped from 140 megawatts in 1996 and rose 3,000 megawatts towards the end of 2006 and dropped to 1900 megawatts in 2009. This unexplainable nose-dive of the power generating abilities of Nigeria, a country adjudged to have the highest electricity generation potential in Africa, owing to about 188 trillion cubic metres of natural gas reserve, the 8<sup>th</sup> largest in the world and enough associated gas potential to power giant thermal stations, is lamentable and regrettable (Asuelimen, 2007; Olugu, 2009).

Nigeria's associated power generating capabilities are enormous. There are five thermal stations in the country: a 40 megawatts in Ijora and a 1320 megawatts in Egbin, both in Lagos State. Others are the 1020 megawatts in Sapele and a 912 megawatts in Delta, both in Delta State and a 969.6 megawatts in Afam, Rivers State. There are also three hydro-power stations in Nigeria. They include the 760 megawatts Kainji Dam in Kwara State, 578.4 megawatts Dam in Jebba and 600 megawatts in Shiroro in Niger State (Asuelimen, 2007) of all these, power is still a problem. Neo Thomas, a South African energy expert quoted by Adebayo puts thus:

Energy is the most important entity which allows society to function. Its availability is prerequisite for the production of goods and their consumption... Electricity could be said to be the unsung hero among these services that help make our daily lives a bit easier. A comparative statistics on electricity will reveal we cannot live without it in today's world. A substantial decrease in electricity provision shortens working hours which in turn decreases business profits that eventually leads to increase in unemployment.

Neo Thomas summarises the need for adequate energy supply in any nation that worth sovereign. Energy problem in Nigeria has been and is still in Comatose in spite of the huge capital sunk into it. Countries such as Malaysia and Singapore that had independence range with Nigeria are doing quite fine and are able to turn their economies round. Today, these countries fall in the group of newly industrializing nations, almost being in the comity of first world countries. Even Ghana, the tiny West African Country celebrated ten years of non-power interruption two years behind.

Energy problem has been a bane to Nigeria's economic development. For instance, in the manufacturing sector, in 2007, national bureau of statistics posited that the manufacturing sector contributed only 4.03 of Gross Domestic Production (GDP), while agriculture, oil and gas contributed 42.01 percent. That the expectation was dismal. That one of the causes of such poor performance 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 energy cost 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 marginal price one can offer. He summarises 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).

However, that is translated to mean high cost of living. Apart from Zimbabwe that is a failed State Nigeria is the most expensive nation on earth after Norway. In the case of Norway it is a nation that pays the highest wage for labour in the world (Akpan, 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 are forced out of business. In this connection, some companies were relocated to neighbouring African countries. The companies include Peterson Zochonis, PZ, Coca-Cola, Cadbury Nigeria Plc, Nestle Plc, Dunlop and Michelin Plc have relocated to Ghana. Some other companies are on their way out to Ghana or any other African nations. For instance, the brewing giant that has been doing business in Nigeria for over thirty years, Guinness, has almost completed its Ghana Plant (Abimboye, 2009; Ogunbayo, 2009; Kolade-Otitoju, 2009). Apart from those companies that have relocated to Ghana, other companies have folded up, sacking millions of people, these include Intercontinental Textile Industry, First Spinner Limited, Bhoju Textile Mill, Fahibdayekh and Co. Limited, Kano. Atlantic Textile Mill, Lagos, United Textile Mill, Superflex, Kaduna Textile Limited all in Kaduna etc (Abimboye, 2009). It is argued that more companies may leave Nigeria if the power crisis persists (Awoyinfa, 2009)

Indeed, the alarming collapse or otherwise flourishing companies in Nigeria forced the Daily Sun Newspaper to comment on July 6, 2009 that Nigeria was assuming, "unenviable reputation of being a cemetery for big businesses, particularly those in the real sector". Today, Nigeria leads the table of African Countries with deep energy crisis. Those in the same group with Nigeria are Cameroon, Senegal, Liberia, Uganda etc.

However, apart from power outages, other factors that are responsible for the relocation of Nigerian Industries to Ghana include: harsh business climate in Nigeria in areas of taxation, translated to mean that it is more cost effective to import and market finished goods than to produce them locally; that most companies do not enjoy the goodwill of government. For instance, Godwin Oteri, Chairman, Ikeja chapter of the manufacturers Association of Nigeria enjoined the Federal Government to support manufacturing, he put it thus, "if you support manufacturing, nobody will go to Ghana". What Oteri meant

were installed and commissioned in Afam and Ughelli and 18 units were rehabilitated. By August 2003, the power output appreciated, thus shot generation from 1,400 MW to 3,479 MW. However, that development was 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 per day mmscf/d which in turn supplies gas output required to fire the Egbin Power Station in Lagos. The Egbin turbine provides 1320 mw. That was a big blow to the new development in the power sector (Ajanaku, 2007).

Furthermore, the Federal Government in March 11, 2005 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 additional bodies. With its inauguration, a new company Power Holding Company of Nigeria replaces National Electric Power Authority 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. Equally the new administration built seven new power stations, yet power would not be (Adekeye, 2008; Iyela, 2008).

In Financial terms, the amount spend on power project during Obasanjo's administration that lasted for eight years (1999-2007) became a vexed issue recently. It was led to rest, and agreed that the power sector gulped \$5 billion dollar; 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).

### **Causes of Power Problems in Nigeria**

From the days of Electricity Corporation of Nigeria (ECNP which the country inherited at independence in 1960 to now, the energy problem has remained unabated. It is generally agreed that, the nation's long period of military rule was largely responsible for the rot in the power sector (Ajaero, 2009). Joseph Makoju, former managing director of the PHCN, opined that during the military era, facilities and infrastructure in the power sector were left to dilapidate while no new capacity was added. Before democracy in Nigeria was restored in 1999, the last time the military rulers built a generation plant in the country was in 1979 with installed capacity of 6,000 megawatts, which had dropped to less than 2,000 megawatts in 1999 due to poor maintenance and obsolete facilities (Ajaero, 2009).

### **Reasons for Persistence crisis in the Power Sector**

There is no sector of Nigeria economy that is out of the doldrums. But since power is the cardinal factor for nations development especially in this era of globalization it becomes worrisome. However, government between 1999

and now has tried to tackle this hydra through initiation of some reforms and ploughing in so much financially to resolve this crisis, yet no hope in sight.

One of the basic problems is that government efforts is highly sabotaged. Firms importing generators into the country have made huge profits and are of good financial standing hence abolishing it meant they would be out of business. For instance, African Review of Business and Technology Magazine based in United Kingdom, in its April 2006 edition revealed that Nigeria was (is) the largest importer of diesel generators, spending as much as \$152 millions, topping the list of generator consumer countries for four consecutive years. The major brand of generators imported into the country include Volvo, Perkins, Cummings and Vibromax. They supply these generators to government establishments and giant industries. These firms are described and call buccaneers. That they collaborate with highly placed in PHCN making solution to this problem more difficult (Ajanaku, 2007).

Some of these "buccaneers" companies include John Holt (through its subsidiary, Holteng), Castlat Group, SCOA, Technoserve, Leventis Power, Adde Industrial Investment Company, Spark Power, Jubaili Brothers Engineering Limited, Ziotech, Woemann, Sken Nigeria Limited, Krestal Laurel, Hoffmann, Dembal Limited, Agritech Holdings, UPS Limited, M-Salem Generator, Bishopgate, Skein Nigeria Limited, Orascom among others. In addition, many have abandoned or deviated from their original lines of service to become emergency generator importers. It is also posited that one of the companies is planning to establish a generator assembly plant in the country, at this time government is trying to bring the crisis under control (Ajanaku, 2007).

There is also high level corruption in the system. In 2005, Newswatch Company made a survey of corruption ranking of organizations in Nigeria, the Power Holding Company of Nigeria (PHCN) was identified as one of the most corrupt organizations only next to police.

In addition, there is the inability of government to seek for an alternative sources of energy such as nuclear, solar, biofuels etc. There is also the shortage of highly skill manpower. Energy needs manpower for maintenance. For some years now the problem of insecurity in Nigeria especially in the Niger Delta is worrisome. The militant youths take the law into their hands and have been vandalizing pipelines conveying gas to plants as was observed in Egbin-Escravos-Lagos in 2002.

### **CONCLUSION**

This paper examines the energy crisis in Nigeria and how this crisis have been beneficial to other African economies especially Ghana. The power sector is the foundation in which the economy anchors. Unfortunately, this sector has been neglected over a long time such that the real sector of the economy suffered. Many multinational manufacturing companies that were almost nuclei to Nigeria economy relocated to some African States, some had

job cuts, sending over three million Nigerians both skill and unskilled to the already saturated employment market. There is lost in tax, investment, employment. The paper discovers that while Nigeria economy is dwindling, Ghanaian economy for instance is growing because of new investments in the manufacturing sector. Employment facilities and markets are created in Ghana; while social and economic problems are increasing in Nigeria. Social problems such as armed robbery, kidnapping and prostitution are of increased, making life very uncomfortable for many. The paper also discovers that power issue is a problem in Nigeria because of sabotaged by economic buccaneers – Power Holding Company Officials, contractors, generator importers etc. That Power Holding Company of Nigeria is one of the most corrupt organizations in Nigeria only next to police. There is also lack of political will to kill the hydra. For the economy to return to normal in Nigeria, infrastructural facilities must be put in place – power, road, railway, good telecommunication network etc; besides there must be good governance. In this era of globalisation, and Nigeria's vision for 20: 2020, she cannot play a second fiddle. Meanwhile, Ghana is doing well at the expense of Nigeria – a product of bad leadership since independence.

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#### APPENDIX I

##### GLOBAL RATING LIST

S/N	Country	Population 2004	GDP (PPP) US& Billion	GDP Per Capital (PPP) US\$	Electrical Energy Production (Kilowatts)	E. Consumption Per People Million
1	Canada	32,507,874	958.7	29,800	612.6	135
2	USA	293,027,571	10,990.0	37,800	4,167.0	12.3
3	Australia	19,913,144	571.4	29,000	198.2	9.26
4	Japan	127,333,002	3,582.0	28,200	1,082.0	7.6
5	France	60,424,213	1,661.0	27,600	537.9	6.9
6	UK	60,270,708	1,666.0	27,700	371.0	5.7
7	Germany	82,424,609	2,271.0	27,600	544.8	6.2
8	Taiwan	22,749,838	528.6	23,400	216.6	6.2
9	S. Korea	48,598,175	857.8	17,800	412.7	5.6
10	Russia	143,782,338	1,282.0	8,900	964.2	5.4
11	Spain	40,280,780	885.5	22,000	287.4	5.22
12	Italy	58,057,477	1,550.0	26,700	292.1	5.0
13	S. Africa	42,718,530	456.7	10,700	264.0	4.2
14	Libya	5,631,585	35	6,400	23.98	3.33
15	Venezuela	25,917,387	117.9	4,800	87.6	3.3
16	Malaysia	23,522,482	207.8	9,000	109.1	2.9
17	Chile	15,823,957	154.7	9,900	50.3	2.54
18	Argentina	39,144,753	435.5	11,200	109.4	2.4
19	Mexico	104,959,594	941.2	9,000	243.3	1.8
20	Brazil	184,101,109	1,375.0	7,600	437.7	1.8
21	Iran	69,018,924	478.2	7,000	189.9	1.7
22	China	1,298,847,624	6,449.0	5,000	3,256.0	1.0
23	Botswana	1,561,973	14.2	9,000	434.0	1.0
24	Colombia	42,310,775	263.2	6,300	51.8	0.94
25	Egypt	76,117,421	295.2	4,000	109.1	0.92
26	Kenya	32,021,856	33.0	1,000	22.03	0.80
27	Algeria	32,129,324	196.0	6,000	33.12	0.71
28	Peru	27,544,305	146	5,100	24.59	0.70
29	India	1,065,070,607	3,033.0	2,900	665.3	0.47
30	Morocco	32,209,101	128.3	4,000	21.88	0.45
31	Ghana	20,757,032	44.4	2,200	8.20	0.43
32	Paraguay	6,191,368	28.17	4,700	70.0	0.43
33	Indonesia	238,452,952	758.8	3,200	125.7	0.37
34	Uganda	26,040,543	36.1	1,400	1.93	0.061
35	Liberia	3,200,264	27.2	700	7.00	0.022
36	Nigeria	137,253,133	114.8	900	15.67	0.06

\* Where is Nigeria?

APPENDIX II

AFRICAN RATING

S/N	Country	Population (million)	Electrical energy production (Megawatts)	Planned improvement (megawatts)	Electrical energy consumption per million people
1	South Africa	44	40,000	80,000 by 2025	4.2
2	Libya	5.5	4,710	12,000 by 2011	3.33
3	Botswana	1.7	434	700 by 2011	1.0
4	Egypt	81	14,250	16,700 by 2011	0.92
5	Kenya	31	22,00	29,000 by 2015	0.80
6	Cote D'Ivoire	16	8,900	12,000 by 2010	1.0
7	Algeria	33	6,188	8,200 by 2011	0.71
8	Morocco	34	3,592	N/A	0.45
9	Zimbabwe	12.8	2,000	6,000 by 2010	0.44
10	Ghana	20	2,000	2,800 by 2015	0.43
11	Somalia	9	800	N/A	0.40
12	Liberia	3	200	500	0.22
13	Senegal	12	221	N/A	0.20
14	The Gambia	1.7	100	N/A	0.011
15	Uganda	25	270	2,000 by 2025	0.010
16	Nigeria	140	1,800	N/A	0.06

\* Where is Nigeria?