Attracting Investors to Nigeria's Power Sector in Support of the Sector Reform Programme

World Bank recorded in its report - "Contribution of Institutional Investors - Private Investment in Infrastructure" - from 2011–H1 2017, that 34 of 37 greenfield projects initiated by Institutional Investors were in the energy sector. Sub-Sahara Africa, SSA, received 21 institutional-investor transactions, the largest number for the period. However, the report identified some barriers to the flow of more energy investments into the region and other developing and emerging markets around the globe. According to the report, "it seems that very few institutional investors have the appetite to invest in emerging and developing economies (EMDE) infrastructure assets — only two percent of fund managers find it easy to spot attractive opportunities for investing in infrastructure." Thus, Nigeria attracted 1 project during the period. The country in addition to some other developing countries were rated "speculative grade" due to "uncertainty in payment" of project obligations. There was also the risk of "vulnerable financial and economic scenarios for the country in the near to mid-term." These are some of the challenges facing Nigeria's ongoing power sector reform enacted in 2005.

To increase the flow of investment funds into the sector, Nigeria as well as other developing countries, need to develop effective policies that re-assures investors. According to the report investors are seeking "well-prepared and well-structured infrastructure projects" to commit their funds. Such policies should ensure that projects are bankable providing investors assurance of good returns on their investments and reducing risks of nothing-gained after investments. Virtually every African country (except South Africa) are under the "speculative grade" for institutional investments. This is not a good place to be for economic growth. African Governments' support in encouraging multilateral or bilateral agreements can mitigate any risks; thus, providing investors the confidence to commit funds into energy projects in these economies.

South Africa attracted more energy investments than any other African country during the period. The country had 12 out of 35 energy investment projects because, there are more institutional investors active in the country and, the economy traditionally relies more on wind energy, an energy resource Nigeria does not seem ready to harness in the very near future according to the Renewable Energy Master Plan, REMP. This ought to be looked into if the country wishes to succeed with the power (energy) mix policy. Nigeria attracted only a natural gas project - the Azura-Edo Gas-Fired Power Plant Phase 1 during the period 2011 and H1 2017. This is a very poor performance for a nation struggling to maintain regular generation of 4000MW. For the success of the power sector reform and growth of the economy, the number of such institutional-investment projects in energy should continue to rise. Energy projects should be diversified enough to include the various energy resources abundant in the nation. The energy giant, Shell has recently announced its plan to invest in renewable energy due to the decline in costs of solar and wind generation, and the upcoming "electrification of the energy system". The company is looking to spend heavily on wind and solar, over the next few years up to 2020. As the company targets markets and commercially viable projects, there are potential investment opportunities in Nigeria's solar and wind resources around the various geopolitical zones and regions especially the solar resources in the North and near the Sahara Desert. This calls again for an urgent review of Nigeria's Renewable Energy Master Plan, REMP, as investors are looking for countries with "fast-growing" renewable sectors to maximise their returns on investments.

These countries and investors could continue to use guarantees such as the World Bank for project funding. It is even better if these developing countries consider breaking the barriers hindering foreign investments by using institutions such the Global Infrastructure Facility. Developing and implementing investor-friendly policies that guarantee profits per investment is being recommended.

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