

COMMUNIQUE: RENEWABLE ENERGY STAKEHOLDER CONFERENCE & DISCUSSION ON CONSUMER FINANCING



Group photograph at the just concluded a 2-Day Renewable Energy Stakeholder Conference and Discussion on Consumer Financing

PREAMBLE

The Renewable Energy Association of Nigeria (REAN) with the support of Heinrich Boell Stiftung (HBS) organized a 2-Day Renewable Energy Stakeholder Conference and Discussion on Consumer Financing themed: “Renewable Energy - Future is Here”, on the 27-28th September 2022 at Lagos Continental Hotel, Victoria Island, Lagos.

The Renewable Energy Stakeholder Conference aimed at:

- Bringing together relevant stakeholders, from the industry, financial institutions, and government, to deliberate on solutions to address the lingering challenges confronting the renewable energy sector in Nigeria.
- Facilitating sector commitments that will aid consumer financing, and ensure increased renewable energy adoption and growth in the sector.

A total number of 68 physical participants attended (20 female and 48 male). The participants included delegates from the government agencies; the Rural Electrification Agency (REA), the Energy Commission of Nigeria (ECN), Bank of Industry (BOI), Office of the First Lady of

Ondo State, and the Special Adviser to the President on Infrastructure. Sector associations like REEEA-Alliance, Chartered Institute of Bankers, and Manufacturers Association of Nigeria (MAN) were also present. In addition were financial institutions - First Bank of Nigeria, Access Bank, Sterling Bank, United Capital, and First City Monument Bank. Clean energy units of the oil sector and solely Renewable Energy (RE) companies (members and none members of REAN) i.e. Oando Clean Energy Limited, Total Energy, Niger Delta Petroleum Resources (NDPR), ICE Commercial Power, Wavelength IPS Ltd, Solar Sisters, Energy Training Centre, Sosai Renewable Energy, Baobab Nigeria, Greenplanet Energy Solutions, Schneider Electric, Solynta Energy, Auxano Solar Nig. Ltd, Oretronics Technology, ZenelGie Global Consulting, Community Energy Social Enterprise Ltd (CESEL), Greenergit Plus, Shenzhen GT Powertank Company Limited, Huawei Technologies Nigeria, and Solconomy Energy were all in attendance. Donor and technical partners - All On, Rocky Mountain Institute (RMI), and Heinrich Boell Stiftung (HBS). Media groups, academia, students, research & members of the various Civil Society Organizations (CSOs) were present. Over 80 participants actively participated in the event through Zoom on all 2 days.

KEY OBSERVATIONS

During the renewable energy stakeholder conference, participants made the following observations as core issues to be addressed by the Nigerian government and private sector players, should Nigeria be serious about achieving its Energy Transition Plan (2022 – 2060), creating new job opportunities, achieving increased access to reliable energy access and addressing its climate change net zero commitments:

1. The global energy sector is confronting emerging challenges - Covid, Conflict, and Climate Change. Challenges such as ongoing Ukraine – Russia war, triggering a global energy crisis – a surge in fossil prices, scarcity of gas supplies in the EU, and higher cost of RE raw materials. The war has forced a major rollback to dirty fossils such as Coal power plants, but also a catalytic move to clean energy investment and gas exploration.
2. The new global energy threats and the trend is attracting a lot of prospecting for the exploration and export of gas from Africa to Europe, it also presses the acceleration of even newer energy sources such as Green Hydrogen and Nuclear energy. The exploration of gas and global inward energy sustaining reasoning will again leave resource-rich developing counties like Nigeria – out and dry with even worst energy deficit and environmental degradation if care and the right action is not taken urgently.
3. The challenges confronting the Nigerian power sector are well documented, with about 47 per cent of Nigerians lacking access to grid electricity, and those who do have access face regular power outages. We have an unmet energy demand of over 20,000 megawatts (MW) and this has compromised our achievement of the SDGs. However, within and behind these challenges are enormous opportunities and gains from economic to social and environmental profits.
4. Nigeria is endowed with large oil, gas, hydro, and solar resources, and it has the potential to generate 12,522 MW of electric power from existing plants. On most days, however, it is only able to dispatch around 4,000 MW to the grid largely from hydro and gas, which is insufficient for a country of over 200 million people.
5. The inefficiencies in the grid distribution network mean even lower power gets delivered to households and businesses. In the last 12 years, the national grid has

experienced over 222 partial and total collapses. This year alone, we have seen 8 total electricity grid collapse.

6. According to the Rural Electrification Agency of Nigeria (REA), the annual investment potential of the Nigerian off-grid market is estimated at over USD 9.2 billion. Undoubtedly, this is the largest off-grid market in Africa. Given the prevalent opportunities cum challenges currently rocking the Nigerian energy sector, access to finance - either import and debt financing, or impact capital in the form of convertible loans and/or equity - remains a crucial factor for enhancing energy access across the country.
7. Nigeria, being the country with the largest electricity access deficit with a grossly insufficient grid-supplied electricity, suggests that more attention should be paid to investments in grid fortification, expanding clean energy market access, and better incentives for decentralized off-grid electricity segment of the market, as well as make more investment in gas to power in Nigeria.
8. Nigeria's comatose grid electricity supply is costing Nigeria over \$25 billion in economic loss annually. This can be bridged and even improved upon with the right energy mix, actual actions on policies, and an investment-friendly environment that ensure improved capacity for local manufacturing and assembling of clean renewable energy technologies and advancing research in other emerging energy sources.
9. It is estimated that businesses are spending over \$14 billion yearly on private fossil fuel generators, which are very expensive, inducing unemployment, health-threatening, and environmental pollution.
10. Nigeria has over 57.7% of its population in the informal sector. Nigerians' informal sector classified as micro, small and medium enterprises (MSMEs) make up 65% of the country's GDP. 80.4% of employees are in the informal sector. 98% of informal businesses pay taxes but to non-state recognized actors. Most of the MSMEs identify unreliable electricity as a major challenge to their businesses and are willing to pay for a switch to renewable energy with the right incentive and product guarantee.
11. According to the Central Bank of Nigeria (CBN), the financial inclusion rate in Nigeria has grown up to 64%. CBN targets and predicts this figure to increase to 95% by 2024. By implication, most Nigerian customers served by the banks do not have access to reliable electricity or financing.
12. The purchase of solar power systems and appliances to Nigerian customers is capital-intensive both for individual customers and for business ventures, as it requires investment in design, equipment, manufacturing, distribution, and consumer financing. Therefore, scalable access to financing for customers and funding is critical to the sustainability uptake of renewable energy solutions.
13. Participant banks (FCMB, First Bank, Sterling Bank, Access Bank) at the conference all agree that opportunities abound in the investment in RE - solar home solutions and consumer financing, and funding of bankable RE projects. They noted that their banks are gradually and confidently offering access to transformative financial products such as consumer asset credits to fund access to like solar home systems, inverters, TVs, fans, radios, cook-stoves, and smartphones by providing consumer financing across their financial product range, to people without credit scoring who lack access to

financing, while riding on Pay-As-You-Go technology, salary advance, informal corporate groups, etc to offer affordability and flexibility payments.

14. However, the level of awareness of the availability of various consumer financing products and platforms of these banks is rather low, even for Renewable Energy developers.
15. Developers are happy to hear that the banks have consumer financing platforms, as the banks have committed to improving the level of awareness of these consumer financing products.
16. Since most investments in the renewable energy sector come through foreign remittances, access to forex also proves to be a huge challenge and barrier to growth. It is a big risk to take investment credits in forex and return sales revenue in local currencies.
17. Public sector cannot design the kind of project in the renewable energy space, the way the private sector will. For instance, the Nigerian government in the newly launched Energy Transition Plan (ETP) is committed to the production of electric vehicles (EVs) in Nigeria by 2025, after signing a production agreement with Japanese and Israeli companies to roll out EVs in Nigeria. A private company - Oando Clean Energy Ltd has already signed an agreement with the Lagos state government in 2022 to deploy over 500 electric buses into the mass transit system by 2023. Such efficiency and effectiveness to drive RE in Nigeria by the private sector should be encouraged by the government especially as it aligns with the government's plan, by implementing the right policies such as reduced duties, cutting back on tax levies, and offers of funding- fiscal incentives to private RE players.
18. There is low awareness of the content of the Energy Transition Plan. A large fraction of the participants (over 90%) does not have access to the ETP documents and cannot engage in the content of the document. REAN promises to make public the document through its document, to enable the sector players to challenge and contribute to the actualization of the ETP.
19. Though Nigeria has a lot of energy sector policies, the level of implementation and real-life enforcement of these policies have been very poor. The government's short-term drive to generate revenue seems to have made the government blind to the medium and long-term development gains that can be achieved if these policies are implemented now. Policies plans in the NREAP, NREEP, and the Climate Change Acts are not being implemented.
20. New approaches are required to address the energy deficit in Nigeria and sub-Saharan Africa. Gas monetization is getting better and oil companies give greater attention to renewables. Hence, the approach to meeting the energy deficit in Nigeria must be all-inclusive and not exclusive. However, exploring all energy sources in Nigeria must be done in an environmentally sustainable, reliable, secure, affordable, and available manner for all.
21. Fossil energy is at the edge of chaos. For Africa, this should be an opportunity, rather than a perceived threat to oil revenues. Africa with its renewable energy potential has the opportunity to leapfrog and avoid decommissioning of fossil power plants. With the Western countries, prospecting a future with zero fossil – cars, machines, and factories means no one will be purchasing fossils from Africa. Thus, we must pay

attention to the local production and capacities of renewable energy components in Nigeria.

22. A lot of companies are looking at green hydrogen. In the process of generating electricity, the output is clean water. Nigeria should pay early attention to supporting knowledge and capacity development in green hydrogen development, as well as RE.
23. Demand Side Subsidy (DSS) framework should be considered by governments at federal, state, and local governments, as well as social impact investors, to provide electricity subsidies for most poor and vulnerable segments of the Nigerian population.
24. Bigger RE companies such as Oando Clean Energy Limited are happy to join REAN. Students and new potential clean energy companies are willing to join REAN membership. 22 new members joined REAN for the year 2022 as of August.

KEY RECOMMENDATIONS

1. There is a need to continually amplify the voice of sector players on the challenges that confront the renewable energy sector and advocate for actions from the government to address them.
2. The federal government; the Office of the Presidency, and the Federal Ministry of Finance, Budget, and National Planning, should be consistent and committed to ensuring that her implementing and revenue-generating agencies are not set to work against the national policies, sector goals, and commitments. For instance, exorbitant import duties and taxes on RE components are a huge barrier to generating clean jobs, increasing energy access for all, catalyzing improved functionality of public utilities and encouraging private sector-led growth.
3. The office of the Presidency should use its executive power to enforce the cutback or removal of the customs import duties on renewable energy components. This can be done through a quota limit on the free/zero duties on RE components, while also protecting the local production quota.
4. The renewable energy sector market and projects should be private sector led, not public sector as it currently is. For efficiency and effective growth of the renewable energy sector and speedy access to electricity for all, the private sector should be encouraged by the government with the right policies and coordination. Better attempts need to be made by the REA, Ministries of Power, Finance, and other relevant MDAs to ensure the actual implementation of the sector policies.
5. Banks should increase the level of awareness of their consumer financing products and platforms for their bank customers. More avenues need to be explored by the banks to bring the knowledge of these RE consumer financing products to the knowledge of customers and RE developers.
6. REAN should work closely with the banks; to ensure that here members and the public are aware of the available bank products that help to advance the uptake of RE technologies.
7. There is a need to work closely with the Manufacturers Association of Nigeria (MAN) and other associations of MSMEs towards exposing their members to opportunities in

the financial sector and renewable energy sector to increase access to affordable, clean electricity for their members.

8. To improve the quality of life of people without access to electricity, the Federal Government must facilitate increased funding for the renewable energy sector by prioritizing forex access for renewable energy solutions and the associated appliances and by granting import duty waivers and subsidies to businesses driving and promoting renewable energy awareness; and support demand side subsidy frameworks.
9. The federal government through its relevant MDAs should implement policies to catalyse the production and assembling of renewable energy components in Nigeria. Local manufacturing and assembling RE companies need to be incentivized to increase their production and manpower capacity for scaling up.
10. REAN and the government should explore more local and global partnerships towards improving RE capacity development and knowledge transfer to give Nigeria a competitive advantage in local manufacturing of RE technologies in countries. Such collaboration should also help to bridge education and industry gaps.

NEXT STEPS

- REAN to transmit the communique to relevant MDAs, and Institutions as well as all participants, and follow up on their actions
- REAN to organize a media/press briefing to present the communique to the general public.
- REAN to work with HBS to organise similar conferences that bring together MSMEs, banks, funders, and developers, to explore the opportunities in RE consumer financing through the banks.
- REAN to establish relationships with learning institutions, RE manufacturing and assembling firms, as well as developers to improve RE capacities in learning institutions.
- REAN to continue to advocate for the implementation of RE sector policies. Engage each relevant government MDAs to understand the challenges in implementing the needed sector policies.
- REAN to make available the Energy Transition Plan (ETP) and organize an event that allows RE players and its members to engage on the ETP.