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Renewables Portfolio Standards as a Tool for the Adoption of Renewable Energy in Nigeria



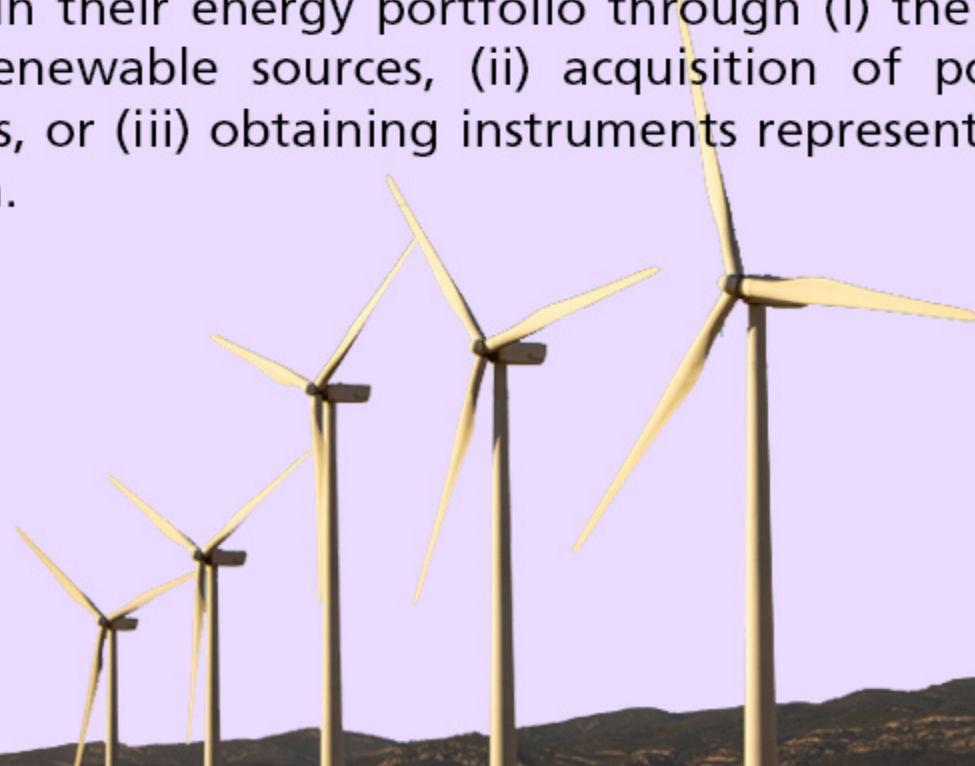
Introduction

Global temperature is at alarming levels and there is an irresistible need to cut down on our use of greenhouses gases and fossil fuels. One of the means by which we can do this is to implement Renewables Portfolio Standards (“**RPS**”) regulations. RPS are regulatory requirements that aim to enhance the generation or use of renewable energy sources such as solar energy, wind, hydro, biomass, and other qualified renewable sources for electricity generation. These regulations require electricity providers to source an agreed percentage of their energy supply from qualified Renewable Energy (“**RE**”) resources, thereby promoting the development and utilization of RE.



Minimum Standards for Renewable Energy Purchase and Generation

Previously, Nigeria has recognized the importance of renewable energy with its Renewable Energy Master Plan (“REMP”) which aims to increase the share of RE in Nigeria’s energy mix from 13% in 2015 to 23% in 2025 and 36% by 2030. Recently, the Electricity Act 2023 (the “Act”) mandated the Nigerian Electricity Regulatory Commission (the “Commission”) to promote renewable energy through a simplified licensing regime. The Commission is also obligated to increase the contribution of renewable energy to Nigeria’s energy mix by providing standards for power purchase agreements with specific requirements and terms for marketing and trading renewables-based electricity. Similarly, holders of electricity licences are to comply with renewable purchase obligation and renewable energy generation obligations as may be prescribed in a regulation to be issued by the Commission – then, companies involved in the electricity value chain would be required to maintain a certain percentage of renewable electricity in their energy portfolio through (i) the production of energy through renewable sources, (ii) acquisition of power generated from renewables, or (iii) obtaining instruments representing renewable energy production.



Generation licensees are required to generate a minimum percentage of their portfolio from renewables. Likewise, a bulk customer is also obligated to purchase a minimum amount of electricity used from renewable energy sources. The Commission is mandated to specify an amount of electricity which a person will have to purchase in order to qualify as a **'bulk customer'** – where the customer meets such purchase threshold, then it will be obligated to comply with the renewable purchase obligation as specified by the Commission.

Enforcement

The Commission may include renewable purchase obligation and renewable generation obligation as part of the license conditions for respective licensees, in which case, failure to meet such generation or purchase obligations may cause the Commission to cancel or suspend the relevant license. For bulk customers, there is also the option of paying a premium to the Commission as a consequence of not meeting the renewables purchase obligations.



Conclusion

Whilst the Commission is yet to issue the anticipated regulation on renewables portfolio standards, it is important for stakeholders in the electricity industry to contemplate the possibility of RPS regulations in their short- to medium-term plans and seek necessary advice on how they can appropriately align their businesses in foresight.

