ADVOCAAT
LAW PRACTICE

UNLOCKING NIGERIA'S RENEWABLE ENERGY POTENTIAL: LEGAL INSIGHTS FOR INVESTORS & BUSINESSES

LAGOS | ABUJA | CALABAR

www.advocaat-law.com | Advocaat Law Practice | advocaatlawpractice

The renewable energy sector in Nigeria is at a critical crossroad. The national grid is in a comatose condition with frequent collapses despite rising electricity demand, underscoring the urgent need for a revamp of the electricity sector. Equally, the growing environmental concerns from fossil fuels use—Nigeria's primary energy source—further emphasizes the need for transition to cleaner energy alternatives. Against this backdrop, recent developments, including the enactment of the Electricity Act 2023[1] and the devolution of powers to state electricity regulators, are redefining the renewable energy sector, creating both opportunities and challenges for investors, developers, and consumers. Businesses must now navigate a rapidly evolving regulatory landscape to capitalize on emerging opportunities while mitigating risks. Lack of awareness may result in costly mistakes, regulatory non-compliance, or missed strategic advantages, thus making informed decision-making more crucial than ever.

This newsletter provides important legal insights for businesses operating in or entering Nigeria's renewable energy market. By addressing key legal considerations, policy shifts, and investment structures, it equips stakeholders with the knowledge needed to make informed decisions, optimize project success, and contribute to Nigeria's clean energy future.

UNDERSTANDING NIGERIA'S RENEWABLE ENERGY LANDSCAPE

With abundant solar, hydro, wind, and biomass resources, Nigeria has vast resources to generate sustainable electricity, particularly through off-grid and mini-grid solutions that can address the lack of access to energy particularly in rural areas. The Electricity Act 2023, as the primary legal framework, together with policies such as the Renewable Energy Master Plan (REMP) and the National Renewable Energy and Energy Efficiency Policy (NREEEP) provide strategic direction for clean energy expansion. Regulatory bodies including but not limited to the Nigerian Electricity Regulatory Commission (NERC), the Rural Electrification Agency (REA), and state electricity regulatory agencies and the Federal Ministry of Power play important roles in licensing, tariff regulation, and infrastructure development. Under its Energy Transition Plan, Nigeria has committed to achieving net-zero emissions by 2060[2].

KEY LEGAL CONSIDERATIONS FOR RENEWABLE ENERGY INVESTMENTS IN NIGERIA

Licensing and Regulatory Approvals

Investing in Nigeria's renewable energy sector requires strict adherence to regulatory frameworks established by NERC and state electricity regulatory authorities. For projects

[1] **Electricity Act 2023, Cap C23, LFN 2004**
[2] **Nigeria Energy Transition Plan (2022) "Achieving Net Zero by 2060: Strategic Initiative".**

exceeding 1 MW, a generation license is mandatory[3], while smaller projects must still register with NERC. Investors looking to operate mini-grids (under 1 MW) must comply with the Mini-Grid Regulation 2023[4], which provides a structured framework for both isolated and interconnected mini-grids. Additionally, Environmental and Social Impact Assessments (ESIA) are required for large-scale projects to assess their environmental footprint and community impact. With state governments now able to regulate electricity markets within their jurisdictions, investors must also navigate state-level approvals, making regulatory due diligence essential.

Tax Incentives, Fiscal Benefits, Land Acquisition and Local Content Compliance,

To attract investment, various fiscal incentives, including zero import duty and VAT exemptions on solar panels, batteries, and related equipment exists for investors. The Pioneer Status Incentive (PSI) offers up to five years of tax holidays for eligible renewable energy companies[5], while customs duty waivers further reduce capital expenditure costs. Policies such as Feed-in Tariffs (FiTs)[6] and Net Metering ensure guaranteed pricing and allow businesses to sell excess solar power to the grid. However, investors must carefully assess eligibility for these incentives and maintain compliance with regulatory requirements to fully capitalize on them. Additionally, land acquisition remains a critical factor, governed by the Land Use Act (1978)[7], which requires state-level approvals for renewable energy project sites. Securing Right-of-Way (RoW) permits for transmission infrastructure and engaging with local communities for fair compensation and compliance with local content laws are essential to preventing disputes and delays. Moreso, the Electricity Act 2023 requires compliance with local content laws, including the use of locally manufactured equipment, employment of Nigerian workers, and collaboration with indigenous companies. Failure to comply could lead to regulatory penalties or difficulties in securing approvals.

Lastly, renewable energy contracts should incorporate robust dispute resolution mechanisms, leveraging the Arbitration and Mediation Act 2023, which provides a strong legal framework for both domestic and international arbitration, ensuring investor protection and contract enforceability. Thorough due diligence on off-takers, financing structures, and regulatory compliance is essential to mitigate risks and ensure project viability. Engaging experienced legal and financial advisors helps negotiate favorable contract terms that safeguard investments

POLICY SHIFTS AND REGULATORY TRENDS IN NIGERIA'S RENEWABLE ENERGY SECTOR

The Electricity Act 2023: A Game-Changer for the Sector

The Electricity Act 2023 marks a significant shift in Nigeria's power sector by decentralizing electricity regulation[8], allowing state governments to legislate and regulate electricity within their territories[9]. This change creates new investment opportunities for renewable energy developers, particularly in state-level mini-grid and embedded generation projects.

[3] Section 63(2)(a) EA 2023
[4] Regulation No. NERC -R-117-2023
[5] Company Income Tax Relief Act, Cap 17 Laws of the Federation of Nigeria 2004
[6] Section 4.4 NREEP 2015
[7] Decree N0. 6
[8] Section 2(2) EA 2023
[9] Section 230 EA 2023

Key Highlights:

- State-Level Electricity Market: States can now issue licenses for generation, transmission, and distribution within their territories[10], reducing reliance on the national grid. This means that developers can now engage state regulators directly.
- Expanded Mini-Grid Development: The Act supports the development of isolated and interconnected mini-grids,[11] making it easier for renewable energy companies to set up small-scale power systems in rural and underserved areas. With states now having the power to issue licenses, mini-grid developers can negotiate more localized tariffs and incentives, improving project viability.
- Increased Embedded Generation Opportunities: The Act encourages embedded generation[12], allowing independent power producers (IPPs) to sell electricity directly to eligible customers within a distribution network. States can now create their own embedded generation frameworks, enabling businesses and industrial hubs to invest in localized renewable power solutions
- Improved Private Sector Participation: The Act promotes a more competitive electricity market, allowing private-sector investment in decentralized renewable energy projects[13]. The Act provides that individuals or entities located within a distribution licensee's area can procure electricity directly from a generating company or another licensee. To facilitate this, they may enter into a distribution use-of-system agreement with the distribution licensee to deliver electricity.[14] This arrangement supports the establishment of direct power purchase agreements with commercial and industrial customers, ensuring more predictable revenue streams for investors and developers.
- Enhanced Fiscal and Regulatory Incentives: The Electricity Act 2023 aligns with existing government incentives, such as tax exemptions and duty waivers for renewable energy equipment. The Act does not preclude states from introducing localized incentives, such as reduced licensing fees or subsidies, to attract more investors into their electricity markets.
- Support for Off-Grid and Rural Electrification: The Act strengthens the role of the Rural Electrification Agency[15] and the Rural Electrification Fund[16], offering financial support and investment incentives for off-grid projects. Developers can access new funding streams to deploy solar, wind, and biomass mini-grids in remote communities.

Expansion of Off-Grid Solutions and Carbon Credit Trading

With over 85 million Nigerians lacking access to electricity, off-grid and mini-grid solutions have become a national priority. The NERC's Mini-Grid Regulation facilitates the development of isolated mini-grids (under 1 MW) without the need for a license, with integration possibilities into existing distribution networks. These projects also benefit from financial support through the Rural Electrification Agency (REA) and international partners. As part of the Energy Transition Plan (ETP), Nigeria is focused on expanding solar home

[10] **Section 63(1) EA 2023**
[11] **Section 63(7) EA 2023**
[12] **Section 80 EA 2023**
[13] **Section 1(f) and 1(o) of the EA 2023**
[14] **Section 113(3) of the EA 2023**
[15] **Part XVI of the EA 2023**
[16] **Section 142 of the EA 2023**

systems and hybrid renewable solutions, opening up further opportunities for investors. Simultaneously, there is growing interest in carbon credit trading, allowing businesses in solar, wind, and biomass sectors to generate revenue through carbon offsets. Green financing from development banks and the rise of Public-Private Partnerships (PPPs) are also driving the financial momentum in Nigeria's renewable energy sector, presenting strategic investment avenues for businesses that align with sustainable and ESG-focused goals.

Is the Ban on Solar Panels the Way To Go?

On March 25, 2025, the Nigerian government announced plans to ban the importation of solar panels. This initiative aims to promote local manufacturing and accelerate the nation's transition to clean energy, aligning with Presidential Executive Order No. 5, which emphasizes prioritizing local content in science, engineering, and technology.

The proposed ban on solar panel imports in Nigeria stands in stark contrast to the nation's urgent need for alternative energy sources to address its chronic electricity deficit. At a time when over 85 million Nigerians lack access to reliable power, the government should be fostering, not restricting, the adoption of renewable energy solutions. While the push for local manufacturing is commendable, Nigeria currently lacks the capacity to meet the soaring demand for solar infrastructure, and an abrupt ban could stifle progress, drive up costs, and discourage investment in the sector. This policy contradicts the objectives of the Electricity Act 2023 and the Energy Transition Plan, both of which emphasize increasing renewable energy access, particularly through off-grid and mini-grid solutions. Instead of outright restrictions, the government should focus on incentives for local production, while maintaining importation channels to ensure affordability and accessibility, thereby aligning with Nigeria's broader energy security and sustainability goals.

STRUCTURING INVESTMENTS IN NIGERIA'S RENEWABLE ENERGY SECTOR

Investment Vehicles and Business Models

Investing in Nigeria's renewable energy sector requires a strategic approach, leveraging the right investment structures to optimize returns while mitigating risks. There are multiple ways to structure investments in the renewable energy sector, including:

1. *Equity Investments: Maximizing Ownership and Control*

   Direct investments in solar, wind, hydro, and biomass energy projects through Special Purpose Vehicles (SPVs) or Joint Ventures (JVs) provide investors with operational control and long-term revenue generation. Investors will need to structure and negotiate equity agreements to ensure legal security, risk allocation, and compliance with Nigerian renewable energy regulations.

2. *Public-Private Partnerships (PPPs): Leveraging Government Collaboration*

   Nigeria's government actively supports private-sector involvement in large-scale infrastructure projects through Build-

Operate-Transfer (BOT) and Concession agreements. Investors will need to be guided through PPP negotiations, regulatory approvals, and risk allocation strategies, ensuring seamless project execution and long-term profitability.

3. *Project Finance: Unlocking Debt and Climate Funding*

   Accessing green bonds, climate funds, and concessional financing from global and local lenders is crucial for capital-intensive projects. Investors will need to consider advisory services that facilitates debt structuring, financial modelling, and legal due diligence, ensuring compliance with funding requirements and optimizing financial returns.

4. *Carbon Credit Trading: Monetizing Sustainability Efforts*

   Investors can generate additional revenue streams by leveraging carbon credit markets and international climate finance mechanisms. Investors will need expert guidance on carbon credit certification, trading agreements, and regulatory compliance, positioning projects for maximum financial and environmental impact.

CONCLUSION

The renewable energy landscape in Nigeria is undergoing a transformative shift. While the opportunities are vast, they are regulated by legal and regulatory framework. Success in this sector will depend on strategic planning, robust legal compliance, and forward-thinking investment structures.

By staying informed and engaging the right advisors, stakeholders can contribute meaningfully to Nigeria's energy transition while securing sustainable, profitable returns.

CONTACTS

OLA ALOKOLARO
ola.alokolaro@advocaat-law.com

HASSAN SHERIF
hassan.sherif@advocaat-law.com

VICTORIA OBI
victoria.obi@advocaat-law.com

INIMFON EKPENYONG
inimfon.ekpenyong@advocaat-law.com

LAGOS OFFICE
13 Norman William Street
Off Ribadu Road
South West, Ikoyi
Lagos Nigeria.

ABUJA OFFICE
Nigerian National Merit Award House Enspire
1st Floor Room 3
Plot 22 Aguiyi Ironsi Way
Maitama Abuja
Nigeria.

CALABAR
Akom Building
15 Murtala Mohammed Highway
Calabar
Cross River State

TELEPHONE (LOS)+234 02014547932, (ABJ)+234 7061847205

EMAIL: info@advocaat-law.com **WEBSITE:** www.advocaat-law.com