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Communiqué:

Building Bankable Public-Private Partnerships (PPPs) in Nigeria's Power Sector –

Key Insights and Recommendations

On July 30 2026, the Energy and Infrastructure Practice Group of Advocaat Law Practice hosted a webinar titled ***"From Bid to Handover: Building and Executing Bankable PPPs in the Nigerian Power Sector."*** Moderated by Victoria Obi, the session convened regulators, infrastructure economists, investment bankers, private operators, and investors to address conditions for delivering bankable power PPPs. Opening remarks by Mr. Hassan Sherif, the Team Lead for the Group, on behalf of the Head of the Group, Mr Ola Alokolaro, highlighted Nigeria's severe power deficit, where over 85 million people lack electricity and grid output averages 4,000–5,000 MW against 13,600 MW installed capacity.

The panel comprised experts spanning the full power sector value chain; Dr. Lanre Babalola (Former Minister of Power, Presidential Special Adviser on Power and Chairman of the Presidential Task Force on Power Sector Reset and Restoration), Engineer Jafar Diko (Senior Technical Adviser to the Managing Director of the Rural Electrification Agency “REA”), Mr. Olakunle Falola (Executive Commissioner at the Lagos State Electricity Regulatory Commission “LASERC”), Mr. Sumeet Singh (Chief Executive Officer of Power Gas Nigeria), Mr. Patrick Mgbenwelu (Managing Director of PM Infrastructure Advisory and Consulting), and Dr. Ulohomuno Eze Afieroho (Founder of Village PM).

1. On Market Bankability as the Foundation of Project Bankability

Dr. Babalola emphasized, amongst other key points, that Nigeria’s primary power sector challenge is a structurally weak market rather than deficient generation or distribution infrastructure. Commercial discipline remains low, risks are overly concentrated in government institutions, and the planned transition from a single-buyer model to competitive bilateral contracting remains incomplete. Government support should be time-bound, capped, and linked to reform milestones. Sustainable alternatives to open-ended sovereign guarantees include partial risk guarantees, political risk insurance, viability gap funding, Development Finance Institutions’ instruments, ring-fenced revenues, and creditworthy off-takers.

“A **sovereign guarantee should be a bridge to market viability, not a permanent substitute for it."**

2. On the Private Sector Perspective: What Bankability Requires

Mr. Singh outlined five non-negotiable bankability conditions from an operator's perspective: minimum off-take commitments to protect against demand risk; contractual cost pass-through mechanisms for foreign exchange (“FX”) fluctuations and inflation; clear payment security; balanced force majeure and change-in-law clauses; and early integration of gas supply arrangements so risks mirror across both the gas supply and power purchase agreements.

3. On State-Level Regulation and the Role of LASERC

Mr. Falola presented LASERC’s approach to positioning Lagos State under the Electricity Act 2023 through three pillars: regulatory certainty, commercial bankability via cost-reflective tariffs, and institutional credibility. Cost-reflective tariffs are treated as a balance between investor returns and consumer protection rather than a conflict. LASERC has also implemented a one-stop-shop approach for approvals to lower the time and cost of licensing.

4. On Rural Electrification: Local Currency Financing and Mini-Grid Concessions

Engineer Diko detailed the REA's focus on catalysing local currency financing through domestic institutions under the Distributed Access through Renewable Energy Scale-Up ("DARES") project, shielding mini-grid developers from FX exposure on naira revenues. For the National Public Sector Solarisation Initiative targeting 23 anchor projects, payment commitments are backed by public sector utility savings and operational efficiencies rather than traditional guarantees.

5. On What Separates a Winning Bid from a Bankable Project

Mr. Mgbenwelu noted that winning sponsors often concede key bankability terms under grantor pressure, leading to compromised structures. Bankable project sponsors stand out by: engaging financial advisers early to build tested cash flow models; bringing lenders into negotiation of power purchase agreements before contract finalization; and avoiding deferred conditions precedent (especially regarding rights of way and permits) that cause expensive construction delays.

"Not all winning bids are bankable projects."

6. On the Biggest Execution Mistakes in Power PPPs

Expanding on execution failures, Mr. Mgbenwelu highlighted undersized project budgets due to reliance on international benchmarks that ignore local conditions, urging independent technical due diligence. He also noted underfunded equity as a major failure point, where uncommitted equity leads to severe construction delays when drawdowns fail.

7. On Institutional Coordination and Governance Reforms

Dr. Babalola called for clear institutional alignment around the sector's end-state, transitioning predictably from a single-buyer model to a competitive wholesale market. He urged defined roles across the Ministry of Power, Nigerian Electricity Regulatory Commission, Ministry of Finance, Bureau of Public Enterprise, and Infrastructure Concession Regulatory Commission, alongside integrated project teams and concurrent approval processes to eliminate ad hoc delays.

8. On Gas Supply Integration and the Role of Virtual Pipeline Solutions

Mr. Singh highlighted that gas producers bear the highest payment risk in the sector and often prioritize export markets where payments are reliable. Virtual gas pipelines offer a viable bridging solution, enabling captive power generation in states like Delta, Edo, and Ondo while providing long-term operational redundancy alongside physical pipelines.

9. On Future Bankable Opportunities in the Nigerian Power Sector

Dr. Afieroho identified distributed energy solutions (mini-grids, Battery Energy Storage System ("BESS"), embedded industrial power) and data center power infrastructure driven by Central Bank of Nigeria data localization directives as key near-term opportunities. Successful projects must involve financing partners at conceptualization rather than post-structuring.

10. On Local Currency Financing and FX Risk Management

To manage FX risks, Mr. Singh recommended FX pass-through terms, long-term naira debt (via InfraCredit and Stanbic IBTC), blended finance, and higher initial equity contributions to reduce construction debt. Mr. Mgbenwelu added that long-term bankability requires cost-reflective tariffs across the value chain, end-user payment discipline, extended debt tenors, and deeper domestic liquidity pools.

Conclusion

Bankability in Nigeria's power sector cannot be solved at the project level alone; it requires a functioning market defined by reliable demand, payment discipline, transparent regulation, and market-driven contracts. Sovereign guarantees and transitional enhancements cannot permanently replace predictable cash flows and equitable risk distribution. In closing, Mr. Hassan Sherif reaffirmed Advocaat Law Practice's commitment to collaborating with industry stakeholders to structure legally sound and commercially viable energy projects.

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