



UDO UDOMA &
BELO-OSAGIE

POWER SECTOR UPDATES

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This update provides an overview of recent key regulatory and market developments in Nigeria's power sector. Recent developments include continued legislative activity on the Electricity Act (Amendment) Bill 2025, the introduction of sector-specific Practice Directions for electricity disputes before the Federal High Court, renewed federal focus on gas supply expansion, and further progress on state-level clean energy and public-private partnership initiatives.

We will continue to monitor these developments and issue our next monthly update in March 2026.

1. Electricity Act (Amendment) Bill 2025 – Key Proposals and Sector Implications

The Electricity Act (Amendment) Bill 2025 (the “Bill”) is currently before the National Assembly. The Bill is understood to remain under legislative consideration. The Bill proposes changes to the Electricity Act, 2023 (the “Principal Act”) and the proposed amendments focus on clearer federal–state boundaries, subsidy administration, infrastructure protection, sector financing, host community obligations and industrial relations within the Nigerian Electricity Supply Industry (“NESI”).

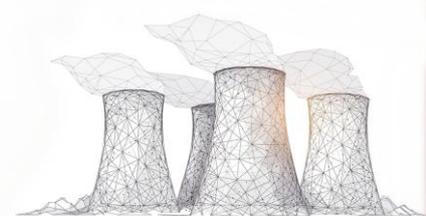
Key Proposals in the Bill

a. Clarification of State Regulatory Powers and Transition Framework

The Bill proposes to amend section 2 of the Principal Act by restating and clarifying the scope of State legislative competence in respect of electricity within State boundaries. While the Principal Act already permits States to regulate intra-state electricity matters, the proposed amendment restructures section 2(2) to expressly confirm that States may legislate on generation, transmission (where applicable), distribution, supply and retail electricity within the State, and may establish State electricity markets and regulators. Importantly, the amendment expressly preserves federal oversight over:

- the national grid system,
- the National Wholesale Electricity Market (“NWEM”), and
- nationwide technical standards, operational codes, consumer protection, anti-trust and climate regulation.

The Bill also introduces a more defined transition framework for the transfer of regulatory oversight to States. A State seeking to assume full regulatory control over intra-state electricity matters would be required to satisfy the statutory conditions within 12 months of the commencement of the amendment. The Nigerian Electricity Regulatory Commission (“NERC”) would be empowered to grant a single extension of up to six months. Where a State fails to meet the prescribed conditions within the applicable timeframe, NERC would be authorised to determine interim regulatory arrangements to ensure continuity and avoid regulatory gaps. These provisions are intended to reduce ambiguity in federal–state regulatory boundaries and to impose clearer timelines and safeguards around the decentralisation process introduced under the 2023 Act.





b. Power Consumer Assistance Fund (PCAF) – New Subsidy Framework

The Bill proposes to substitute the existing Part XV (Sections 122–130) of the Principal Act, which currently establishes the Power Consumer Assistance Fund (“PCAF”), with a revised and more detailed statutory framework. While the Principal Act already provides for PCAF as a mechanism to support unserved, underserved and underprivileged consumers, the Bill restructures and expands the governance, funding and enforcement powers of the Fund.

Under the revised Part XV, the funding sources are restated and clarified, including mandatory contributions from designated consumers and eligible customers, National Assembly appropriations, a portion of NERC’s service charge recovered through tariffs, and other lawful inflows. Administrative and operational expenses are capped at 5% of total inflows. The Bill mandates NERC to issue a detailed PCAF Regulation within twelve months of the commencement of the Act (if enacted), setting out eligibility criteria, contribution rates and operational procedures. It also formalises the establishment of a PCAF Secretariat within NERC and provides for the appointment of independent fund managers responsible for financial administration and reporting. Clearer remittance mechanisms are introduced, and failure to make required contributions is expressly made an offence punishable by a fine of up to three times the amount owed.

If enacted, the amendment shifts subsidy administration from a largely tariff-driven support structure to a more structured statutory fund framework with clearer governance, contribution obligations and enforcement provisions.

c. Infrastructure Vandalism

The Bill introduces new Sections 220A–220B which create a standalone offence for the destruction, damage or unlawful interference with electricity infrastructure. The penalties range from three years’ imprisonment to life imprisonment, depending on the severity of the disruption caused.

Although vandalism is already punishable under general criminal law, the amendment creates sector-specific liability with enhanced penalties. Electricity infrastructure vandalism remains a persistent challenge affecting supply stability and grid reliability across the sector. If enacted and enforced, the stricter and graduated penalties are intended to strengthen deterrence and support efforts to protect critical electricity infrastructure.

d. Essential Services and Strike Restrictions

The Bill provides under Sections 228G–228I that generation, transmission, system operation, distribution and supply of electricity across both the NWEM and State Electricity Markets are to be designated as essential services. Industrial action that disrupts electricity operations is prohibited unless carried out under a duly negotiated





and approved minimum service agreement as provided under Sections 228H–228I of the Bill. Within six months of the commencement of the Act (if enacted), NERC is required to issue regulations setting out templates and minimum service levels to be maintained during industrial disputes.

Breach of these provisions attracts fines or imprisonment. Electricity supply has in the past been disrupted during nationwide labour protests, with system shutdowns used as a pressure tool. If enacted and enforced, the proposed framework is intended to curb such disruptions by limiting the ability of organised labour to halt electricity operations outside the structured minimum service regime and could reduce strike-related interruptions in the sector.

e. Financing Framework and Mandatory Recapitalisation

The Bill provides under Sections 228J–228K that the Federal Government, through the Minister of Power and in consultation with NERC, shall establish a financing framework for the NESI within 12 months of the commencement of the Amendment Act. The framework is to address long-term funding needs, tariff sustainability and sector liquidity.

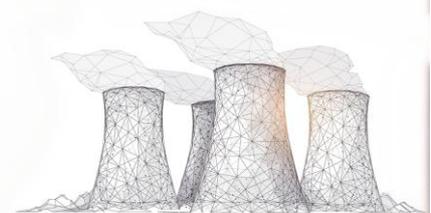
The Bill empowers NERC to direct recapitalisation of the 11 successor distribution companies within a defined timeframe. Where core investors fail to comply, NERC may impose sanctions, including equity dilution or re-privatisation. If enacted, these provisions strengthen oversight of distribution company capital structures and signal a firmer stance on investor compliance.

f. Host Community Framework

The Bill introduces, under Sections 228N–228O, a statutory host community regime for generation, transmission and distribution licensees. Host communities are granted rights to information, consultation, community development benefits, environmental protection and grievance redress.

Licensees are required to conduct periodic needs assessments, implement community development plans, adopt environmental safeguards, prioritise qualified local employment and establish grievance mechanisms. Up to 5% of annual operating expenditure, or such other percentage approved by the relevant regulator, is to be set aside for community development in line with regulatory guidelines.

Host communities are also required to cooperate with licensees, protect electricity infrastructure, comply with community agreements and pay approved tariffs. If enacted, the framework formalises community engagement in the sector and may increase compliance and operating costs, particularly for generation and network infrastructure projects.





Overall, the Bill tightens the regulatory framework introduced under the 2023 Act. It clarifies federal and state boundaries, strengthens NERC's oversight powers, formalises subsidy and financing structures, and introduces stricter controls around labour disruption and infrastructure protection. If enacted, the changes reinforce system stability, increase accountability within the distribution segment and place clearer obligations on both investors and host communities.

2. Federal High Court (Nigerian Electricity Supply Industry) Practice Directions, 2026

The Federal High Court (Nigerian Electricity Supply Industry) Practice Directions, 2026 (the "Practice Directions"), which are expected to be gazetted shortly¹, introduce a dedicated procedural framework for electricity-related disputes before the Federal High Court. The Practice Directions are intended to align court processes with the commercial and technical realities of the NESI.

a. Objective and Scope

The objective of the Practice Directions as set out in Order 1 is the efficient and prompt disposal of NESI matters. The Practice Directions apply to all suits involving the electricity sector, unless otherwise directed by the Chief Judge. Where the Directions are silent, the Federal High Court (Civil Procedure) Rules, 2019 apply. This creates a specialised framework while keeping matters within the broader civil procedure system.

b. Active Case Management and Early Judicial Intervention

The most significant reform is introduced under Order 3 which establishes the active case management regime. The Court is empowered to manage NESI cases from the outset. This includes ensuring that disputes between licensees are first handled by NERC where required, identifying issues early, fixing timelines, consolidating related matters, encouraging settlement and disposing of issues summarily where a full trial is unnecessary. The Court may also require parties to show that contractual or regulatory dispute resolution mechanisms have been exhausted before the matter is allowed to proceed before the Court. These powers reinforce NERC's role in first-instance regulatory dispute resolution and are intended to reduce premature or duplicative litigation before the Court.

c. Commencement Requirements

Under Order 4, a claimant must file a pre-action affidavit confirming prior use of alternative dispute resolution or regulatory mechanisms. Where relevant, a technical statement explaining industry-specific terms or operational processes must also be filed. These requirements improve the quality of filings, discourage speculative claims and ensure that judges are provided with the technical background needed to assess electricity disputes properly.

¹ NJI Commends NERC on Capacity Building for Judiciary on Power Sector <https://nerc.gov.ng/media/nji-commends-nerc-on-capacity-building-for-judiciary-on-power-sector/>





d. Venue and Service of Processes

Under Order 5, the Practice Directions prescribe where NESI suits are to be filed, based on where the cause of action arose, where the contract was to be performed, or where the defendant resides or carries on business. While the Court retains discretion to entertain matters filed in an incorrect division, the clearer rules are intended to reduce forum shopping.

Under Order 6, electronic service, including service by email or WhatsApp, is expressly recognised as valid. Proof of such service requires an affidavit attaching the electronic print-out. These provisions modernise the service of process and are intended to reduce delay.

e. Appeals from NERC

Under Orders 12 and 13, appeals from decisions of NERC are subject to a structured and time-bound procedure. An appeal must be commenced by originating process and must be accompanied by the decision being challenged and the materials relied upon. The appellant must demonstrate that the applicable regulatory or internal review mechanisms have been exhausted before approaching the Court. Strict timelines apply for filing responses and replies, and the Court is empowered to give directions to ensure expeditious hearing of the appeal. The Practice Directions also allow the Court to manage the appeal actively, including limiting issues and streamlining proceedings where appropriate. These provisions reinforce procedural discipline in regulatory appeals while preserving judicial oversight of NERC's decisions.

Taken together, the Practice Directions introduce tighter case management, shorter timelines and stricter commencement requirements for electricity disputes. They reinforce NERC's position as the first point of call for regulatory disputes and limit procedural delay in court proceedings. Collectively, these reforms are intended to promote faster, more structured and technically informed resolution of electricity-related disputes.

3. Federal Government Targets 10 BSCFD Gas Production by 2030

Speaking at the opening ceremony of the 9th Nigeria International Energy Summit 2026 in Abuja on 3 February 2026, Vice President Kashim Shettima, representing the President of the Federal Republic of Nigeria, emphasised that recent decisive reforms in Nigeria's energy sector, particularly the implementation of the Petroleum Industry Act (the "PIA"), are restoring investor confidence and unlocking growth across the value chain². He acknowledged that while Nigeria's energy sector holds significant potential, it has historically been constrained by underinvestment and structural inefficiencies, necessitating sustained and coordinated reforms.

The Vice President stated that the sustained implementation of the Petroleum Industry Act has deepened regulatory institutions and improved transparency, contributing to restored investor confidence and a rebound in upstream activity.

² Tinubu: Decisive Reforms, PIA Implementation Restoring Confidence And Unlocking Growth In Nigeria's Energy Sector <https://fmino.gov.ng/tinubu-decisive-reforms-pia-implementation-restoring-confidence-and-unlocking-growth-in-nigerias-energy-sector/>





The Minister of State for Petroleum Resources (Gas), Rt. Hon. Ekperikpe Ekpo (the “**Minister**”), emphasised Nigeria’s “*just, inclusive, and pragmatic*” energy transition strategy, which prioritises natural gas as a key enabler of industrialisation, job creation, and expanded energy access. He spoke about the progress that was made in Nigeria’s gas sector in the year 2025, including average daily gas production of 7.5–7.6 BSCFD³, domestic supply exceeding 2 BSCFD for the first time, and measurable reductions in gas flaring. The Minister reiterated Nigeria’s commitment to scaling gas production to 10 BSCFD by 2030, positioning gas as a cornerstone of national energy security under the Renewed Hope Agenda, with a focus on large-scale gas infrastructure expansion and accelerated gas-to-power deployment.

These announcements demonstrate the Federal Government’s recognition of natural gas as a transition fuel critical to power generation, industrial development, and broader energy security objectives, while reinforcing the central role of PIA implementation in stabilising and modernising Nigeria’s energy sector.

4. **Lagos State Public-Private Partnership Engagement – Oko-Oba Clean Energy Limited Hybrid Clean Energy Project (“Oko-Oba Clean Energy Project”)**

Lagos State recorded notable progress under its clean-energy infrastructure agenda through ongoing engagement on the Oko-Oba Hybrid Clean Energy Project, a flagship Public-Private Partnership (**PPP**) initiative combining solar photovoltaic power, battery energy storage, and biogas generation from abattoir waste.⁴

The Lagos State Government, through the State’s Ministry of Energy and Mineral Resources received a delegation from Oko Oba Clean Energy Limited (the Project Proponent) and facilitated a kick-off meeting with the State’s Public-Private Partnership (PPP) Office in connection with the Oko-Oba Hybrid Clean Energy Project to apprise the Project Proponent of the institutional roles and PPP expectations, including the procedural, regulatory, and institutional requirements applicable to project development under a PPP arrangement in Lagos State.⁵

This early-stage engagement signals progress towards the potential development of the Oko Oba Hybrid Clean Energy Project and underscores Lagos State’s commitment to facilitating credible private sector participation in clean energy development, waste-to-energy solutions, and the delivery of sustainable infrastructure.

5. **NERC South-West Regional Sensitisation on Vandalism of Power Infrastructure**

The NERC conducted a South-West Regional Sensitisation Workshop to address the systemic challenge of vandalism across the NESI⁶. The workshop was conducted in collaboration with the Nigerian Energy Support Programme, a technical assistance initiative implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in collaboration with the Federal Ministry of Power.

³ Billion Standard Cubic Feet per Day

⁴ “Lagos Initiates PPP Engagement for Proposed Oko-Oba Hybrid Clean Energy Project”

<https://lagosstate.gov.ng/news/Lagos%20State%20MDAs/view/697470e888319a643b778583>

⁵ Ibid

⁶ NERC holds south-west regional sensitisation on curbing vandalism of power infrastructure in the Nigerian electricity supply industry <https://nerc.gov.ng/media/nerc-holds-south-west-regional-sensitisation-on-curbing-vandalism-of-power-infrastructure-in-the-nigerian-electricity-supply-industry/>



The workshop convened representatives from the Federal Ministry of Power, traditional rulers, Managing Directors and Chief Executive Officer of the Nigerian Independent System Operator, the Transmission Company of Nigeria, Discos operating in the South-West region, as well as other key NESI stakeholders.

Discussions centred on the impact of power infrastructure vandalism on grid operations, the experiences of Discos in managing vandalism-related disruptions, community-led approaches to safeguarding power infrastructure in remote locations, and the need to strengthen collaboration among regulators, operators, security stakeholders, and development partners.

NERC reaffirmed its commitment to enhancing collaboration, stakeholder engagement, community participation, and sector-wide vigilance as critical measures for safeguarding power infrastructure and maintaining grid stability.

Conclusion

The power sector continues to evolve, with ongoing reforms aimed at clearer federal–state roles, stronger regulatory oversight and improved energy access. Legislative developments, new court procedures for electricity disputes, renewed focus on gas supply, and state-level clean energy initiatives reflect a sector still adjusting to the post-2023 Act framework. As more states operationalise their electricity markets and new commercial arrangements such as distributed generation and mini-grids expand, effective regulatory coordination, consistent enforcement and sustained institutional capacity will remain critical to sector stability and investor confidence.

Disclaimer: *This update is prepared by members of Udo Udoma & Belo-Osagie’s Energy and Infrastructure Team and is intended for information purposes only and shall not be construed as legal advice on any subject matter in any circumstances. It does not and shall not be construed as creating any relationship, including a client/attorney relationship, between readers and our firm or serve as legal advice. For more information about our Energy and Infrastructure practice, or any of our other practice group offerings, please visit www.uubo.org or contact us at powerteam@uubo.org or uubo@uubo.org.*

