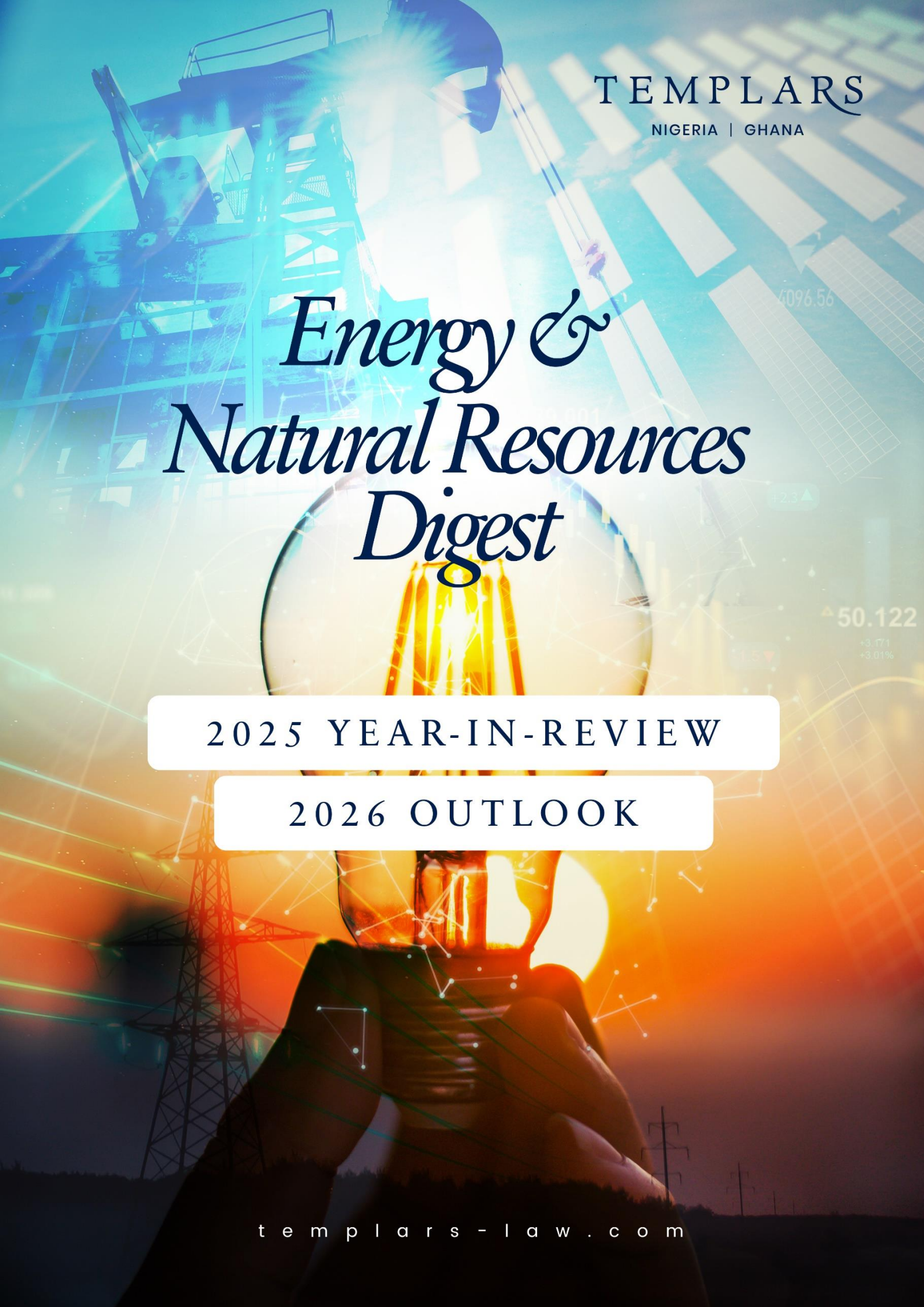

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NIGERIA | GHANA

Energy & Natural Resources Digest

2025 YEAR-IN-REVIEW

2026 OUTLOOK

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2025 in Review

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GHANA

Oil and Gas

In 2025, Ghana's oil and gas sector, largely fueled by the change in government after the 2024 election results, experienced strategic reforms and increased investment aimed at addressing the decline in production and improving energy security.

TEMPLARS Ghana notes the following that shaped the sector in 2025:

- **GNPC Strategic Sector Reset:** National Oil Company, Ghana National Petroleum Corporation (GNPC), instituted a new upstream strategy aimed at revitalizing the sector and reversing the decline in Ghana's oil output which had plummeted from a high of 195,750 barrels per day in 2019 to approximately 110,500 barrels per day recently. See our ***June 2025 Digest*** for details.

- **Tema Oil Refinery (TOR) Resumed Operations:** TOR resumed crude oil refining operations in December 2025, following its shutdown in 2021. See our ***July 2025 Digest*** for details.

- **ENI and** Offshore Cape Three Points (**OCTP) Partners Progress with I.5 Billion OCTP Project:** Eni, together with its OCTP partners, Vitol and GNPC, signed a Memorandum of Intent with the Government of Ghana to evaluate a comprehensive and integrated $1.5 billion investment plan, focused on the potential development of the Eban-Akoma field in Cape Three Points Block 4. See our ***November Energy Digest*** for details.

- **Ghana Withdrew ENI-Springfield Unitisation Directives:** In March 2025, Ghana announced the reversal of its 2020 Unitisation Directives imposed on Eni Ghana Exploration & Production Ltd and Springfield Exploration & Production Ltd, regarding the Afina – 1X Discovery and the Sankofa Cenomanian Oil Fields. This decision followed an arbitration ruling on 8 July 2024, in the ENI & Vitol v. Ghana & GNPC, which found the unitisation unlawful and in breach of the petroleum agreement in respect of the OCTP Block. See our ***April 2025 Digest*** for details.

POWER

In 2025, the power sector in Ghana was characterised by governmental policy reforms and extensive financial restructuring measures aimed at achieving increased power generation at the national level, sustainable financial planning, and reduced legacy debt.

We found the following of interest: (a) the systemic **renegotiation of contractual terms of power purchase agreements with existing Independent Power Producers (IPPs**), (b) the implementation of the **Ghana Energy Sector Recovery Programme** to, among others, strengthen the cash waterfall mechanism in the sector, and (c) the enactment of the **Energy Commission (Planning and Competitive Procurement of Additional Electricity Generation Capacity) Regulations, 2025 (L.I. 2508)** to enable competitive procurement for power producers.

In addition to extensive financial restructuring, the Electricity Company of Ghana (ECG) underwent key events within the year which reshaped privatisation efforts in the monopolised power distribution sector. Notably, the privatisation of the ECG was stalled due to intense opposition from labour unions in favour of private sector involvement in other areas of the power supply.

Despite intensive government restructuring, IPPs, investors and lenders continued to view investments in Ghana's power sector favourably and directed further funds into power projects. Particularly, IPPs heavily invested in power plants to supplement power generation with **Aksa Energy**, achieving partial production at its 350 MW Anwomaso power plant and completing its dual-fuel conversion project at its 379 MW power plant in Tema.

TEMPLARS advised Bayerische Landesbank and Türkiye İş Bankası Anonim Şirketi *on its credit facility to Aksa Energy for financing the abovementioned power projects.*

Other developments in Ghana's power sector:

- **Government Enacted Legislative Instrument to Mandate Competitive Power Procurement:** In 2025, Ghana enacted and gazetted the Energy Commission (Planning and Competitive Procurement of Additional Electricity Generation Capacity) Regulations, 2025 (L.I. 2508) which significantly amended the procurement process for power generation services, IPPs, and the negotiation of power purchase agreements. The LI 2508 mandates all IPPs and power purchase agreements to be concluded through competitive bidding to address inefficiencies, improve transparency, and ensure value for money in energy contracts.

- **TUC and PUWU Feud Against Privatisation of ECG:** The Trade Union Congress (TUC) and Public Utility Workers' Union (PUWU) strongly opposed government plans to privatize the ECG. They cited the failed Power Distribution Service deal in 2019 and argued that ECG's challenges stemmed from political interference, poor procurement, and systemic inefficiencies, not public ownership. See our ***April 2025 Digest*** for details.

- **ECG Landmark Arbitration Case Against PDS in London:** In November 2025, ECG won a high-profile international arbitration against Power Distribution Services Ghana LTD (PDS) in London, United Kingdom, concluding a four (4)-year dispute.

  The tribunal ruled that ECG was legally justified in terminating its 2018 concession agreement with PDS since the payment guarantees provided by PDS were fraudulent and invalid. See our ***April 2025 Digest*** for details.

RENEWABLE ENERGY AND ENERGY TRANSITION

In 2025, Ghana advanced its energy transition agenda through a combination of climate-focused financing and regional energy cooperation initiatives:

- **Ghana Unveiled Ambitious Renewable Energy Adoption Plan:** Ghana announced a comprehensive plan to boost its renewable energy adoption and position the country as a leader in Africa's green economy. The plan envisaged the deployment of 12,000 net-metered solar PV systems for homes, construction of 35 mini-grids for 47 island communities, and distributing 1,450 solar home systems to off-grid households and institutions. See our ***August Energy Digest*** for details.

- **Ghana Secured $1 Billion for Climate Financing:** Ghana secured approximately US$1 billion in medium-term financing (2024–2030) to accelerate its energy transition projects. This funding, anchored in the National Energy Transition Framework, is expected to support renewable energy expansion to at least 1,400 MW, smart solar lighting, and electric vehicle charging infrastructure. Read more from our publication ***here***.

NIGERIA
Oil and Gas

Notable developments included Nigeria's first flare gas digital infrastructure project for the utilisation of flare gas to power multiple data centers on the **Dawcon Green Flare Gas Project**[1]; **Energy& LLP's** strategic investment in Falcon Corporation;[2] gas pipeline infrastructure development on the **Ajaokuta–Kaduna–Kano (AKK) Gas Pipeline Project**;[3] and significant progress with the **Nigeria–Morocco Gas Pipeline Project;**[4] the execution of a Memorandum of Understanding for the mobilisation of up to US$500 million over 4 years for midstream and downstream gas projects between **Afrexim Bank and MDGIF**;[5] launch of **Nigeria's first Gas Clearing House and Settlement Authorisation Platform** by the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), based on the Gas Trading and Settlement Regulations in 2023;[6] partnership between MDGIF and Endurance Group to deploy up to **five hundred (500) CNG refueling stations nationwide**[7].

Commercial Framework for Approving Field Development Plans, Annual Work Programmes, and Status Reports: In June 2025, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) issued the Nigerian Upstream Petroleum (Commercial) Regulations, 2025 (the "**Commercial Regulations**") to establish a framework for the regulation and approval of the commercial aspects of upstream petroleum operations. Key provisions are examined in our article ***here***.

- **Advanced Cargo Declaration System by NUPRC:** In June 2025, the NUPRC issued the Guidelines for the Operationalisation of the Advance Cargo Declaration Regulation, 2025, which provide for the Advanced Cargo Declaration (ACD) system, and mandates all crude oil and petroleum product exporters to submit detailed shipment information, prior to cargo departure from Nigeria. See our ***July 2025 Digest*** for details.

- **Acceleration in Crude Oil Refining Activities:** The NMDPRA issued multiple Licences to Establish and Licences to Construct for the following projects: Eghudu Refinery Limited (100,000 barrels per day), MB Refinery & Petrochemicals (30,000 barrels per day) and HIS Refining & Petrochemical (10,000 barrels per day), collectively adding approximately 140,000 barrels per day of potential refining capacity. See our ***April 2025 Digest*** for details.

- **New Regulatory Leadership at NMDPRA and NUPRC:** In December 2025, following the resignations of the Authority Chief Executive (ACE) of the NMDPRA and the Commission Chief Executive (CCE) of the NUPRC, new Chief Executives were appointed for both regulators. Saidu Mohammed for the NMDPRA and Oritsemeyiwa Eyesan for the NUPRC.

[1] **TEMPLARS advised on this transaction**, which was reported in our ***June 2025 Digest***.
[2] **TEMPLARS provided full transactional and regulatory support to Energy & LLP.**
[3] This development was previously analyzed in our ***May 2025 Digest***.
[4] Reported in our ***August 2025 Digest***.
[5] This development was covered in our ***May 2025 Digest***.
[6] The Regulation was examined in our article ***here***.
[7] This was highlighted in our ***December 2025 Digest***.

POWER

Some significant developments we saw in 2025:

- **Nigerian Electricity Regulatory Commission (NERC) Transfer of Regulatory Oversight to State Regulatory Authorities:** Throughout 2025, the implementation of the decentralized framework established under the Electricity Act, 2023 (EA) was in full swing, with several States enacting their local electricity laws to operationalize their state electricity markets. This development was reported in our ***November 2025 Digest***.

  Particularly for Lagos State, in June 2025, the Lagos State Electricity Regulatory Commission ("**LASERC**") issued Order No. LASERC ORDER/001/2025, which amongst other things, announced the immediate commencement of LASERC's regulatory oversight over the Lagos Market and mandated that all existing electricity-related activities within Lagos State must immediately apply to be licensed by LASERC, irrespective of any permits or licences previously issued by other regulators. See details of this development and its effect on existing and potential investors in Lagos in our article ***here***.

- **NERC Order on the Delineation of Assets and Liabilities of Distribution Licensees:** Following the structural and legal reforms introduced by the Electricity Act, 2023 (the "**EA**"), in March 2025, the NERC issued an Order on the Delineation of Assets and Liabilities of Distribution Licensee (NERC/2025/028), which provides a framework for the delineation of assets and liabilities of successor Distribution Companies ("**HoldCos**") to set up their subsidiary companies (SubCos), in compliance with the provisions of the EA.

- **National Integrated Electricity Policy (NIEP) Adoption:** In May 2025, the Nigerian Government approved the National Integrated Electricity Policy (NIEP) replacing the National Electric Power Policy of 2001. The NIEP serves as Nigeria's comprehensive framework for addressing inefficiencies in the electricity sector and advancing sustainable energy development. See our ***June 2025 Digest*** for details.

- **Reduction in Electricity Subsidies following Tariff Adjustment:** In April 2025, the Federal Ministry of Power ("**FMP**") announced the reduction electricity subsidies by about 35%, following targeted tariff adjustments under the Multi Year Tariff Order (MYTO). See our ***September 2025 Digest*** for details.

- **Transmission Financing Reform:** In May 2025, NERC issued a landmark order that formalized the Order on Performance Improvement Plan for the Transmission Company of Nigeria (TCN) and Nigerian Independent System Operator (NISO), to accelerate investment in critical transmission infrastructure and reduce reliance on traditional budgetary appropriations, through the integration of the Transmission Infrastructure Fund (TIF) into the broader PIP implementation framework covering 2025–2027. See our ***December 2025 Digest*** for details.

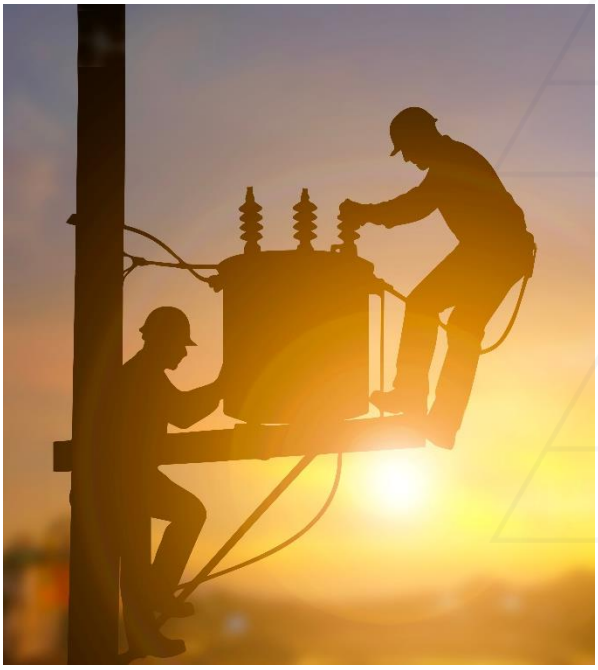
- **US$328.8 Million Financing from China's CMEC to Boost Nigeria's Power Supply**: In May 2025, Nigeria signed a US$328.8 million Engineering, Procurement, Construction, and Financing (EPC+F) agreement with China Machinery Engineering Corporation, aimed at upgrading Nigeria's electricity transmission, as part of Phase 1 of the Presidential Power Initiative (PPI). See our ***May 2025 Digest*** for details.

- **Commencement of Phase II of 12,000MW Siemens Power Project:** In September 2025, Nigeria launched Phase II of the PPI, targeting a 12,000MW transmission system upgrade. See our ***September 2025 Digest*** for details.

- **Phased Implementation of the ₦4 trillion Bond to Clear GenCos' Debts:** To resolve the chronic liquidity crisis in the Nigerian Electricity Supply Industry, Nigeria approved a ₦4 trillion (approximately US$2.61 billion) power sector bond program to clear legacy debts (2015-2024) owed to Generation Companies (GenCos) and Gas Suppliers. See our ***November 2025 Digest***.

- **Historic WAPP Synchronisation by the Nigerian Independent System Operator:** In November 2025, the NISO, working with the West African Power Pool Information and Coordination Centre (WAPP-ICC) successfully conducted a synchronisation test linking Nigeria's national grid with, parts of Niger Republic, Benin and Togo (WAPP Area 1) and the rest of the regional grid (Areas 2 & 3), advancing the operational unification of the West African electricity network. See our ***November 2025 Digest*** for details.

- **Lagos Secured €120 Million Facility for Epe Waste-to-Energy Project:** in December, the Lagos State Government secured a €120 million financing facility from the Dutch Development Bank to develop a waste-to-energy plant at the decommissioned Epe landfill, which will process approximately 3,000 tonnes of



solid waste per day and supply electricity to surrounding communities. See our ***December 2025 Digest*** for details.

RENEWABLE ENERGY AND ENERGY TRANSITION

In 2025, Nigeria's renewable energy and energy transition initiatives advanced steadily, reflecting strengthened policy support, increased private sector investment, and a strategic emphasis on decentralized energy solutions. Some milestones we saw in 2025:

- **Rural Electrification Agency (REA)'s US$1.6 Billion Pipeline to Scale Off-Grid Renewable Energy Projects:** In August 2025, the REA mobilized a US$1.6 billion funding pipeline designed to accelerate off-grid renewable energy development across Nigeria. This capital mix includes multilateral financing, climate funds, and public-private partnerships, with significant contributions expected from Japan International Corporation Agency and the U.S. Department of Justice via repatriated funds. This was reported in our ***August 2025 Digest***.

- **Nigeria Unveils $500m Climate Investment Platform:** In June 2025, Nigeria unveiled the Nigerian Climate Investment Platform, an initiative designed to mobilise up to US$500 million in climate finance for infrastructure and adaptation projects. This was reported in our ***June 2025 Digest***.

- **Nigeria's Hydrogen Export Roadmap for 2060:** In July 2025, Nigeria unveiled an ambitious roadmap to become a global leader in green hydrogen production, targeting $50 billion in export revenue and an annual output of four million tonnes of green ammonia by 2060. We reported more on this in our ***August 2025 Digest***.

- **Lagos Government Unveiled Africa's First Subnational Carbon Exchange:** The Lagos State Government unveiled Africa's first subnational carbon exchange, making it the second in the World after California, USA. This was reported in our ***April 2025 Digest***.

- **Nigerian Distributed Renewable Energy Fund Targets $500 Million Investment:** The Nigerian government, in collaboration with the Nigerian Sovereign Investment Authority (NSIA) and the United Nations' Sustainable Energy for All (SEforALL), set a US$500 million target for a fund dedicated to local renewable energy developers. Managed by the Africa50 investment platform (an infrastructure investment platform established by the African Development Bank), the fund focuses on expanding energy access through solar home systems and mini-grids in rural areas. See our ***April 2025 Digest***.

- **US$500 Million Investment Agreement between Katsina State Government and GENESIS Energy:** In May 2025, the Katsina State Government signed a US$500 million strategic partnership with GENESIS Energy Holding (a UK-based Pan-African clean energy infrastructure development company). The agreement focuses on the development, financing, and maintenance of clean energy infrastructure to accelerate industrial and socio-economic growth within the state. This strategic partnership was analyzed in our ***May 2025 Digest***.

- **Kaduna Electric Launches 100MW Solar -BESS Project:** In June 2025, Kaduna Electric signed a MOU with J-Marine Logistics Limited and ASI Engineering Limited to develop a 100MW solar project with a battery energy storage system (BESS) to enhance grid stability and reliability. The project aims to serve and boost electricity supply in the states of Kaduna (60 MW), Sokoto (20 MW), Zamfara and Kebbi (10 MW). This was reported in our ***June 2025 Digest***.

- **US$70M IFC Grant at the Africa Energy Summit:** During the Mission 300 Africa Energy Summit held in Dar es Salaam, Tanzania, Nigeria secured a US$70 million grant from the International Finance Corporation (IFC).

Part of a US$1 billion facility backed by the Rockefeller Foundation and the African Development Bank, this funding aims to bridge the energy gap for eighty-five (85) million underserved citizens by scaling decentralized solar powered grids. This was reported in our ***April 2025 Digest***.

- **REA and FCMB ₦100 Billion Loan Facility for Mini-Grids:** In June 2025, the REA and First City Monument Bank ("**FCMB**") established a ₦100 billion (approximately US$69 million) loan facility to finance renewable mini-grid projects across Nigeria. We reported more on this in our ***June 2025 Digest***.

- **Draft NERC Order on Net Billing Regulations for Distributed Energy:** In September 2025, NERC circulated the draft Net-Billing Regulations (the "**Regulation**") for stakeholder engagement. The Regulation establishes a standardized framework allowing electricity consumers with renewable energy systems to export surplus power to the grid and receive compensation via credits against their electricity bills.

Outlook for 2026

GHANA

OIL AND GAS

Ghana's oil and gas sector enters 2026 at a critical inflection point, following years of declining production and subdued investment. The government has adopted a renewed policy focus aimed at stabilizing production output, restoring investor confidence, and reviving the upstream petroleum sector.

Central to the government's approach is investor-friendly reforms, regulatory and fiscal review, and targeted capital mobilisation to extend the production life of existing fields while unlocking new exploration prospects. The 2026 budget and related policy initiatives signal a deliberate shift towards upstream revitalisation, anchored in large-scale investment commitments, and the expansion of domestic exploration activities beyond Ghana's traditional offshore basins.

Regulatory and Fiscal Support in the Upstream Petroleum Sector: The 2026 Budget Statement and Economic Policy acknowledge a consistent decline in Ghana's oil production, which has fallen by nearly 50% between 2019 and 2025, and sets out measures aimed at reversing this trend.

Reforms implemented in 2025 yielded positive returns, securing US$3.5 billion in new investment commitments, including a US$2 billion framework agreement to drill 20 new wells in the Jubilee and TEN fields and a US$1.5 billion commitment from OCTP Partners to expand oil operations.

The 2026 budget signals stronger commitments from the government in reviving significant operations in the upstream petroleum sector, building on the momentum of 2025. For exploration, production companies and service providers, 2026 is likely to be characterized by significant regulatory and fiscal shifts, aimed at increasing revenue for both government and private players. Major negotiations and transactions are also expected, including the government's investment in Springfield's stake in the WCTP2 Block and the conclusion of a definitive investment plan for the OCTP Block.

Gas Infrastructure Readiness for Power Generation

The 2026 budget also highlights the government's continued investment in ensuring the transition from expensive crude light oil for power generation to cleaner and domestically produced natural gas.

Several gas infrastructure upgrades and expansions in 2025 highlighted this key industry focus. The trend toward gas infrastructure projects is expected to continue in 2026 with several key projects planned to expand Ghana's gas processing infrastructure, to optimize the offtake of gas for power generation.

POWER

The Ghanaian power sector in 2025 was characterized by operational stability, fiscal strain, and cautious policy activity. Unlike more structurally fragile power markets in the region, Ghana maintained system reliability and generation adequacy throughout the year.

The 2026 budget, however, indicates a shift in the government's focus to improving affordability and accessibility of electricity for both industries and the wider public.

Key power projects with offtake agreements with the Government are anticipated in 2026 to support the rollout of the proposed 24-hour economy and to achieve the national electrification goals. Local and foreign investors and independent power producers are also likely to see renewed government interest to stimulate private sector participation in electricity generation.

Re-Negotiations of Power Purchase Agreements

The 2026 Budget demonstrates the strong commitment of the government to clearing all arrears and legacy debt further to the enactment of the Energy Commission (Planning and Competitive Procurement of Additional Electricity Generation Capacity) Regulations, 2025 (L.I. 2508) is set to significantly impact on the negotiation of new power purchase agreements with IPPs.

This legislative Instrument mandates the procurement of power generation through competitive bidding and strengthens the vetting process for licence applications. Therefore, for existing IPPs and prospective investors, the new procurement process under the L.I. 2508 necessitates more attractive pricing models, emphasizing competitive advantages over existing relationships or market familiarity.

Amid these ongoing negotiations and procurement reforms, certain IPP projects are expected to advance in 2026, notably the construction of two major gas-fired power plants in Kumasi by AKSA Energy (350 MW) and CENIT Energy (300 MW), with initial units expected to commence operations within the year.

In 2025, the government successfully re-negotiated the power purchase agreements with nine IPPs including Aksa, Karpower and Sunon Asogli, securing approximately $250 million in debt discounts, extending the legacy-debt cut-off to June 2025, and reducing capacity charges for some renewable energy plants. These negotiations have ensured that the government is now fully up-to-date with its payment obligations, settling all invoices timely. The 2026 Budget emphasizes that such negotiations will continue in 2026, to ensure financial sustainability for offtake agreements with IPPs.

Further, the enactment of the Energy Commission (Planning and Competitive Procurement of Additional Electricity Generation Capacity) Regulations, 2025 (L.I. 2508) is set to significantly impact on the negotiation of new power purchase agreements with IPPs. This legislative Instrument mandates the procurement of power generation through competitive bidding and strengthens the vetting process for licence applications. Therefore, for existing IPPs and prospective investors, the new procurement process under the L.I. 2508 necessitates more attractive pricing models, emphasizing competitive advantages over existing relationships or market familiarity in Ghana.

Increased Private Sector Participation in Electricity Distribution

The 2026 budget underscores the government's strong commitment to achieving the national electrification goals, which is proposed to ensure the energisation of one hundred and seventeen (117) communities, to increase nationwide electricity access to 89%.

To achieve the electrification goals, the government has approved the Private Sector Participation (PSP) Strategy. This strategy will open the power distribution sector to increased private sector participation, with concessions expected to be awarded this year. Under the PSP model, private sector operators will lease and manage designated distribution zones, while the core electricity assets will remain publicly owned. This marks a decisive shift from the current system, where the ECG is the sole power distributor for the country, managing billing and collections. The government has identified this change as

necessary due to the operational inefficiencies of ECG, which have resulted in high tariffs for Ghanaian electricity consumers.

These measures signal a deliberate public shift toward lower-cost, more sustainable power, creating attractive opportunities for private sector investment.

RENEWABLE ENERGY AND ENERGY TRANSITION

Ghana's renewable energy sector is poised for significant growth in 2026, building on the achievements of the previous year in the shift to natural gas for power generation, nuclear power development and the regulatory framework for the electric vehicle market.

The government's focus on its gas-to-power strategy is especially expected to fuel energy transition, particularly, for natural gas. The renewable energy shift could reduce generation costs by up to 75%, while supporting Ghana's climate commitments.

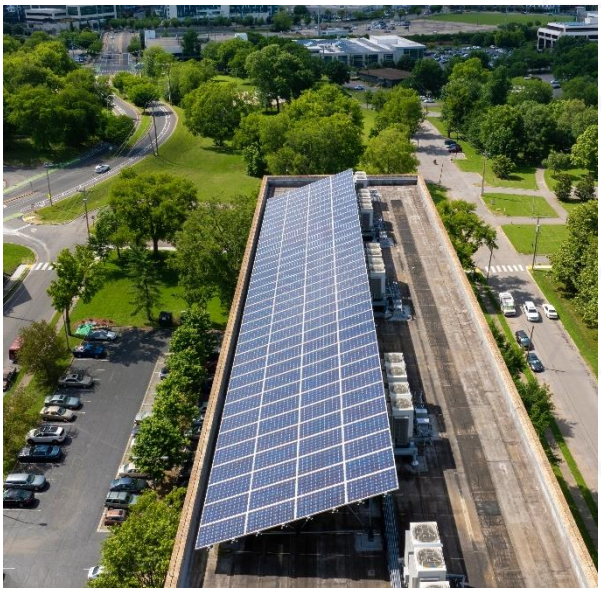
Ghana's Clean Energy Investment Agenda

In December 2025, the Government of Ghana unveiled a US$3.4 billion national clean energy investment plan aimed at accelerating the country's energy transition and expanding renewable capacity. This is a five (5) year plan to increase renewable energy capacity by 1,400MW though nationwide deployment of mini-grids, expanded fast-charging infrastructure to support electric mobility, and the rollout of solar-powered water systems to strengthen agricultural productivity. The overarching goal is to attract more investments in clean energy projects, and position Ghana as an emerging leader in the transition to a low-carbon economy.

Public-Private Initiatives for Energy Efficiency

Ghana's electric vehicle (EV) ecosystem is expected to make significant progress in 2026 both on the regulatory and commercial fronts.

On the commercial front, the "Drive Electric Initiative" introduced by the Energy Commission and the Ministry of Energy is expected to gain momentum. This initiative aims to stimulate investment in the EV sector, such as the recent



commissioning of a solar-powered EV station in Accra. The government is expected to build on its efforts in 2025 to position Ghana as a desired location for EV assembly facilities, including the proposed signing of a Memorandum of Understanding with Shenzhen New Gecko for the establishment of an EV assembly plant in Ghana.

On the regulatory front, the Energy Commission issued a public notice in 2025 which requires all companies and individuals to obtain prior approval for the installation and operation of EV charging stations and battery swap systems in Ghana. While no specific legislation has been proposed to regulate the EV industry, the Energy Commission has relied on its general powers under the Energy Commission Act, 1997 (Act 541) to regulate EV charging infrastructure.

We note that the 2026 Budget indicates that the Energy Commission has completed the draft regulations on electric vehicle charging infrastructure. We expect that the enactment of the draft regulations this year will significantly shape the rapidly evolving EV landscape in Ghana, influencing infrastructural development as well as attracting investment in the sector.

NIGERIA

OIL AND GAS

Nigeria's oil and gas sector is positioned for sustained growth in 2026, driven by renewed upstream activity, accelerating gas commercialisation, and expanding downstream capacity.

The 2025 licensing round is expected to attract increased participation in gas-prone and frontier acreages. Improved pipeline connectivity and expanded midstream infrastructure further support higher levels of gas commercialisation across gas-to-power, CNG, flare gas utilisation and small-scale LNG projects.

Expanding domestic refining capacity is also expected to enhance fuel supply stability and regional export potential. Looking ahead to 2026, strategic execution and disciplined capital deployment will be central to converting regulatory and infrastructure gains into sustainable value, with the key expectations for the sector outlined below.

Upstream and Licensing Opportunities

The commencement of the 2025 licensing round provides a strong foundation for upstream activity in 2026. The Nigeria 2025 Licensing Round is expected to attract up to $10 billion in investments and add up to two (2) billion barrels of oil to national reserves over the next decade.

We anticipate increased participation by both indigenous and international operators, particularly in gas-prone and frontier acreages.

Consortium-based bids, farm-ins and joint venture structures are expected to feature prominently as investors seek to manage risk and capital deployment. Early-stage exploration and appraisal activities are also likely to commence on awarded blocks, supporting medium-term production growth.

Midstream: Expansion of Gas Commercialisation

In 2026, improved pipeline connectivity and expanded midstream processing capacity are expected to drive higher levels of commercial gas utiliation. Enhanced supply reliability will support increased investment in gas-to-power projects, compressed natural gas (CNG) distribution and industrial gas applications, while the commercialisation of flare gas will continue to convert previously wasted resources into revenue-generating assets.

We expect increased financial investment decisions on gas processing plants, CNG infrastructure, LNG micro-projects and gas-to-power developments. The continued monetisation of flare gas will also create commercially viable niche opportunities, particularly where projects are structured around captive demand and dollar-linked offtake arrangements. Investors with flexible capital structures and operational capability will be well-positioned to capture value as gas transitions from policy priority to a cash-generating asset class.

Refining and Downstream Opportunities

The downstream sector is in position for further expansion in 2026, reflecting the cumulative impact of newly licensed refineries and ongoing capacity expansions. Increased domestic refining output is expected to improve fuel supply stability, reduce foreign exchange exposure and support regional and worldwide exports. Operational efficiency, environmental compliance and infrastructure integration will be critical determinants of value creation across the refining value chain.

Commercial opportunities will extend beyond refining into storage, logistics, trading and export infrastructure, particularly for operators able to integrate refining output with distribution and offtake arrangements across Nigeria. Operational excellence, cost control and regulatory compliance will be critical differentiators, as margins tighten and market discipline improves.

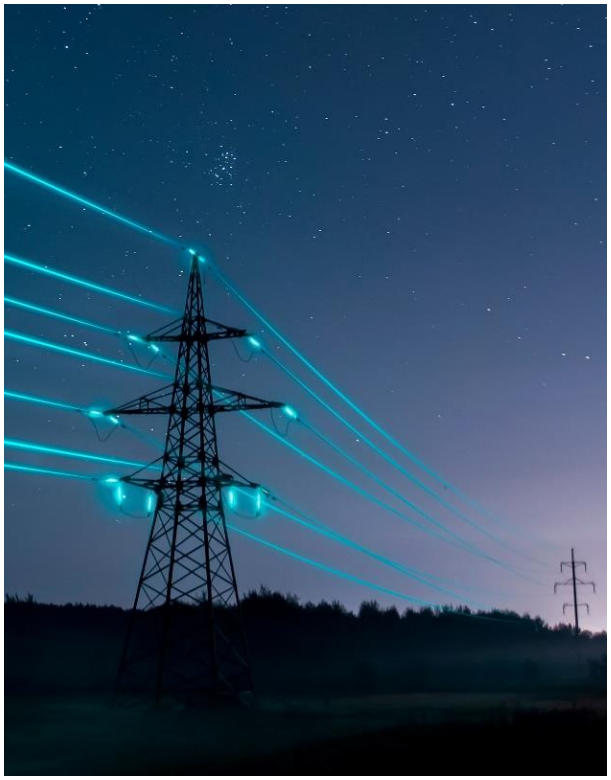
Increased Regulatory and Operational Support

Regulatory initiatives aimed at improving transparency, revenue assurance, and operational discipline are expected to deepen in 2026. Increased regulatory clarity is expected to reduce execution risk, enhance investor confidence, and facilitate more efficient project development across the oil and gas value chain.

From a commercial perspective, regulatory predictability will be a key enabler in 2026, as enhanced transparency measures, strengthened revenue assurance mechanisms, and clearer tariff and pricing frameworks are expected to reduce counterparty and execution risk across the sector.

For sponsors and lenders, this should translate into improved project bankability and shorter decision-making cycles. For operators, it supports more accurate forecasting and more disciplined

capital allocation. Overall, 2026 is likely to be characterized by a more mature, transaction-driven oil and gas market, where value creation is anchored on execution capability, access to capital, and strategic positioning rather than regulatory uncertainty.



POWER

Operationalisation of State Electricity Markets

Following the transfer of regulatory oversight to over fifteen (15) states in 2025, 2026 will see the practical emergence of State Regulatory Authorities (SRAs).

We expect a surge in state-level licensing for embedded generation and independent distribution networks, as states seek to tailor capacity additions to local demand needs and leverage untapped generation resources within their regions.

The state electricity market framework also empowers SRAs to license independent market participants, including mini-grids and private off-grid providers under state-specific regulatory regimes. Lagos, Enugu, and Abia will likely lead in setting state-specific tariffs, potentially creating a multi-tier tariff landscape across Nigeria, where tariffs vary based on state-level policy priorities, cost-to-serve profiles and regulatory directions.

State-Level Unbundling and the Emergence of Distribution SubCos

Pursuant to NERC Order on the delineation of assets and liabilities, the restructuring of successor Distribution Companies (HoldCos) into state-based operating subsidiaries (SubCos) is expected to reach full implementation in 2026. This transition formalizes the legal and operational separation of distribution businesses along state lines, aligning asset ownership, regulatory oversight, and operational boundaries with the federalist structure introduced under the Electricity Act, 2023.

As SubCos assume responsibility for defined state networks, the unbundling is anticipated to open the door to targeted recapitalisation and state-level investment programs, with SubCos positioned to raise capital and form partnerships tailored to their specific network conditions and end-customer profiles. In practical terms, this creates a pathway for more localized private equity participation, state-backed financing or guarantee instruments, and performance-linked investments, all aimed at improving distribution infrastructure and enhancing service delivery within state jurisdictions.

Grid Stabilisation via ITF

Beginning in 2026, the Transmission Investment Fund (TIF), which is capitalized through the ₦2.17/kWh charge applied to energy consumed by electricity consumers is expected to commence deployment of its three (3)-year capital programme valued at approximately ₦1.84 trillion (approx US$1.3 billion), targeting priority transmission upgrades and system-operation enhancements.

Taken together, these interventions represent the first coordinated attempt in over a decade to systematically retire ageing transmission assets and address long-standing bottlenecks that contribute to grid instability and stranded generation capacity in Nigeria.

While the extent to which these investments will materially reduce the frequency and severity of system collapses ultimately depends on

complementary improvements in system operations, successful delivery of the planned works would provide the technical basis for lifting Nigeria's stable operational ceiling beyond current averages.

Grid Governance and System Stability Rules

As state electricity regulatory authorities assume greater licensing and regulatory responsibilities, the NERC has called for stakeholder engagement in January 2026 in its review of the Nigerian Electricity Supply and Installation Standards (NESIS) Regulations and the Grid Code. The updated rules are expected to clarify system operation protocols, grid access obligations, and technical compliance requirements, supporting NISO's independence and enhancing coordination across transmission, distribution, and interconnected systems.

These improvements should lead to better dispatch discipline, increased system reliability, and greater transparency, particularly as more embedded generation and interconnected mini-grids come on stream.

In 2026, we are likely to see the emergence of more contemporary technical and operational rules that reflect the realities of state-level regulation, expanding distributed generation, and evolving grid operations. The emphasis on inclusive consultation indicates that NERC seeks to establish legitimate and durable instruments, minimising the risk of fragmented or inconsistent technical standards across the sector.

Interconnected Mini-Grid Prospects

The outlook for investments in interconnected mini-grids is expected to gain momentum this year, particularly within underserved regions where DisCos are under regulatory pressure to improve service quality, following the issuance of NERC's Guidelines on the Commercial Framework for Interconnected Mini-Grids in December 2025.

These guidelines address a critical gap that previously hindered deployment, such as commercial uncertainty- by clarifying certain key legacy debts.

By providing a transparent rulebook governing the interaction between mini-grids and existing distribution networks, the guidelines support a more predictable and scalable environment for sector growth.

The innovative two-part pricing structure introduced by the guidelines, consisting of fixed capital recovery through a limited rental fee[8] and a tightly ring-fenced metered cost of energy, improves revenue visibility for developers while preserving capital cost recovery for DisCos. These measures substantially improve the bankability of interconnected mini-grid projects and are expected to make them more attractive to investors or financiers, assessing distributed energy opportunities in Nigeria.

Given the ongoing decentralisation in the power sector, we also expect state electricity regulators to issue more streamlined mini-grid regulations, to further stimulate mini-grid development within their regions.

RENEWABLE ENERGY AND ENERGY TRANSITION

Nigeria as a Solar Power Leader

2026 is likely to represent a strategic pivot toward energy sovereignty and increased localisation of the solar value chain.

The National Public Sector Solarisation Initiative (NPSSI), launched in September 2025 with an initial allocation of ₦100 billion (approx US$70.2million), will move into the construction phase this year. Further, Nigeria's approval of additional ₦68.7 billion (approx US$48.2) for solar deployment across universities and hospitals is expected to position critical public institutions as major energy consumers in the embedded generation market, transitioning these institutions away from diesel dependence while reducing government operating costs and associated carbon emissions.

[8] This is paid by the mini-grid operator to the DisCo to enable the DisCo's recovery of capital costs and regulated returns associated with its existing assets in the distribution network.

The expected finalisation of NERC's Net-Billing Regulations in early 2026 is also likely to drive a significant shift in Nigeria's distributed energy landscape. By enabling Commercial and Industrial (C&I) customers to export surplus onsite generation to the grid, the regulation will transform high-energy users into prosumers. This will enable direct commercialisation of excess capacity, lower effective energy costs, and stimulate demand for enabling technologies such as smart metering, grid-tie inverters, and back-office settlement systems. A key implementation challenge will be aligning federal net-billing rules with increasing state-level regulatory autonomy, particularly as more states operationalize electricity markets and assert jurisdiction over electricity generation and intrastate distribution.

On the financing side, capital mobilisation frameworks established in 2025 are expected to translate into tangible project deployments in 2026, including the ₦100 billion (approximately US$70.2 million) REA–FCMB renewable energy facility and the US$200 million IFC DARES program. These are expected to support the commissioning of the first tranche of one hundred and eight (108) solar-hybrid mini-grids across Northern Nigeria and other underserved communities nationwide.

In parallel, early-stage agreements and memoranda of understanding signed in 2025, including initiatives involving Oando/REA and Kaduna Electric/J-Marine, are expected to deliver the first phase of Africa's inaugural solar module assembly facilities. While initial production volumes may be limited, the domestic assembly industry is expected to insulate or reduce developers' exposure to currency volatility and import-related supply chain risks, with the potential to reduce landed hardware costs for local installers. With sustained policy clarity and manufacturing incentives, solar localisation could position Nigeria as a regional hub for solar hardware and mini-grid technology, complementing its already dominant role in distributed energy deployment.

Growing Electric Vehicle Industry

Nigeria's electric vehicle (EV) ecosystem is beginning to take shape on both policy and commercial fronts. In late 2025, the ***Electric Vehicle Transition and Green Mobility Bill*** advanced through its second reading in the

Senate, signaling legislative intent to establish a comprehensive EV framework covering local assembly requirements, incentives and standards for charging infrastructure and manufacturing partnerships.

Stakeholders have echoed calls for urgent policy, financing and technical reforms to scale EV infrastructure, emphasizing collaboration between government and private partners.

In 2026, policy developments are expected to catalyze more structured activity across key segments of the EV value chain. Federal and state efforts to codify EV mandates will help formalize incentives such as duty and value added tax waivers, mandated installation of charging points at fuel stations, and supportive frameworks for local assembly and partnerships with global suppliers.

Commercial adoption of EV in 2026 is projected to be incremental but visible, with electrification first gaining traction in fleet operations (e.g., corporate and ride-hailing services), two- and three-wheel vehicles, and pilot deployments of passenger EVs by local and foreign assemblers. Local assembly efforts, such as indigenous EV production facilities, and initiatives by private companies offering competitive pricing, charging solutions and financing options will contribute to growing uptake despite persistent challenges related to grid reliability and import costs.

Over the medium term, improved regulatory clarity, financing instruments tailored to EV acquisition and charging infrastructure, and sustained domestic policy support could position Nigeria as a regional hub for EV industry growth, with 2026 marking the point at which policy frameworks begin to translate into tangible market activity.

Carbon Market Maturation

Nigeria's approval of the National Carbon Market Framework (NCMF) in late 2025 marked a decisive shift toward a structured and commercially viable carbon market in Nigeria.

The framework operationalises the country's carbon market architecture by establishing a national registry, monitoring-reporting-verification (MRV) protocols, and benefit-sharing mechanisms under the Climate Change Act. It is intended to position Nigeria as a credible participant in voluntary carbon markets.

At the institutional level, the Carbon Market Oversight Body (CMOB) and the Climate Change Fund are expected to become operational during 2026, enabling more coordinated mobilisation, governance and deployment of carbon finance. Their activation could represent a transition from policy design to capital deployment and credit generation, creating the foundation for state-level monetisation strategies and increased private-sector participation over the medium term.

State-level initiatives are gaining momentum. The 2025 US$500 million investment agreement in Katsina State and the establishment of the Lagos State Carbon Exchange highlight growing subnational competition in climate and energy investment under the new framework. In 2026, we expect additional states to leverage the Nigerian Climate Investment Platform (NCIP) to attract foreign climate capital and build marketable carbon project pipelines. Lagos State's Carbon Exchange is projected to record its first trades by late 2026, creating a new revenue stream for the state and providing a replicable model for other subnational governments seeking to monetize emissions-reduction activities.

Circular Economy Development

Nigeria's circular economy, which emphasises resource efficiency, waste reduction, and material reuse, is approaching a more structured phase in 2026. The anticipated passage and implementation of the National Waste Management and Recycling Bill is expected to occur or be re-referred for harmonisation in the early months of the year. This legislative milestone is expected to stimulate more involvement from producers and investors in more structured waste-recovery arrangements, while significantly increasing demand for organised aggregation, recycling and remanufacturing services.

Initial recycling activity is likely to concentrate on plastics, metals, textiles, and e-waste, sectors with more established industrial demand. Moreso, states with high industrial density and logistics advantages- particularly Lagos, Ogun, and Kano- are expected to become key hubs, progressing the development of circular economy within their regions.