

PRESENTATION TO THE NIGERIA GOVERNORS' FORUM ON THE PROPOSED PRIVATISATION OF THE NIPPS

BY

ALEX A. OKOH
DIRECTOR GENERAL

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OUTLINE



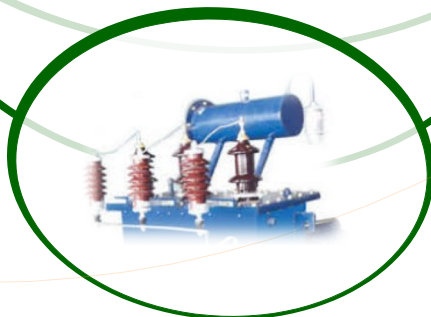
Transaction History and Challenges



Current Situation: Why 100% Sale



Abridged Transaction Structure



Question and Answers

Transaction History: Preparatory Phase

Your Excellencies are respectfully invited to note the following about the previous privatisation efforts of the NIPPs

Transaction Adviser
(TA) engaged – Oct.
2011

TA work commenced
– January 2012



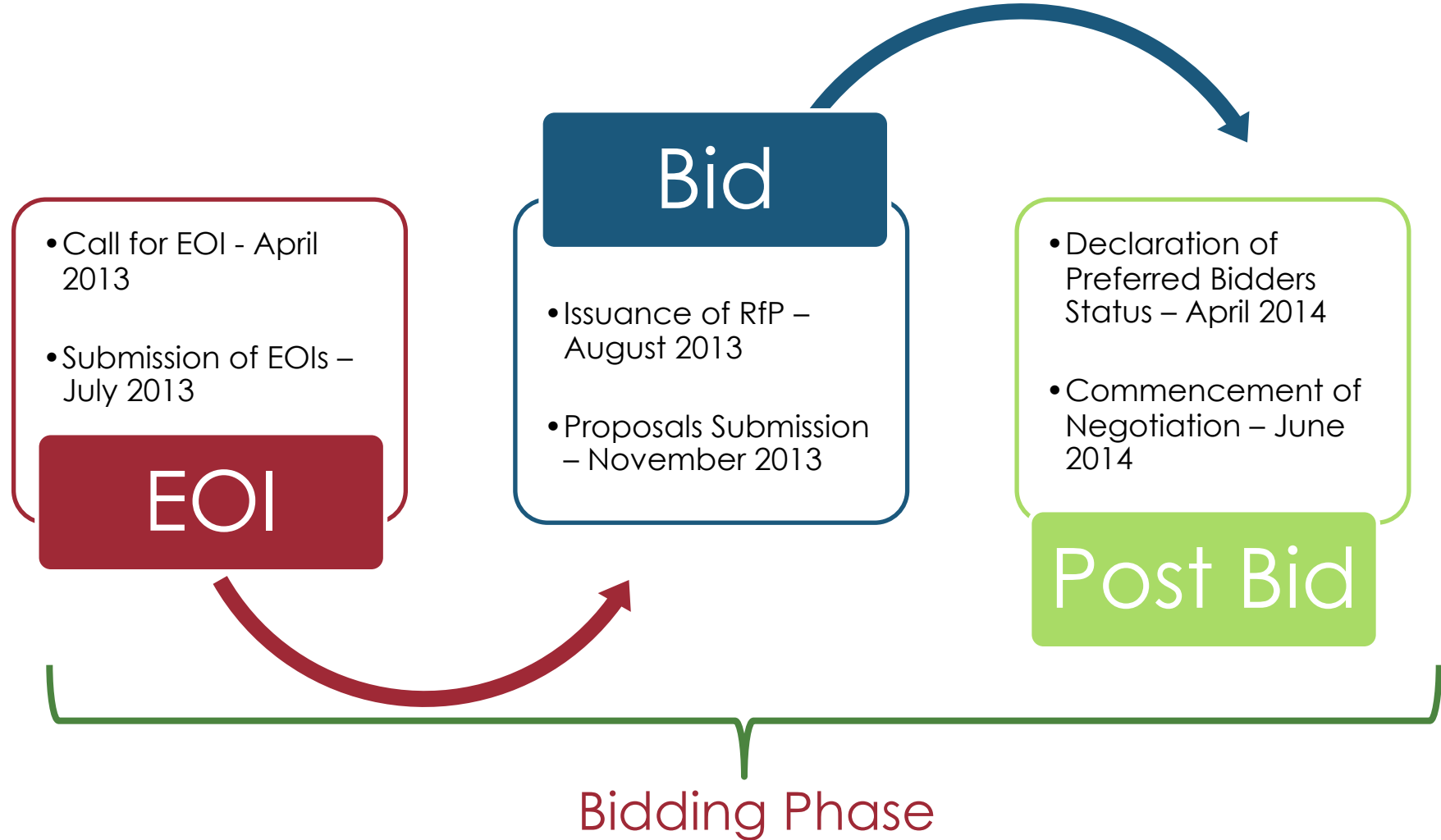
Completed Due
Diligence and
Transaction Docs –
Jan. 2013



Bidding Process
commenced –Apr.
2013



Bidding Phase



Power Generation Plants

Bids and Capacity

Company	Location	Net Capacity (MW)*	Preferred Bidder (PB)	PB Offer (USD)	Reserve Bidder (RB)	RB Offer (USD)
Alaoji	Abia	572	AITEO Consortium	902,000,000	Only one bid submitted	N/A
Benin (Ihovbor)	Edo	451	EMA Consortium	580,000,000	Index Consortium	\$575,000,000
Calabar	Cross River	562	EMA Consortium	625,000,000	Nebula Power Generation Consortium	\$623,750,000
Egbema	Imo	338	Dozy Integrated Power Limited	415,075,000	AITEO Consortium	\$392,000,000
Gbarain	Bayelsa	225	KDI Energy Resources	340,000,000	Azikel Power Limited	\$305,090,665

*Source: Capacity from NDPHC website

Power Generation Plants Cont'd

Bids and Capacity

Company	Location	Net Capacity (MW)*	Preferred Bidder (PF)	PF Offer (USD)	Reserve Bidder (RB)	RB Offer (USD)
Geregu	Kogi	434	Yellowstone Electric Ltd	613,111,113	To approach Index Consortium	N/A
Ogorode	Delta	451	Daniel Power Consortium	531,777,777	ESOP Power Limited	\$510,000,000
Olorunsogo	Ogun	676	ENL Consortium Ltd	751,240,000	Index Consortium	\$730,000,000
Omoku	Rivers	225	Shayobe Int'l Ltd Consortium	318,710,840	AITEO Consortium	\$312,500,000
Omosho	Ondo	451	Omosho Electric Power	659,999,000	ENL Consortium Ltd	\$645,156,220

*Source: Capacity from NDPHC website

Issues that Impacted NDPHC Generation Companies Privatization Transactions

Transaction agreements (i.e. Share Sale Agreement & Shareholder's Agreement) were not accepted by the Preferred Bidders

Most industry agreements (e.g. Power Purchase Agreement (PPA), Gas Supply Agreement) were not in place and were considered “unbankable”.

- Perceived structural imbalances in the sector like Discos ability to take the installed and/or available generation capacities;
- Consequential effect on all generation companies' expectations to supply “base load” as envisaged in the model NBET & PPA for NDPHC Generation Companies privatisation.

Guarantees and support instruments (e.g. PRG, PCOA, LCs) were not in place or not activated to support “bankability”.

The “illiquidity” of power sector and “non-cost reflective” tariffs

Post Bids Phase

2014

- ❖ Negotiation strictly based on RfP
- ❖ Bidders insisted on reflecting the market challenges

2015

- ❖ Limited Negotiation
- ❖ Transaction Adviser (TA) waited for direction from the new Government

2016

- ❖ Phase 1 approved for quick conclusion
- ❖ 100% share sale, escrow of sales proceed approved
- ❖ TA proposed deferred payment to reflect the illiquidity in the market

2017-18

- ❖ Negotiation based on deferred payment, subject to approval
- ❖ Deferred payment was not approved
- ❖ TA informed to strictly follow the RfP

2019

- ❖ PBs were informed of Govt's position
- ❖ PBs asked to submit BGs worth 15% of the value of bid
- ❖ No PB submitted the BG



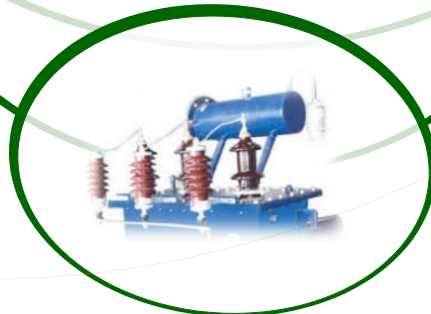
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Question and Answers

Current Situation

NIPP assets are losing value:

- Assets have limited economic life
- The 5 plants slated for sale in phase 1 have recovered **zero** invested capital from their years of operation;

NIPP plants are paid on basis of energy produced

- ➔ the plants are exposed to risks beyond their control, e.g.
- Gas Supply, Grid conditions, Dispatch.

Payments received are insufficient to even pay for plants' OpEx

As a result,

- ➔ Maintenance on most units compromised
- ➔ faster depreciation of assets



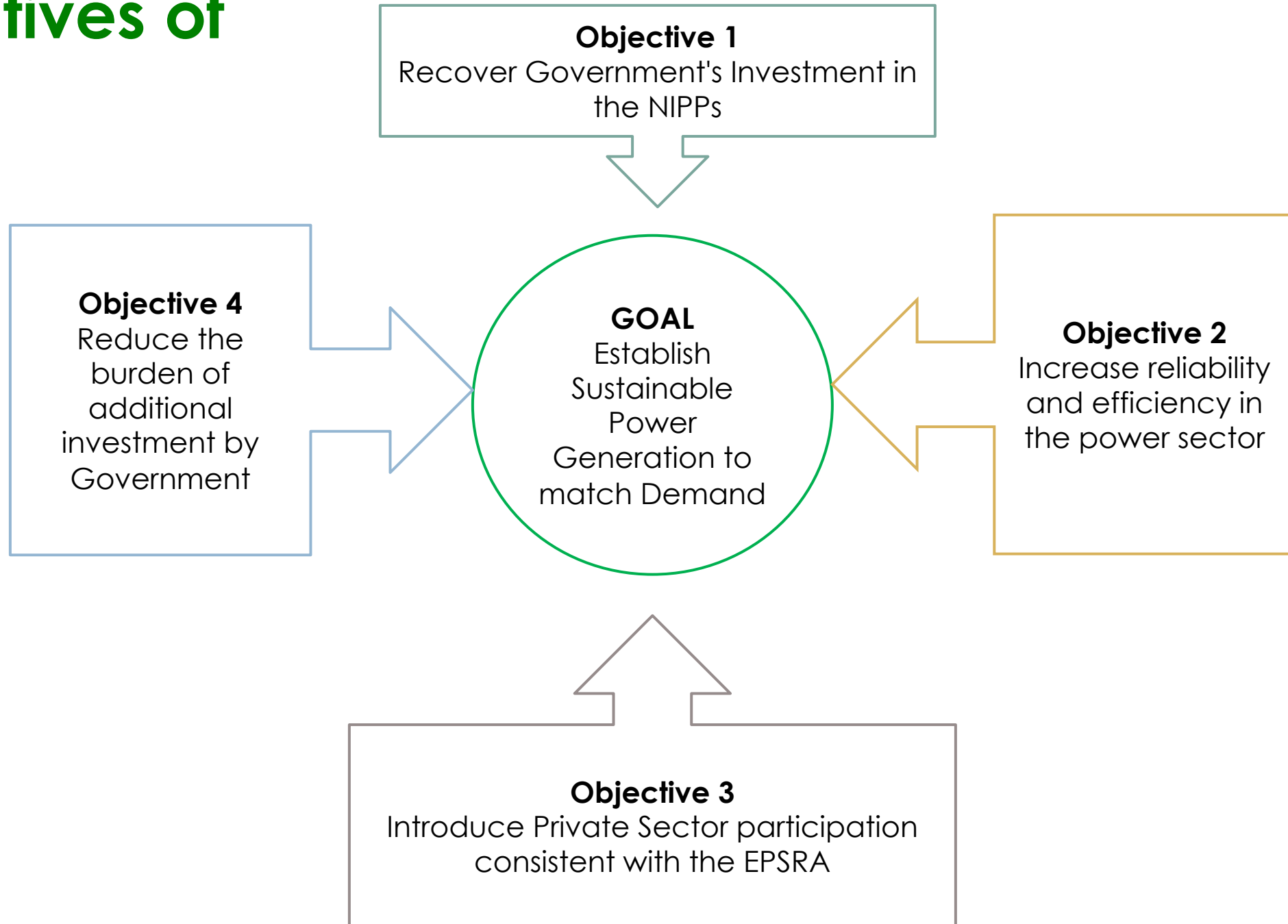
Current Situation

NDPHC was created as
a Power Project
Development Company
not as an IPP, Power
Transmission, Distribution
or Gas company

The assets of NDPHC are
depreciating with age

The assets may be fully
depreciated over time
and no dividend or
replacement revenue
would be gained by the
shareholders

Objectives of Sale



Why 100% Sale ?



Introduction of Private sector capital & **Efficiency**

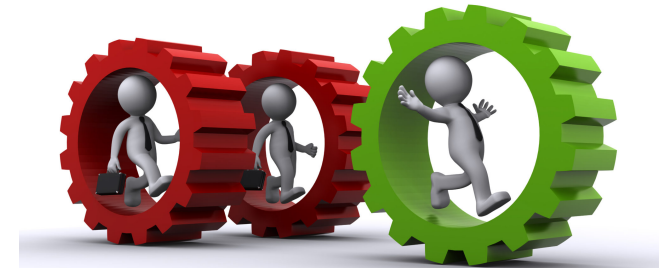
NDPHC to recover shareholders' investment

Proceeds from the **47%** Federal Government's equity may be reinvested to further develop power projects including **the development of transmission infrastructure and renewable energy**

Remaining Shareholders may reinvest the proceeds from their **53%** shareholding to further develop power or other projects

Why 100% Sale ?

- The new owners (or shareholders) may leverage their equity and experience as power project developers to raise additional financing for more power projects.
- Enhanced **performance** and **operating efficiency**
- **Support Power Sector Recovery Plan**
- New investors would want to recover unutilized energy/increase efficiency by exploiting full plant capacity through conversion from Simple Cycle to Combined Cycle Gas Turbine
 - Up to **50% or more increase in capacity** without changing **gas/fuel requirement**
- Contribute to **Sustainable Power Sector**





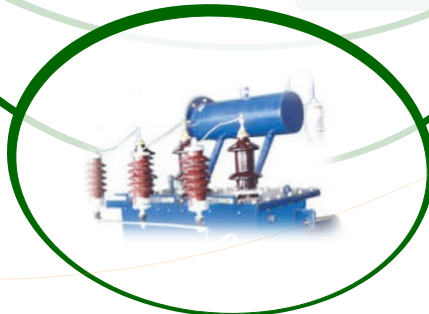
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Abridged Transaction Structure



Question and Answers

The Approved Abridged Transaction Structure

The NCP on Thursday, 22nd April, 2021 approved a fast-track strategy for the new NIPP transaction process as follows:

- The previous Transaction Adviser, CPCS Consortium was re-engaged (eliminating 8 months of procurement process):
- Divestment of 100% equity from the five (5) NIPP Plants in line with the current policy of government of fully divesting from all thermal generating plants.



NCP-Approved Abridged Transaction Structure



- BPE advertised for Expressions of Interest (EOI) for the sale of the 5 NIPPs in three (3) national dailies and an online news platform - Thisday, Business Day, Daily Trust and The Cable) - on Thursday 6th May, 2021.
- **Submission deadline for the EOIs was 1pm of Wednesday, 30th June, 2021.**
- Thirty-six (36) EOIs were received at the deadline.
- Evaluation of the EOIs commenced immediately after the deadline at the BPE Conference Room.
- DSS and BPE's ACTSU (representing ICPC) were observers.
- The evaluation report has been approved by the Technical Committee of the NCP
- Subsequently, 16 firms have been pre-qualified to move to the next stage of the transaction process.



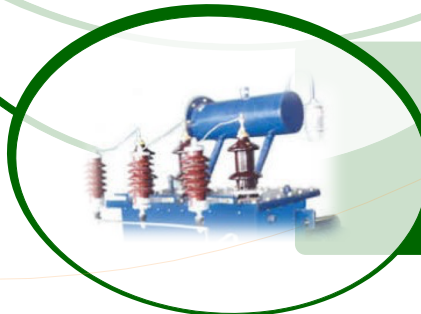
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Questions

Thank You