ENERGY INSIGHT

www.businessday.ngw
facebook/businessdayonline
@businessdayng
@businessDayNG

Africa is rising. Its power infrastructure must rise with it

Why the continent's greatest economic opportunity is still constrained by its oldest infrastructure challenge — and what the private sector can do about it.

• OLUFEMI BAKARE, OLIVER CODRINGTON, AND OLAMIDE SOKEYE

Africa's economic trajectory has rarely looked more promising. GDP growth across the continent is projected at 4.3% in 2026, outpacing many developed economies. East Africa alone is forecast to grow by 5.8%. Foreign direct investment is returning, domestic capital markets are deepening, and a new generation of African entrepreneurs is building companies that would have seemed unimaginable two decades ago.

Nigeria has emerged as a tech hub for the continent, with four major unicorns born locally, including Flutterwave and Moniepoint. These companies are scaling rapidly, processing billions of dollars in digital transactions and serving millions of businesses. A vibrant start-up culture is emerging in Lagos, Abuja, Nairobi, and Cape Town, positioning Africa as one of the world's fastest-growing digital markets.

The rapid growth of data centres across Nigeria and Africa highlights the urgent need for reliable, uninterrupted electricity. These facilities, which support cloud computing, fintech platforms, and digital services, require stable power to operate efficiently. As regulations around data security and local hosting are implemented, and as more companies choose to store data domestically, the demand for efficient, dependable power infrastructure will only intensify. Without it, the continent's digital economy risks being constrained. As Iyinoluwa Aboyeji, co-founder of Andela and Flutterwave, notes: "Access to a reliable power supply is a critical enabler of business operations, underpinning payment systems, data processing, and overall operational efficiency."

Africa's population is rising, cities are expanding, and houses are being built at a rapid pace. Power is a required part of this development process, underpinning urban growth, industrialisation, and the delivery of social services.

A Grid in Crisis

Nigeria's national electricity grid has experienced multiple collapses over the past year. In January 2026 alone, the grid collapsed twice within five days, at one point reducing generation to zero megawatts and temporarily affecting all eleven distribution zones.

At the same time, gas supply constraints continue to affect thermal plants, which produce the majority of Nigeria's electricity. As of late February 2026, the Independent System Operator indicated that only about 43% of the gas required by these plants was being delivered.

These challenges are not new, but they highlight the scale of the work still required to build a stable and financially sustainable power system.

The World Bank estimates that power outages cost Nigeria roughly $29 billion annually, close to 10% of Nigeria's GDP. Businesses have increasingly responded by investing in their own energy solutions. In 2025 alone, more than twenty firms reportedly left the national grid, adding over 1,000MW of private off-grid capacity.

Financial pressures across the power value chain also remain a major issue. Generation companies say they are owed over N6 trillion in unpaid invoices. The government's audit placed the figure closer to N2.8 trillion, but industry participants say the outstanding balance continues to grow.

As Toby Bakare of Tomola Group recently explained, the issue lies in a chain reaction that many outside the sector rarely see. When consumers do not pay cost-reflective tariffs, distribution companies struggle to remit payments to the bulk electricity trader. The trader cannot fully pay for the generators. Industrialisation: Generators, in turn, face difficulty paying gas suppliers. Gas deliveries fall, and power plants receive only a fraction of the fuel they require.

Thermal plants, which produce over 70% of Nigeria's electricity, are currently receiving about 43% of their required gas supply. The result is a system where financial constraints quickly translate into operational ones.

Nigeria's situation reflects a broader continental reality. Across Sub-Saharan Africa, nearly 600 million people — about 43% of the population — still lack access to electricity. Electrification rates have improved, but population growth means the gap remains enormous.

External Shocks Compound the Problem

The structural legacy is now colliding with external shocks that make the situation dramatically worse.

Nigeria has experienced extreme heatwaves for three consecutive years. Northern regions regularly exceed 42°C. The World Bank has warned that rising air conditioning demand will place severe additional strain on already fragile grids. Heat reduces labour productivity, disrupts manufacturing, and drives up cooling demand, a demand that existing infrastructure simply cannot meet.

Global geopolitical tensions have also affected energy markets. The Israel–Iran conflict has pushed crude oil prices above $120 per barrel at times, with Brent briefly approaching levels not seen since 2022. Iran's temporary closure of the Strait of Hormuz disrupted roughly 20% of global crude flows and millions of barrels per day of refined products.

The impact on diesel prices has been immediate. In Nigeria, diesel has recently traded between N1,000 and N1,620 per litre, Africa's de facto backup power source.

This matters enormously because diesel has effectively become Africa's default backup power infrastructure. Nigerian businesses already spend an estimated $14 billion annually on generators and fuel, with some firms devoting as much as 40% of their operating costs to energy.

The compounding effect is severe. Grid instability pushes businesses toward diesel generation. Global fuel volatility raises diesel prices. Meanwhile, rising temperatures increase electricity demand precisely when supply is most constrained. Each of these pressures amplifies the others.

Reform Is Underway — And It Matters

It is important to acknowledge that the current administration has taken meaningful steps to address the structural failures of previous decades. The increase in tariffs to N209 per kilowatt-hour (Band A) has gone a long way toward creating conditions under which private investment becomes viable. This difficult but necessary reform deserves recognition.

Over time, financial institutions such as United Capital Infrastructure Fund (UCIF) and Sterling Bank Plc have been instrumental in advancing this initiative, providing the funding needed to develop reliable power infrastructure.

The 2023 Electricity Act, which enables state-level regulation and decentralised generation, is another significant milestone. It opens the door for localised solutions – generation, distribution, and gas infrastructure built at the point of need rather than relying on a single national transmission system.

Lagos State, Nigeria's commercial hub, is already moving in this direction. The state is poised to establish its own electricity market, with the Honourable Commissioner for Energy and Mineral Resources, Mr Biodun Ogunleye, announcing that the newly inaugurated Lagos State Electricity Regulatory Commission (LSERC) will provide the regulatory and policy support required to drive energy supply and investment growth. This initiative underscores Lagos State's commitment to collaborating with private sector partners to expand generation and distribution capacity, ultimately improving energy access and reliability for businesses and residents.

These reforms signal that Nigeria understands the path forward: a partnership between government and private enterprise, where the state creates the regulatory and economic conditions, and the private sector deploys capital, builds infrastructure, and delivers power.

Private Enterprise as Partner, Not Replacement

Companies like Fenchurch and other independent power developers are increasingly bypassing the national grid, creating complete local power ecosystems — including generation, distribution, and, where needed, gas infrastructure to supply natural gas. In some cases, these companies work with distribution companies to embed power directly into networks, injecting megawatts and creating localised generation and distribution capacity that strengthens reliability and efficiency.

At Fenchurch Group, this has been the focus of our work for more than a decade. We develop and operate independent power plants fuelled by natural gas and diesel, and we build and maintain private distribution networks — the physical cables, substations, and metering systems that ultimately deliver electricity to end users.

Our mechanism is straightforward. Where a government body, private enterprise, or commercial entity is prepared to commit to a long-term Power Purchase Agreement, typically ten years, we finance, build and operate the generation and distribution infrastructure required to serve them.

Our clients effectively secure a reliable, dedicated electricity supply independent of broader grid disruptions.

Our projects in Ekiti State and Asaba demonstrate how this model can operate at scale. The Ekiti IPP and its associated distribution network provide reliable electricity to key state government infrastructure across the Ado-Ekiti metropolitan area. The 150MW offtake framework agreement we signed with the Niger Delta Power Holding Company and Benin Electricity Distribution Company represents an important step toward expanding private participation within the broader electricity system.

The Ekiti IPP dedicated network provides uninterrupted power to state government infrastructure and also to businesses and institutions along the network, including the teaching hospital and schools, fostering reliable healthcare and quality education and advancing SDG goals. The presence of reliable and stable power allows the state to plan budgets more effectively, ensures price stability as the network is insulated from sudden market shocks, and guarantees that the state's critical services remain operational.

Importantly, distribution networks often extend beyond commercial customers, powering schools, hospitals, and community facilities. Thoughtfully built, reliable electricity infrastructure serves both economic and social development.

Africa is rising. But it will not rise in the dark. The current administration understands that. The opportunity is real. The reforms are underway. The infrastructure is being built. Now is the time to move.

Olufemi Bakare is the CEO of Fenchurch Group, a leading energy and infrastructure conglomerate operating across Nigeria and West Africa. He is Chairman of the Lagos Chamber of Commerce and Industry (LCCI) Power Sector Group and a member of the Institute of Directors.

Fenchurch Group's international advisory board includes Oliver Codrington, an internationally recognised business advisor and NED who supports the group's governance, strategic development, and cross-border expansion initiatives.

Olamide Sokeye holds an MSc in energy economics and serves as a business analyst at Fenchurch Group. Her work focuses on energy market analysis, infrastructure finance, and policy developments shaping power sector investment in Nigeria and across Africa.