

Nigerian businesses turn to solar as diesel costs bite

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Nigeria's solar companies are seeing a surge in demand for mini-grids and equipment as businesses in Africa's biggest oil producer look for alternative power sources after the cost of diesel soared locally due to rising global oil prices.



Source: Gallo/Getty

Supply constraints could, however, hamper their ability to capitalise on the trend, with some saying they have begun to turn away customers because they are unable to meet demand.

Nigeria, Africa's largest economy with a population of more than 200 million people, has installed electricity capacity of 12,500 megawatts but the national grid only provides 4,000MW at peak, leaving businesses and citizens heavily reliant on diesel-powered generators.

The price of diesel, not subsidised like petrol, has nearly tripled to 800 naira a litre (\$1.93). Most of that increase came in the wake of Russia's invasion of Ukraine.

"There has been an increased growth in demand (for solar), I think really driven by the spike in diesel prices this year," Victor Ezenwoko, Daystar Power chief commercial officer said.

The Energy Commission of Nigeria says the country spends \$22bn annually to fuel generators.

Solar power adoption is estimated at below 2% and some businesses perceive it as unsuitable for large-scale use, industry executives said.

A study earlier this year by Boston Consulting Group and All-On, a Shell-funded firm, said Nigeria's installed photovoltaic solar panel per capita amounted to 1 watt compared to an average 8 watts in similar emerging markets like South Africa.

That is changing as energy costs eat into company margins, forcing businesses to actively consider solar, a clean form of energy, said Prince Ojeabulu, CEO at Rensource Energy.



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Supply chain disruptions

In 2021, Rensource installed under a megawatt of solar panels but it is now constructing 6MW plants.

"By the end of the year, going by the trend that we see so far, we should have 12MW of solar installations operational across Nigeria, or even more," he said.

A Ministry of Power official said there was an increase this year of approved solar mini grids serving industrial users but did not give details.

But global supply chain disruptions caused by Covid-19 lockdowns in China this year and the war in Ukraine are tampering the optimism for growth. Delivery times for some equipment has risen from three months to as long as nine months.

"We could install 60MW this year if we had the equipment. We have even started turning down customers...we have become more choosy with whom we work (with)," said Daystar CEO and cofounder Jasper Graf von Hardenberg.

Local financing has been difficult to access too, executives said, but money is flowing in from overseas development financial institutions looking to invest in businesses focusing on green energy.

Demand has been so strong for Arnergy Solar that it has done more connections in the first half of 2022 than the whole of last year, said Sinmi Akinsanmi, vice president for strategy and business operations.

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