Introduction

Examining the legal and regulatory framework for natural gas utilisation in electricity markets in Nigeria and the European Union (focus on UK and Germany).

- Instrumental regulation - laws, regulations and institutions are not ends in themselves, but a means to achieving defined policy and economic objectives
- Effective and efficient institutions required to:
  - curb market opportunism and uncertainties
  - Support and incentivize sound investments

Liberalised markets depend on effective institutions and organisations for functionality and equilibrium.

EU Gas and Electricity: Trends, Outlook, Regulation

The three central energy policy objectives

- Regulation 1227/2011/EU (Wholesale market integrity and transparency); Regulation 994/2010/EU (Gas security of supply)

Gas & Power sector objectives - privatisation and liberalisation to enhance economic growth.

Electricity sector’s reform on a steady path (2001 – 2014)
- National Electric Power Policy, 2001
- National Electric Power Sector Reform Act, 2005
- Commercialisation, unbundling & privatisation state-owned vertically integrated monopoly - NEPA – PHCN – 6 generation companies/11 Distribution companies
- Nigerian Electricity Regulatory Commission (NERC) - semi-independent regulator.
- Prolonged oil and gas industry reforms and uncertainties.
- Inefficient regulatory framework on gas. Commercial solutions - World bank PRGs/PRIs???

Nigerian Gas and Electricity Trends, Outlook, Regulation

Gas & Power generation falls short of demand = load shedding, blackouts, and a reliance on private generators.
- Concerns on environmental protection, consumer protection, transparency, deregulation vs over-regulation, optimal market contracts and arrangements

Examining the regulatory models

- Alighting institutional settings affects sectoral performance and productivity positively or negatively.
- EU - emergence of stronger institutions; detailed laws, regulations and policies; risk of countervailing policies and regulations vs decision-making; market-led developments vs more state intervention; strained profitability and sustainability for gas-fired utilities; vulnerability to international gas market dynamics
- Nigeria- inability of NNPC to fund its majority share of JV capital expenditure; ineffectiveness of anti-gas flaring regulations; institutional and regulatory inadequacies and ‘opportunism’ by operators; uncertainties and opaque frameworks for O&G being directly or indirectly both the regulator and the regulated; unbundling or re-registration of NGC and capacity to raise finance post-reform, some international finance solutions.

Conclusion

Good regulatory framework must be legitimate; accountable; provide fair, accessible and open procedures; institutional capacities and efficiency; above all instrumental to attaining defined economic and policy objectives.

Traditional energy regulatory models, liberalisation and privatisation are not ends in themselves but must be seen as a means to an end i.e. economic & policy objectives.