POLICY BRIEF

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₦3.3 Trillion Power Sector Debt Settlement Plan and Need for Legislative Oversight

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Executive Summary

The Federal Government of Nigeria has approved a ₦3.3 trillion payment plan under the Presidential Power Sector Financial Reforms Programme to settle verified legacy debts accumulated within the electricity value chain between 2015 and 2025. The initiative, which has commenced implementation, includes settlement agreements with generation companies (GenCos) totalling approximately ₦2.3 trillion and the issuance of a bond raising about ₦501 billion, with ₦223 billion already disbursed. The intervention is designed to improve liquidity across the power sector, stabilise market operations, restore investor confidence, and address long-standing payment arrears affecting generation, gas supply, transmission, and distribution segments.

The reform is also situated within broader sectoral adjustments, including tariff reforms and metering initiatives aimed at aligning electricity pricing with service delivery improvements. However, despite its stabilisation objectives, the scale and structure of the intervention raise significant policy and fiscal concerns that require legislative scrutiny.

Key concerns include the substantial fiscal exposure associated with the ₦3.3 trillion commitment, with limited publicly available detail on the verification methodology, beneficiary breakdown, repayment structure, and long-term impact on public liabilities. The intervention also reflects persistent structural weaknesses in the electricity market, as recurring liquidity crises over the past decade suggest that one-off financial bailouts may not resolve underlying inefficiencies in billing, collections, and market discipline.

Furthermore, there is currently no clearly defined mechanism linking debt settlement to measurable improvements in electricity supply reliability, raising concerns about the effectiveness of the intervention in delivering tangible service delivery outcomes. Ongoing tariff reforms may also shift cost burdens to consumers without sufficient legislative safeguards to ensure affordability, transparency, and value for money.

Additional risks include the potential recurrence of large-scale fiscal interventions if structural reforms are not effectively implemented, as well as limited legislative visibility on bond structuring, funding sources, and contingent liabilities arising from the settlement framework. Weak enforcement of contractual obligations across the electricity value chain further underscores concerns about governance discipline and regulatory effectiveness.

Given these considerations, the National Assembly has a critical oversight role in ensuring transparency, accountability, and long-term sustainability in the implementation of the ₦3.3 trillion settlement plan. Legislative engagement is necessary to ensure that public funds are

prudently managed, reforms are effectively sequenced, and consumer interests are adequately protected.

Accordingly, the National Assembly, through its Committees on Power, Public Accounts, and Anti-Corruption and Financial Crimes, may consider the following actions:

- **Invite** relevant government agencies and stakeholders, including the Ministry of Power, Ministry of Finance, CBN, Debt Management Office, NERC, and GenCos, to provide full disclosure of the settlement structure and repayment arrangements.
- **Require** a detailed breakdown of the ₦3.3 trillion settlement, including beneficiary categories, verification methodology, payment schedules, funding sources, and remaining liabilities.
- **Commission** an independent assessment of the fiscal implications of the bond issuance and any associated government guarantees.
- **Establish** legislative benchmarks linking future interventions to measurable improvements in electricity supply reliability, generation efficiency, and grid performance.
- **Ensure** tariff reforms include safeguards for affordability, transparency, and public interest protection.
- **Mandate** quarterly reporting to the National Assembly on financial flows, subsidy exposure, and debt accumulation trends within the sector.

Background:

The Federal Government of Nigeria has approved a ₦3.3 trillion payment plan under the Presidential Power Sector Financial Reforms Programme to settle verified legacy debts accumulated in the electricity value chain between February 2015 and March 2025[1]. According to official disclosures, the settlement was finalised after a verification exercise to reconcile outstanding obligations across the sector.

Implementation of the plan has commenced, with power generation companies (GenCos) reportedly signing settlement agreements totalling about ₦2.3 trillion, while approximately ₦501 billion has already been raised through a bond issuance, of which ₦223 billion has been disbursed[2].

The reform is positioned as a liquidity intervention aimed at stabilising the electricity market, improving payments across the value chain (generation, gas supply, transmission, and distribution), and

[1] Onanuga, B. (2026, April 6). Power Sector Reform: President Tinubu Approves N3.3 Trillion Payment Plan To Restore Reliable Electricity. *State House.* https://statehouse.gov.ng/power-sector-reform-president-tinubu-approves-n3-3-trillion-payment-plan-to-restore-reliable-electricity/

[2] Raphael. (2026, April 11). Gencos back Tinubu's N3.3trn power plan, say reforms restoring market confidence. *The Sun.* https://thesun.ng/gencos-back-tinubus-n3-3trn-power-plan-say-reforms-restoring-market-confidence-2/

restoring investor confidence in the power sector.

Government officials have further indicated that this initiative is part of broader reforms, including tariff adjustments and metering improvements intended to improve service delivery and align electricity pricing with supply reliability[3].

Given the scale of fiscal commitment, long-standing structural inefficiencies in the sector, and ongoing tariff and subsidy sensitivities, the intervention has significant implications for public finance sustainability, consumer protection, and sector governance, requiring proactive legislative oversight.

Issue:

Despite the intended stabilisation benefits, several critical concerns arise from the implementation of the ₦3.3 trillion settlement plan:

1. **Significant Fiscal Exposure and Debt Transparency Risks:**

   The ₦3.3 trillion settlement represents a major public financial commitment. There is limited publicly detailed breakdown of beneficiary obligations, verification methodology, and long-term fiscal impact on government liabilities.

2. **Recurring Structural Liquidity Crisis in the Power Sector:**

   The debt accumulation over a 10-year period reflects persistent structural weaknesses in the electricity market, suggesting that one-off bailouts may not resolve underlying inefficiencies.

3. **Weak Link Between Debt Settlement and Service Delivery Outcomes:**

   While payments are expected to stabilise GenCos, there is no clearly defined legislative or regulatory mechanism tying debt clearance to measurable improvements in electricity supply reliability.

4. **Tariff and Consumer Burden Implications:**

   Ongoing reforms, including service-based tariffs, may shift costs to consumers without adequate legislative safeguards to ensure affordability and service quality.

5. **Risk of Recurrent Fiscal Bailouts:**

   Without structural reform, there is a risk that similar large-scale debt interventions may recur, creating long-term contingent liabilities for the federation.

6. **Limited Legislative Visibility on Settlement Framework:**

   Key aspects such as bond structuring, repayment sources, and fiscal sustainability assessments appear not to have been subjected to detailed legislative review.

7. **Sector Governance and Market Discipline Concerns:**

   Chronic payment defaults across the value chain raise concerns about enforcement discipline, contract sanctity, and regulatory effectiveness within the electricity market.

Rationale for Legislative Action:

[3] Ibid

The National Assembly has a constitutional responsibility for public expenditure oversight, fiscal accountability, and sectoral reform monitoring, particularly in strategic infrastructure sectors such as power.

Legislative intervention is required to:

- Ensure transparency and accountability in the ₦3.3 trillion settlement structure
- Assess the long-term fiscal sustainability of power sector interventions
- Strengthen governance discipline across the electricity value chain
- Protect consumers from unintended tariff shocks or cost pass-throughs
- Ensure debt resolution is linked to measurable improvements in service delivery
- Prevent the emergence of recurring bailout cycles in the power sector

Without strong oversight, there is a risk that fiscal intervention may stabilise liquidity temporarily without addressing structural inefficiencies.

Recommendations to the National Assembly

The National Assembly is respectfully urged through its Senate and House Committees on Power, Public Accounts and Anti-Corruption and Financial Crimes to consider undertaking the following actions:

1. **Invite** the Ministry of Power, Ministry of Finance, CBN, Debt Management Office, Nigerian Electricity Regulatory Commission (NERC), and GenCos to provide full disclosure of settlement structure and repayment modalities.
2. **Demand** Full Breakdown of the ₦3.3 Trillion Settlement by requiring detailed disclosure of:
    - Beneficiary categories (GenCos, gas suppliers, DisCos, etc.)
    - Verification methodology used
    - Payment schedules and funding sources
    - Remaining outstanding liabilities, if any
3. **Direct** an independent review of the long-term fiscal implications of the bond issuance and any associated government guarantees.
4. **Establish** legislative requirements tying future interventions to measurable improvements in grid stability, generation capacity utilisation, electricity supply reliability and service delivery indicators.
5. **Ensure** that any tariff adjustments linked to reforms are subject to public interest safeguards, affordability thresholds, and transparent methodology.
6. **Urge** GenCos, DisCos, and relevant regulators to submit a binding reform roadmap addressing recurring liquidity gaps.
7. **Introduce** quarterly reporting to the National Assembly on sector financial flows, subsidy exposure, and debt accumulation trends.

Conclusion:

The ₦3.3 trillion power sector debt settlement represents a significant fiscal intervention aimed at stabilising Nigeria's electricity market and restoring investor confidence. However, without strong legislative oversight, there is a risk that the intervention may address liquidity symptoms without resolving underlying structural inefficiencies.

The National Assembly therefore has a critical role in ensuring that this substantial public financial commitment translates into sustainable power sector reform, improved service delivery, and protection of consumer interests. Proactive engagement will help safeguard public funds, strengthen sector accountability, and ensure that reforms deliver lasting improvements in Nigeria's electricity supply system.

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