

Omaplex 365:

2022 Socio-economic and Technological Outlook



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Foreword

As with several countries across the globe, Nigeria has had to deal with the many challenges posed by the COVID-19 pandemic in recent times. But encouragingly, the year 2021 reiterated the testament of man's innate resolve to survive. Indeed, the world witnessed this evolutionary ingenuity in diverse ways, from travel restriction policies to the discovery of the Covid vaccine, showing that humanity has truly put up a decent fight.

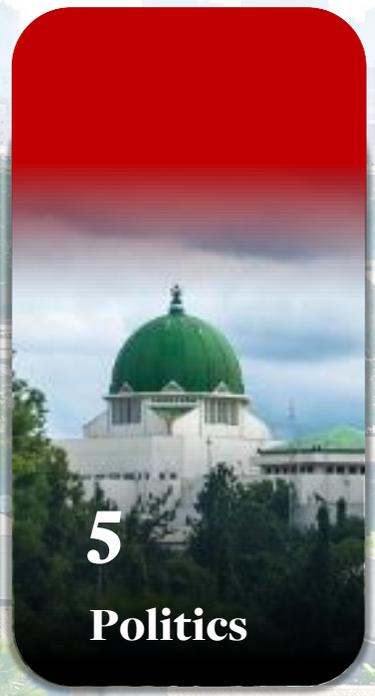
The year 2022 is already here, knocking on the door and pregnant with a million possible outcomes. For Nigeria, the year 2022 is undoubtedly slated to be an eventful year. Amongst other things, it is a prelude to an election year, a possible census year, and a projected year of economic recovery following the heights of the COVID scourge.

At Omaplex Law Firm, not only do we care for our clients, but we also care for the general well-being and prosperity of the larger society. It is in the light of this privileged position that we deem it necessary to share our outlook for the year 2022 in the hopes that all who read it find it helpful.

Our outlook, in discussing a myriad of sub-themes, shall focus on five broad areas: technology, energy, finance, taxation, and politics.

O. M. Atoyebi, S.A.N
Managing Partner

Our Outlook



Technology

**The Continued Growth of the
E-Naira**

The Metaverse

Holoportation

5G Network in Nigeria



The Continued Growth of the E-Naira

The Central Bank of Nigeria ("CBN") introduced its digital currency (eNaira) in October 2021, to increase financial inclusion and make cross-border payments easier for enterprises, among other things. Within a month of eNaira's launch, it is reported that 400,000 accounts were created and over 12,500 transactions were made within the network.

However, the lack of quality mobile networks and the limited spread of internet-enabled devices have been a significant bottleneck in the acceptance of the eNaira. This is so because, in most rural regions of Nigeria, network penetration is still heavily dependent on 2G and 3G networks, which spells difficulty for enaira transactions hinged on the internet. Again, owing to the indigent status of a significant fraction of the Nigerian populace, owning internet-enabled devices may be put on hold in favour of more immediate necessities.

Accordingly, if the primary stated purpose of the creation and launch of eNaira is to promote financial inclusion, the highlighted issues may pose a threat to achieving that goal.

In this circumstance, it is highly commendable that the CBN in a bid to overcome these obstacles has elected to deploy the Unstructured Supplementary Service Data (USSD) approach in 2022 to reach the most remote parts of the country without relying on network penetration or possessing an internet-enabled device before users can access the numerous benefits that the eNaira provides.



A further concern associated with the launch of the eNaira is the attendant cybersecurity threats that may arise. Indeed, owing to the fact that the eNaira is essentially digital, the threats of cybercriminals, compromised networks, and possible data losses are all digital realities that must be tackled head-on.

Commendably, the CBN has assured Nigerians that appropriate processes have been put in place to protect the eNaira against cybercriminals. Similarly, having studied the operational indices of the launch of the enaira in the country, the International Monetary Fund, beyond pledging to provide technical support to Nigeria on cybersecurity issues, has advised that the country enhance its capacity to conduct regular security assessments as a sure way of handling cybersecurity threats.

To this end, it is hoped that the Federal Government will invest in the training of security agencies and the acquisition of state-of-the-art equipment to combat cybercrime. As Nigeria already has comprehensive cybersecurity legislation, the Cybercrimes Act, 2015, it is only pragmatic that the enabling grounds to enforce its lofty provisions are put in place.

It is also important to emphasize that, in light of the decision of the United Nation's General Assembly to design a new global treaty on cybersecurity in 2022, Nigeria must actively participate in the said deliberations as part of the steps to ensure that it adopts the best global practices in ensuring cybersecurity.

For details on the launch of the enaira and its implications for stakeholders, please refer to our recent publication: https://omaplex.com.ng/wp-content/uploads/2021/08/Central-Bank-Digital-Currency-Growth-Relevance_Thought-Leadership.pdf.

See also, for more details on the propriety of Nigeria acceding to international cybersecurity conventions, please refer to our article on the subject: <https://omaplex.com.ng/acceding-to-international-cybersecurity-conventions/>



The Metaverse

The design of the "Metaverse" is undoubtedly one of 2021's significant technological advancement highlights. The metaverse is simply a digital space where you can create memories that rival physical experiences in scope, meaning, and value. It is a convergence of the digital world with the physical world. The mode of accessibility is through both augmented reality devices and any device you already use to connect to the internet. Personal avatars will identify users and allow them to engage with one another in virtual environments. They will also be able to buy and develop virtual objects and places like non-fungible tokens ("NFTs").

With the quality of technology available in 2021, only a fraction of the metaverse could be developed. More novel features are therefore expected to be introduced to the metaverse in 2022 and the years ahead as technology evolves.

The metaverse is also projected to grow in popularity by 2022 as a result of the publicity around its underlying technology, Blockchain. Undoubtedly, several of the world's technological giants, including Meta, Microsoft, Snap, Nvidia, and Tencent, will support this expansion with new, cutting-edge tech products, and indeed, several more companies will become interested in the metaverse's development.

The metaverse is clearly an inevitable part of the global future.



Holoportation

Holoportation is a new variant of the 3D capture technique that enables high-quality 3D models of humans to be reconstructed, compressed, and sent in real-time anywhere on the globe. This technology, when combined with mixed reality devices like the HoloLens, allows users to see, hear, and engage in 3D with remote participants as if they were physically present in the same spot. It becomes as normal to communicate with remote users as if they were in the same room as you.

In 2021, a slew of tech heavyweights, including Niantic, the creators of Pokémon GO, teamed up with Microsoft to demonstrate the possibilities of this new world of mixed reality.

Microsoft recently announced the release of HoloLens 2.0, which builds upon their initial success with HoloLens 1.0. Due to its high cost, however, holoportation technology is not available to the general public at the moment. Currently, most holoportation buyers are big businesses or government organizations. In 2022, we believe there will be a proliferation of products focusing on holoportation. It is expected to become available to the average user soon.

More companies are expected to express interest in the development of holoportation in 2022, which will promote growth in numerous companies and industries. Holoportation is expected to have an impact on a variety of industries, including health, gaming, and others.



5G Network in Nigeria

In December 2021, MTN Nigeria and Mafab Communications emerged as winners of the 3.5GHz spectrum licenses necessary to deploy 5G services in Nigeria.

5G networks, as we know, enable a new kind of network that is designed to connect virtually everyone and everything, including machines, objects, and devices. The technology aims to provide multi-gigabit per second peak data speeds, ultra-low latency, enhanced dependability, huge network capacity, increased availability, and a more consistent user experience to a larger number of people.

We believe that 2022 will witness the birth and spread of the 5G network in Nigeria. This, we are convinced, will promote the quest to create a more sophisticated digital Nigeria. It is believed that the 5G network will solve, among other things, some of the security challenges in the country.

Conclusively, as we await the launch, possible conversations could arise on its workability in Nigeria, considering the possible cost that may follow.

Energy

The Petroleum Industry Act

Marginal Oilfields

Licensing in the Oil and Gas Sector

**The Effects of the Pandemic on Oil
Production and Earnings**

Fuel Subsidy Concerns in Nigeria

Renewable Energy



The Petroleum Industry Act

On July 1st, 2021, the National Assembly passed the Petroleum Industry Bill (PIB), and on August 16th, 2021, the bill was assented to by the President.

The Petroleum Industry Act ("the Act"), 2021, introduced far-reaching reforms in the Nigerian oil and gas industry aimed at establishing good governance, best practices, and ease of doing business by clarifying roles and responsibilities of officials and institutions, enabling frontier exploration, improving environmental compliance, and transforming the Nigerian National Petroleum Corporation ("NNPC") into a commercially viable enterprise.

Indeed, with the many innovations introduced by the Act, businesses and other stakeholders in the industry should brace for a more robust regulatory regime in the industry. For instance, the Act establishes the Nigerian Upstream Petroleum Regulatory Commission to, amongst a plethora of functions, ensure the compliance of participants in the upstream sector of the oil and gas industry. The Act further establishes the Nigerian Midstream and Downstream Petroleum Regulatory Authority as a body with perpetual succession saddled with the responsibility of regulating midstream and downstream operations in the oil and gas industry.

On the whole, in 2022, we expect, of course, that all of the other innovations introduced by the Act will be brought to the fore.

For details of the key provisions of the Bill and its implications for operators and stakeholders in the industry, please refer to our recent publication: <https://omaplex.com.ng/tax-implications-for-oil-and-gas-companies/>



Marginal Oilfields

2021 also saw a successful marginal oilfield bidding round. It was the first successful bid since 2003 when 24 assets were put on offer. The exercise was carried out in two phases: the expression of interest and pre-qualification phase, and the technical and financial phase. The first phase ensured that applicants' basic documentation, such as shareholders' details, directors, management team, procedures and systems, financial capability and corporate accountability, legal and association status, etc., were screened, whereas the second phase evaluated the commercial proposals to understand the optimal nature of the field development plan, the announcement of the winners, as well as negotiations of the farm out agreement.

For details of the rounds and its implications to operators and stakeholders in the industry, please refer to our publication on the subject: <https://omaplex.com.ng/marginal-field-bid-award-2020-pointers-to-stakeholders/>



Licensing in the Oil and Gas Sector

In March 2021, the DPR released updated guidelines for obtaining ministerial consent for the assignment of interests in oil and gas assets. The guidelines established the procedure for obtaining the consent of the Minister of Petroleum Resources to the assignment of any right, power, or interest in an Oil Prospecting License (OPL), Oil Mining Lease (OML), Marginal Field (MF), or Oil and Gas Pipeline License (OGPL), now known as the Petroleum Exploration Licence (PEL), Petroleum Prospecting Licence (PPL), and Petroleum Mining Lease (PML).



The Effects of the Pandemic on Oil Production and Earnings

The Organisation of Petroleum Exporting Countries (OPEC) made huge production cuts in early 2020 due to the coronavirus. This decision led to oil production cuts by OPEC of 7.2, 7.13, and 7.05 million barrels per day (bpd) as of January, February, and March 2021. In April 2021, OPEC released a production quota that eased the target production cuts by 1.14 million barrels per day from May through July 2021. On July 18, 2021, OPEC proposed a further reduction of the production cuts by 0.4 million bpd on a monthly basis starting August 2021. The decision to reduce agreed production cuts signals that the economy is recovering from the impact of the COVID-19 pandemic and the demand for crude oil and its products is increasing.

Nigeria's Minister of Finance recently announced that the government is assuming a crude oil benchmark price of US \$57 per barrel for the 2022 budget, up from a crude oil benchmark of US \$40 in the 2021 budget. The government announced that it expects the country to produce 1.88 million barrels per day of crude oil in 2022, assuming a benchmark price of \$57 per barrel. It is noteworthy, however, that the omicron variant of the coronavirus adds a great deal of uncertainty to projections for future energy consumption around the world. The recent slip in crude oil spot prices from highs above \$80/b was prompted by the emergence of the omicron variant as the market responded to the risk that oil demand could diminish in the near term.

We anticipate that governments across the world will seek solutions to ensure that the omicron variant and its effects do not plunge the global economy into another economic crisis.



Fuel Subsidy Concerns in Nigeria

The Federal Government announced that it is going to end the nation's fuel subsidy regime come 2022. The World Bank reports that subsidizing fuel is going to cost the government \$7 billion over the next 12 months if oil prices remain high. According to Nigeria's Minister of Finance, the savings from fuel subsidies would be used to provide a monthly N5000 transport grant to poor Nigerians and also fund critical projects, a position backed by the International Monetary Fund (IMF). Indeed, it is noteworthy that the government spends trillions of naira yearly on the payment of subsidies on petroleum products. It has repeatedly tried to cut off the payment in favour of market-determined prices, without success. As such, several discussions and considerations on fuel subsidies should be expected in the coming year



Renewable Energy

In 2021, the renewable energy industry remained oddly resistant. Technology improvements and decreasing costs of renewable energy resources have made renewables one of the most competitive energy sources in many areas. Despite supply chain constraints, increased shipping costs, and rising commodity prices, capacity installations remained at an all-time high. Many cities, states, and utilities have set ambitious clean energy goals, increasing renewable portfolio standards and enacting energy storage procurement mandates.

Renewable energy growth is poised to accelerate in 2022 as concern for climate change and support for environmental, sustainability, and governance (ESG) considerations grow and demand for cleaner energy sources from most market segments accelerates. For example, the Nigerian government has passed what is known as the Climate Change Act, 2021, and is expected to roll out more instructive legislation encouraging renewable energies. **For details on the intricacies of Nigeria's new Climate Change Act, please refer to our publication on the subject: <https://omaplex.com.ng/tag/the-nigerian-climate-change-act-2021/>.**

2021 saw a spike in the rate of green energy investment, with a lot of countries and entities listing green bonds in the markets. A major driving force behind the rise of green hydrogen has been the decreasing cost of renewable energy, which is a critical input in the production process. As renewable energy penetration on the grid increases, green hydrogen development is also expected to grow, owing to its potential to act as a long-duration and seasonal storage of fuel available on-demand to generate power.



Finance

The Finance Act 2021

The Finance Bill 2022

The Demutualization of the
Nigerian Stock Exchange

The General Economy



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The Finance Act 2021

On December 31st, 2020, the Finance Act of 2020 ("the Act") was signed into law by President Muhammed Buhari. The Act, which took effect on January 1, 2021, amended the provisions of 14 tax and fiscal-related laws. The Act reviewed and amended several tax laws by consolidating into one statute many tax provisions from different tax statutes. The central purpose of the Act is to increase the revenue pool of the Federal Government through taxation, provide tax incentives to Nigerians and foreigners, and tackle tax avoidance and evasion.

We anticipate that, in light of the new law, the Federal Government will begin more rapid implementations of the Act's above-mentioned objectives in 2022.



The Finance Bill 2022

Looking ahead, the Presidency has forwarded some proposed amendments to the provisions of the "Finance Bill 2022," which was recently transmitted to the National Assembly for consideration and approval.

By this, it is seeking the amendment of the Fiscal Responsibility Act to enable the government to borrow for "critical reforms of significant national impact." The Bill also seeks to make mandatory the payment of gross revenue collected by federal ministries, departments, or agencies to the federation account or consolidated revenue fund, as the case may be, except otherwise authorised by law. It provides that any officer who violates this requirement may be liable on conviction to imprisonment of up to five years or a fine of N5 million or both.

Amongst several others, another major highlight of the Bill is that it seeks to set capital gains tax at the rate of five per cent, to be applicable on the disposal of shares in a Nigerian company worth N500 million or more in any 12 consecutive months, except where the proceeds are reinvested in the shares of any Nigerian company within the same year of assessment.



The Demutualization of the Nigerian Stock Exchange

Undoubtedly, one of the major highlights of Nigeria's financial landscape was the demutualisation of the Nigerian Stock Exchange. Indeed, owing to the global financial distress attributable to the United States' subprime financial crisis, the NSE lost about 70% of its value between 2007 and 2009, witnessing major portfolio outflows. The Securities and Exchange Commission (SEC), being the apex regulatory authority of Nigeria's capital market, set up a committee to make recommendations for the effective development of the capital market. The Committee, in 2015, recommended that the NSE be demutualized. In 2017, the NSE, through an EGM, got approval from the members to proceed with the scheme of arrangement. This led to the promulgation of the Demutualization of the Nigerian Stock Exchange Bill, which was assented to in August 2018 by the President.

Following a no-objection approval by the SEC in December 2019, the Board proceeded to the Court for a court-ordered meeting, which was held in March 2020, with various resolutions of approval passed. In March 2021, the SEC gave its final approval for the demutualization, and today the NSE has successfully transformed into the Nigerian Exchange Group (NGX Group). Demutualization in this context simply means the NSE was restructured from a not-for-profit limited by guarantee entity to a profit-making public limited company owned by shareholders, known as the Nigerian Exchange Group.

The new structure allows the investing community to compare the exchange's performance with that of other exchanges through a review of their reports. Investors and Nigerians at large can assess the exchanges' innovations, profitability, competitiveness, transparency, and compliance, among others. The exercise is expected to improve the corporate governance regime of the exchange, aid increased liquidity and increase investor participation in the governance of the expansion, as it expands its ownership and risk base. In a bid to improve the user experience, the group has a new, improved, and responsive website, with the subsidiaries' distinct sections on the website. In total, we anticipate the effects of these new innovations in 2022.



The General Economy

SBM Intelligence forecasts a 2.5% growth rate for Nigeria in 2022. In a report it released, it states that:

“Nigeria’s 5.01% and 4.03% growth rates experienced in Q2 2021 and Q3 2021 signify that the country can outperform the World Bank GDP growth forecast of 1.8% in 2021. Regarding 2022, we envisage strong GDP growth due to several factors, including oil price, oil production, expansion of financial services due to the MMO licenses issued to the telcos, and most importantly, an increase in FG spending due to the approaching election year. We project a 2.0% to 2.5% growth rate for the full year 2022.”

Similarly, the International Monetary Fund, in its October Regional Economic Outlook for Sub-Saharan Africa, predicted that Nigeria’s economy is expected to grow by 2.7% by 2022, stating that growth will remain at that level and also allow stabilization of GDP per capita. They stressed that the ability of governments to support private savings during the crisis in sub-Saharan Africa was relatively limited because of a lack of fiscal space, notably the inability to issue more debt. The fund also warned that facing limits on most countries’ ability to run larger current account deficits—reflecting the traditional reluctance of foreign lenders to finance private investment—private-sector demand will be unable to support the recovery.

In collaborating the above reports, Nigeria’s Finance Minister has disclosed that the Federal Government forecasts a 4.2% increase in the nation’s GDP in 2022. The Minister reported that although Nigeria’s growth was adjusted downward by 0.5%, the positive 2022 projections remained realistic.



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Taxation

Digital Taxation

The VAT conundrum



Digital Taxation

The enactment of the Finance Act, 2020, has ushered in a myriad of changes to principal tax legislation in Nigeria. One of the major highlights of the Act is the introduction of digital taxation for non-resident companies with a significant economic presence in Nigeria. Indeed, the aim is to ensure that the host of companies providing digital services in Nigeria are adequately taxed.

Although the Act does not define what constitutes "significant economic presence" entails, it is believed that the omission of a definition is to allow for a wide interpretation that captures future technologies.

In any case, it is expected that come 2022, we will witness the commencement of the novel regime of digital taxation in Nigeria as the government seeks to widen its tax net.

For details on the intricacies of Nigeria's digital tax regime, please refer to our publication on the subject:

<https://omaplex.com.ng/tag/the-nigerian-climate-change-act-2021/> .



The VAT Conundrum

The Rivers State Government had, on September 24, 2020, filed a suit at the Federal High Court against the Federal Inland Revenue Service and the Attorney General of the Federation, claiming constitutional autonomy for the collection and administration of Value Added Tax ("VAT"). The Court, in its judgement, entered judgement in the former's favour, finding recourse in a few constitutional provisions, including but not limited to items 68 and 69 of the exclusive legislative list, and item 7 of the concurrent legislative list, amongst others. The FIRS has since appealed the judgement to the Court of Appeal, which has yet to be heard on its merits. At the current stage, the Court of Appeal has only ordered that parties maintain the status quo, that is, refrain from giving life to the judgement of the Federal High Court and, impliedly, the FIRS continue to administer VAT.

As the matter is subjudice, we refrain from commenting on it. Generally, however, we find that the Nigerian tax space has experienced some notable developments in recent times, and the VAT administration appears to be at the fore of these developments. Undoubtedly, VAT has the broadest base for collection in comparison to other types of taxes. Thus, the potential for increasing tax collection from VAT is high, provided the right strategies are deployed. It is important, therefore, that more attention is paid to improving the ease of administration, payment, and collection of VAT by providing multiple channels for taxpayers to comply and to enhance the ability of the government to monitor transactions and ensure voluntary compliance. If this is done, it would likely improve VAT collections and increase VAT. There is also a need to enhance collaboration and cooperation between the three tiers of government so that they are mindful of the interests of taxpayers in making and implementing decisions that impact taxation in order to avoid creating additional burdens on already compliant taxpayers. Therefore, whichever way the matter is settled, the resultant administrators have to creatively enhance the VAT collection system, as it promises huge revenues.



Politics

**The Electoral Act Amendment Bill,
2021 and the 2023 General
Elections**

A Census



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The Electoral Act Amendment Bill, 2021 and the 2023 General Elections

As we are in the last scenes of the year 2021, perhaps the most notable highlight is the recent decision of President Buhari to decline assent to the Electoral Act Amendment Bill. In his letter to the National Assembly, the President noted that after a careful review of the bill, it was not ready to be passed into law for a number of reasons marshalled by the President.

Cardinal amongst the reasons for the withholding of the President's assent is the introduction of mandatory direct primaries for all political parties, which the President has stated would be too expensive and overstretch the already overburdened security apparatus and agents.

Following the President's decision to withhold his assent, several reactions have arisen for and against his decision. A number of political pundits believe that regardless of whether the President's ruling party, the APC, controls both houses, tough debates on the issue will still be expected in the year 2022. Whatever the case may be, 2022 is a highly significant year, being that it precedes the general elections of 2023. What is invariably expected would be that various interest groups would push for their interests on several aspects of the bill, including the contested issue of direct primaries and electronic voting.

Aside from the Electoral Bill, 2022 will undoubtedly see a lot of political lobbying. This is so as a lot of pre-election matters will commence, from internal party politics to libations arising out of intra-party disputes. The year is indeed set to be one of politics.

The general public, as well as other key stakeholders, are urged to take the necessary steps to effectively participate in relevant political processes, as such participation is critical for societal growth.



A Census

It has been over 14 years since the country last had its population in the year 2006 when the country's population was put at over 140 million. The next census from 2006 should have been 10 years later in 2016, but for a host of reasons, it was not held in that year. What is, however, important is that all seems set for the census to be held in 2022 as the Federal Government has earmarked 178 billion Naira for the exercise in the nation's 2022 budget already passed into law.





By several indications, the year 2022 will be a busy and packed one. We hope our outlook offers you an insight as to possible eventualities that may arise in the year.

From us at Omaplex, we wish you a very Happy and Prosperous New Year in advance!



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