

Nigerian Society of Chemical Engineers

(A Division of NSE)

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POLICY ADVISORY TO THE PRESIDENT

Building a Competitive, Investment-Grade Steel Economy in Nigeria

Your Excellency,

I write to respectfully present a comprehensive policy advisory on repositioning Nigeria as a dominant steel manufacturing force in Sub-Saharan Africa, with credible long-term potential to compete in selected global steel value chains.

Steel is the backbone of industrialization, underpinning infrastructure, manufacturing, energy systems, and national security. Nigeria today has significant demand for steel but remains heavily import-dependent. This represents both a structural vulnerability and a major opportunity for transformation.

Nigeria must transition from an asset-centric approach to a system-driven industrial strategy. The focus should shift from solely attempting to revive legacy assets as ends in themselves to building a modern, efficient, and investment-driven steel ecosystem.

Within this framework, the Ajaokuta Steel Complex should be repositioned as a pilot industrial hub and early catalyst—a low-hanging opportunity for quick wins—rather than the central anchor of national steel development.

It is critical to confront key realities. Much of the legacy infrastructure dates back to the 1980s and is unlikely to be competitive with modern technologies. The global steel industry operates on modest margins, and overly optimistic projections risk undermining policy credibility. Furthermore, logistics, energy costs, and supply chain inefficiencies significantly affect competitiveness.

Nigeria's steel future must therefore be anchored on modern production routes, particularly gas-based Direct Reduced Iron and Electric Arc Furnace technologies. These enable modular, scalable, and cost-efficient production aligned with Nigeria's natural gas advantage.

The sector should be developed through distributed production clusters located near demand centers, gas infrastructure, and logistics corridors. Each cluster should integrate upstream inputs, steelmaking, and downstream manufacturing such as fabrication, pipes, and engineering products.

Government cannot finance or operate this transformation alone. Private sector participation is essential. However, private capital will only flow where governance is credible and risks are clearly managed. Government must regulate the sector but should not interfere in operational decisions. Structures that retain discretionary control, such as intrusive golden shares, will deter serious investors.

To attract credible global and domestic players, Nigeria must deploy targeted and competitive incentives. These include long-term fiscal and regulatory stability, zero-duty regimes for steel plant equipment, guaranteed gas supply frameworks, infrastructure support, foreign exchange assurances, and performance-based incentives tied to output and employment.

Equally important is a strong legislative foundation. A National Steel and Metals Industry Act should be enacted to provide investment stability, clarify institutional roles, ensure fast-track approvals, guarantee offtake frameworks, enable dispute resolution, and support credit enhancement mechanisms. Such legislation will significantly reduce financing risk and lower the cost of capital.

The steel sector must be developed with strict capital discipline, emphasizing modular investments, phased expansion, early revenue generation, and independent technical validation. Projects must be benchmarked against global standards to ensure competitiveness.

Steel competitiveness also depends on reliable raw material supply and efficient logistics. Iron ore beneficiation, pelletization, rail connectivity, and port infrastructure must be developed in an integrated manner.

Government policy must ensure competitive neutrality across the sector. Existing private operators should not be disadvantaged. Instead, all efficient producers should be supported within a level playing field.

Environmental and social standards must also be enforced to attract international capital and ensure sustainability.

Implementation should proceed in phases. The first phase should focus on policy approval, legislative action, incentive deployment, and activation of quick-win opportunities. The second phase should deliver modular steel clusters and infrastructure integration. The third phase should drive expansion, exports, and downstream industrialization.

Your Excellency, Nigeria must move beyond the temptation to revive legacy assets as the solution to local steel production. The objective is not only to complete past projects, but to build a competitive steel economy for the future.

With disciplined policy, modern technology, credible governance, and strong private sector participation, Nigeria can emerge as the steel hub of Sub-Saharan Africa and a respected global player.

I respectfully recommend the approval of a National Steel Transformation Framework, the establishment of a Presidential Steel Council, enactment of enabling legislation, deployment of targeted incentives, and the repositioning of Ajaokuta as a catalyst within a broader ecosystem.

I remain available for any further clarification or support.

Yours faithfully,