



THE NATIONAL GAS POLICY, 2017: **Our Summary**

PETRONOMICS LIMITED
Business Advisory Services

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INTRODUCTION

Nigeria has been proven to have the world's ninth largest gas reserves, at 187 trillion cubic feet but notwithstanding, she has still for decades relied on its sufficient supplies of oil to power its economy. It has successfully midwived several notably gas projects like the Nigeria Liquefied Natural Gas (NLNG), West Africa Gas Pipelines, Greater Lagos Pipeline Project, Eastern Gas Pipeline projects, etc amidst other gas related infrastructural developments in partnership with multinational and domestic investors.

The monetization of natural gas resources is fueling the emphasis on the Nigeria Gas sector replete with enormous investment opportunities. The Federal Government aspirations to extract new gas-driven industries out of the existing crude oil based Hydro carbon industry is jumpstarting an industrialization plan that captures multidimensional economic value to foreign exchange earnings. Whilst notable achievement have been recorded, a sizable portion of the current gas production is flared, even though value mechanism has succeeded in rechanneling some flared gases into gas powered projects for rapid utilization and monetization. Domestic gas consumption is expanding thanks to the power sector reforms that culminated in the construction of several gas powered power-generating plants across the country and the industrial clusters adoption of the more convenient, cheaper and supply secured natural gas fuels.

In a new move aimed at boosting natural gas penetration and utilization in the country, the Federal Executive Council recently approved the National Gas Policy 2017. This initiative promotes the development of broad-based processing facilities and infrastructure that accelerate the reduction of domestic dependence on crude oil and other refined products through new innovative investment mechanisms. The goal as highlighted in the policy document is ***“Government will leverage its large gas portfolio to ensure that gas development is undertaken in accordance with Nigeria’s national socio-economic development priorities”***. Whilst its mission is ***“To be an attractive gas-based industrial nation, giving primary attention to meeting local gas demand requirements, and developing a significant presence in international markets”***

GENERAL OVERVIEW

This Policy will redefine the Federal Government’s strategy in respect to the natural gas endowment, to establish its medium to long-term targets for gas reserves growth and utilization and record strategies to be pursued in ensuring the successful implementation of the policy in accordance with Nigeria’s national socio-economic development priorities.

The NGP succinctly emphasize the roadmap for the gas sector, its goals, strategies and an implementation plan for the introduction of an appropriate institutional, regulatory and commercial framework for the sector. It also intends to establish from merely oil-based to an



oil and gas-based industrial economy. This gas-based industrialization scheme largely will be driven by the following strategies;

- Separation of roles and responsibilities of various stakeholders in the sector;
- Implement the full legal separation of the downstream from the midstream, gas infrastructure ownership and operations from gas trading
- Establish a single independent petroleum regulatory authority
- Optimize Liquefied Natural Gas (LNG)
- Pursue a project-based approach instead of the current centrally-planned operating model for domestic gas development
- Identify new gas resources from the Niger Delta, offshore, inland basins and at the same time aiming to achieve a reduction in gas flaring,
- Create a conducive environment for investors through the introduction of an appropriate institutional, legal, regulatory and commercial framework for the gas sector,
- Establish strong linkages of the gas sector with the electric power, agriculture, transport and industrial sectors
- Ensure compliance with the requirements of the Nigerian Content Act.

In addition to the above, it is anticipated that the Policy as espoused will transit the Nigerian economy from oil to gas supply options as a way to guarantee the security of supply and extend gas penetration in the domestic market. This is expected to facilitate the growth of the electric power, agricultural, industrial and transportation sectors. Amongst other goals, it will strengthen public sector policy making, implementation and regulation. Provide an enabling environment for increased private sector participation as well as promote the government agenda to end gas flaring and address other attendant environmental issues.

THE GAS VALUE CHAIN

The Policy document also narrates the new process chain that will govern the different sub-sectors in the industry. In order to guarantee a level playing field for the existing players and new entrants; ensure clarity in midstream regulation, and provide a basis for ending the practice of merging of midstream costs against upstream tax liabilities, it ascertains a clear distinction between the upstream and the midstream. This clear distinction of the gas value chain is expected to improve fiscal responsibility that will also enable free market entry and access for new entrants and investors. The gas value chain as pronounced in the policy document identified and segmented the sub-sectors as the Upstream, Midstream and Downstream.

- The upstream activities are related to exploration, drilling, construction, operation, gas separation and transportation of personnel and equipment (all gas/gas facilities).



- The midstream involves activities related to construction and operation of gas transportation pipelines, gas gathering and processing facilities, natural gas liquefaction plants, gas bulk storage facilities, shipping of gas and related products and its other transport methods.
- The downstream involves activities relating to construction and operation of facilities for distribution of gas to end-users, retail stations for Compressed Natural Gas ("CNG"), city gate reception terminals, distribution of gas, wholesale marketing and retailing of gas and its related products.

GOALS OF THE NGP

Reviewing the extensive, strategic document with explicit timelines geared towards establishing a regulatory backing to guide a private sector driven development summarizes its overall goals as;

- Governance - Establishment of requisite legal, regulatory and institutional framework
- Industry Structure – Identification and definition of the roles of government-owned corporations, export gas ownership and tolling arrangements, wholesale domestic market, separation of transport and trading, domestic gas supply obligations (DSO).
- Review of the Gas Aggregation Policy (GAP), Development of Gas Resources. This includes gas flare-out, gas field development & resource management plans.
- Infrastructure - Development of a gas infrastructure blueprint and the strategy to drive the entire supply chain.
- Building Gas Markets - Strategies for financing and developing gas markets, LNG, LPG and pipeline projects domestically, regionally and internationally.
- Developing National Human Resources - For achieving local content and building a robust in-country capacity to support the development of the industry.
- Communications - Specifying models for synergizing both internally & externally within the Federal Ministries and relevant government agencies. This clarifies the mode of consultations with industry stakeholders.
- A Roadmap and action plan that enhances setting timeline for the gas policy implementation.

CONCLUSION

By setting critical policy milestones, the policy displays the continued commitment of successive governments since the initiation of the National Gas Master Plan to fast-track a gas-based industrialization scheme for its economy. It is expected that the document debottlenecks investment and development structures and galvanize the much-required commitments of relevant stakeholders and investors for the successful implementation of the goals. It catalogued a broad array of prospects in the areas of Petrochemical Plants, Fertilizer Plants Rural Power Plants, CNG Plants, LPG Plants, LNG for domestic markets (Power, Vehicles Agricultures etc.), Gas for Rail Electrification, CNG Transportation LNG Trucks etc.



Given the Nigerian government pedigree in supporting landmark investments in the Nigerian Liquefied Natural Gas projects and other private sector funded gas infrastructure and deep offshore projects like the Bonga, Agbami, Egina projects etc, this document opens a vista for the global gas market. This typifies a situation where there are abundant natural gas resources, a policy framework, huge domestic and regional market, the only party required to solve the puzzle, are the willing investors. Cities like Port Harcourt, Eket, Warri, Yenagoa, Benin and the Niger Delta axis are known to be the host of huge logistical and experienced technical capabilities structures from previous and existing oil and gas facilities from which Natural Gas investors can draw from.

Given sustainability concern in global development natural gas is still the cleanest and an efficient form of energy generation amongst fossil fuel products. Its investments in natural gas utilization can at this auspicious time serve as a stop-work measure that will jump start a new wave Zero Carbon Emissions produces less carbon dioxide and water vapour, an advantage is the fewer impurities, less chemically complex, and combustion that generally results in less pollution. However, reducing carbon footprints requires, in view of the disturbing global warming data recorded, requires more focus on renewable sources of energy that will result in zero emission.

Note: The document is a summary of the National Gas Policy 2017 as approved by the Federal Government of Nigeria. The comprehensive document can be accessed at www.petroleumresources.gov.ng. However, interested parties can reach us for Business Advisory for a detailed breakdown.

ABOUT US

At Petronomics, energy expertise is our resource and inspiring competence is what we enjoy. The application of knowledge in driving innovation and ultimately possibilities is the catalyst that steers a distinctive value proposition. Braced with a visionary advisory board, inspired /cultured workforce and experienced faculty, we provide superior intellectual resource pool that bridge competency gap for industry operators. The benefits of our expertise are accessible through learning programmes, research and conference services; a blend that sets us as the preferred pool, professionals approach to upgrade business skills.

Contacts:

Business Development Desk
Petronomics Limited
info@thepetronomics.com
+234 803 7202432
www.thepetronomics.com