



GAS:

BOOM OR BUST

In this interview, Gbite Adeniji, energy sector specialist and a Partner at Advisory Legal Consultants, examines the role of gas in Nigeria's economic survival.

Adeniji begins by pointing out the part gas has played in the policies of past presidents. Gas reforms, he says, have been corner stone policies of the last three presidents. Obasanjo initiated gas and power reforms. President Yar'Adua's 7-point agenda had an energy component - he approved the Domestic Gas Supply Obligations.

President Jonathan was not left out as he made the power sector reform his own cornerstone policy. As such, the gas revolution became part and parcel of his cornerstone policy.

The power sector agenda kicked off with privatization but the availability of gas poses one of the biggest

risks to the process. Current gas demand is approximately 1 bcf per day but we don't even have half of that supply available, which is shocking in a country with 187 tcf of resources.

Gas is needed for the development of industries, the agronomy and

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crucially, electricity. These in turn lead to jobs and wealth creation. They are the real drivers for significant economic growth. So without gas, there will be no economic growth. Given the crucial role that gas has to play in the economic development of the country, Adeniji feels the situation is serious enough to warrant a declaration of a State of Emergency in relation to gas. He predicts that the policy choices or failures with gas will determine the economic direction of Nigeria.

The problem, says Adeniji is not with the gas master plan which he believes is very sound but is not sufficiently supported by the legislative and regulatory framework that will make that work complete. He stresses the sound thinking behind the gas master plan. By now, he says, there should have been a published gas policy, a clear legal framework to support the country's gas aspirations, including a specific gas sector regulator. These are all well overdue, so while the master plan is moving, the policy and the legislative and regulatory work needed to support the master plan has been slowed down by the last two governments. "That just shows poor thinking," says Adeniji.

Adeniji suggests that the only way forward is to move forward very quickly with the enactment of legislation that will support the gas master plan. Given the inadequate treatment of gas in the PIB, he says there is a need to urgently de-couple gas from the Petroleum Industry Bill (PIB) and enact a gas-specific legislation.

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Adeniji is also concerned about gas infrastructure. The gas infrastructure projects that have been done in the last 5 years were done by the Nigerian National Petroleum Corporation (NNPC). But, he points out, when you look at the infrastructure blueprint within the gas master plan, it will need so many billions of dollars of investment, which is well beyond the capacity of government. The fact, he says, is that if you structure the sector properly, the private sector will participate in it. He stresses that there has to be a favourable fiscal and regulatory regime to encourage private sector investors to get involved, whether alone or in association with NNPC. But, he adds, it is not right for government to do it alone. Those days are over.

The reason, he says, is that it is the market that drives infrastructure development and currently, the market is very strong for gas. With non-aggregation gas currently fetching \$2.50 in the market, this means that demand for gas is effective.

Adeniji also comments on the state of liquefied natural gas (LNG) production. He does not find the situation very encouraging. In spite of all the millions of dollars spent on OKLNG the government of the day literally put a stop to it and said, let's develop Brass LNG project.

He noted that it takes a long time to realize such a project given the planning that has to be done from the upstream through the contracting, commercial negotiations and regulatory



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processes such as EIAs, local content and customs procedures.

Adeniji turns his attention to the long-awaited Train 7 of the NLNG company. Why, he asks, should Train 7 of NLNG be on ice? He insists that there should be an enquiry on that issue; after all it is a mature LNG project. NLNG company, he points out, is one of the top LNG companies in the entire world which needs that extra train to sustain its position in a fast changing global LNG market. But it is on ice because, the government says, we must do a Brass LNG project.

Adeniji wonders how the entire LNG business has been so messed up that that there is a strong chance that among three projects we might not get one done. He says we are losing our share of the market and even our regional opportunities are slipping. Give it another year, he says, and Ghana will start importing LNG because we're not giving them gas into the West African Pipeline Company (WAPCO). "So the Ghanaian government has gone to very advanced stages of contracting LNG imports and they're going to say to us, sorry we no longer need your gas," he adds.

Finally Adeniji turns his thoughts to Liquefied Petroleum Gas (LPG) popularly known as cooking gas. Nigeria is trying to turn its huge population

away from fossil fuels to the cleaner LPG but the penetration has been rather slow. However, he sees a huge latent demand for LPG in the country, which due to under-investment suffered from lack of supply. However, following government intervention compelling NLNG to put aside part of its production for the domestic market plus new gas processing projects under way, the supply gap is now closing.

"More investment in the LPG sector will definitely happen and that's where the private sector comes in," he adds.

On a general note, Adeniji says, the transfer of power generation assets to the private sector and the development of IPPs plus the desire of Nigerian entrepreneurs to develop gas-based projects will put unprecedented pressure on the Government for gas supply.

He concludes by saying: "We must also not forget the significant commitments that Nigerian banks have already made to some of the power Genco transactions. So, whether Government likes it or not, accelerated gas development across the upstream and midstream and supply must now happen in response to pressure downstream. Its an emergency and also a perfect storm. It could lead to a boom if the proper policy decisions are taken; or bust if not."