TOPE ADEBAYO LP

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CHAPTER 2

THE 2024 NIGERIAN GAS INDUSTRY END-OF-YEAR REPORT AND FUTURE PROJECTIONS

CONTENT

1.0 INTRODUCTION

2.0 GAS INFRASTRUCTURE DEVELOPMENT UNDER THE DECADE OF GAS

3.0 RECENT EVENTS IN NIGERIA'S GAS SECTOR

4.0 UPDATES ON NIGERIA'S STATE-RUN REFINERIES

5.0 PROJECTIONS FOR NIGERIA'S GAS INDUSTRY

6.0 CONCLUSION

1.0 INTRODUCTION

TOPE ADEBAYO LP

In our 2024 Mid-Year Report,[1] we reviewed progress under Nigeria's Decade of Gas policy, major investments, infrastructure development and divestments in the sector by oil majors, the Federal Government of Nigeria's (FGN) efforts to boost investments through the 2023-2030 Drilling Campaign and Deep-Water Projects, and the funding sources driving these developments. We also highlighted trending industry events and projections for Nigeria's gas sector. Globally, the United Nations has set ambitious climate goals, calling for a 45% reduction in carbon emissions by 2030 and net-zero emissions by 2050.

For developing nations like Nigeria, which heavily rely on fossil fuels, balancing these goals with economic growth presents unique challenges. In response, Nigeria has cautiously committed to achieving net-zero carbon emissions by 2060 while declaring 2020–2030 as its Decade of Gas, reflecting the nation's strategy to harness gas as a lower-carbon transition fuel. President Bola Ahmed Tinubu's administration has reaffirmed this commitment, emphasizing gas as both Nigeria's transition fuel and the energy source of the future. With proven crude oil reserves of 37.50 billion barrels, a daily production capacity of approximately 2.19 million barrels, and substantial gas reserves of 209.26 trillion cubic feet (TCF)—including 102.59 TCF of associated gas and 106.67 TCF of non-associated gas,[2] Nigeria's role as a global energy player remains significant. At the core of the Decade of Gas initiative is a vision to drive infrastructure development, industrial growth, and economic prosperity.

Our Mid-Year Analysis revealed that gas demand continues to outpace supply, primarily driven by increasing domestic needs supported by improvements in the Domestic Gas Supply Obligation framework.

According to the Nigerian Upstream Petroleum Regulatory Commission ("NUPRC"), gas demand is projected to grow at a compound annual rate of 16.6% through 2030. However, this growth underscores the risk of a looming supply shortfall of 3.1 billion cubic feet per day (Bcf/d) of gas under the Base Case Demand and Supply scenario.[3] With gas positioned as a catalyst for economic growth and sustainable energy development, as we conclude 2024, this Report builds on earlier analysis, offering deeper insights into emerging opportunities, challenges, and investment projections for Nigeria's gas sector.

From the Energy Desk

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[1] https://topeadebayolp.com/mid-year-report-on-the-nigerian-gas-industry-and-investment-projections-for-2024-and-beyond/ Accessed 20th October 2024.
[2] https://www.nuprc.gov.ng/nigerias-oil-and-gas-reserves-soar-nuprc-unveils-impressive-figures/ Accessed 2 November 2024.
[3] https://www.energyfocusreport.com/komolafe-says-fg-decade-of-gas-positions-natural-gas-as-a-key-driver-of-economic-development/#:~:text=Komolafe%20said%20between%202020%20and,Case%20Demand%20and%20Supply'%20scenario. Accessed 2 November 2024.

2.0 GAS INFRASTRUCTURE DEVELOPMENT UNDER THE DECADE OF GAS

In our 2023 End-of-Year and 2024 Mid-Year Reports, we discussed the comprehensive plan identified by the FGN to help secure Nigeria's Decade of Gas, the benefits of the Decade of Gas policy as well as the critical infrastructure to be delivered within this decade. In this Report, we will look into the critical infrastructure identified and their progress rates so far.

NLNG Train 7

Nigeria LNG Train 7 project, owned and operated by Nigeria LNG company, is an ongoing expansion of the Nigeria LNG Terminal at Bonny Island, Nigeria, which currently has a total of six operational LNG processing units, four 84,200m³ LNG storage tanks, four 65,000m³ refrigerated storage tanks, and three 36,000m³ condensate storage tanks. In addition, the terminal also has a common LNG processing fractionation plant, a common condensate stabilization plant, two LNG export jetties, 23 dedicated LNG ships and materials off-loading jetty, and ten gas turbine generators with a combined capacity of more than 320MW. At the time of our last Report, NLNG Limited disclosed that the project has reached an overall progress of 67% completion and already delivering on one of its benefits with over 9,000 Nigerians working on the project with numerous indirect jobs and businesses emerging as a result of the construction. Sometime in August, the Nigerian Content Development and Monitoring Board (NCDMB), commissioned a 10,000-ton per annum galvanising plant for the project. The project has about 22,000 tons to galvanise. The plant was constructed by Daewoo Engineering Nigeria Limited, one of the engineering, procurement, and construction contractors of the NLNG Train 7 project.

The completion of this plant has increased Nigeria's galvanising capacity to over 180,000 tons per annum, and it will serve not only the Nigerian oil and gas industry and linkage sectors but also the telecommunications, power and transport sectors that require galvanised materials. It is also a major contributor to the attainment of the 70 per cent Nigerian content target by 2027 and the realisation of job creation and other economic aspirations of the present administration.[4]

[4] https://ncdmb.gov.ng/ncdmb-nlng-commission-galvanizing-plant-for-train-7-project-reaffirm-commitment-to-nigerian-content/ Accessed 30 October 2024.

2.0 GAS INFRASTRUCTURE DEVELOPMENT UNDER THE DECADE OF GAS

Nigeria-Morocco gas Pipeline (NMGP)

The NMGP proposed in December 2016 is an agreement between the Nigerian National Petroleum Corporation (NNPC) and the Moroccan Office National des Hydrocarbures et des Mines (National Board of Hydrocarbons and Mines) (ONHYM), and would connect Nigerian gas to Morocco and Europe through every coastal country in West Africa (Benin, Togo, Ghana, Cote d'Ivoire, Liberia, Sierra Leone, Guinea, Guinea-Bissau, Gambia, Senegal, and Mauritania), ending at Tangiers, Morocco, and Cádiz, Spain. It would be an extension of the existing West African Gas Pipeline, which already connects Nigeria with Benin, Togo, and Ghana, and it would connect to the Maghreb-Europe gas pipeline. At the time of our last Report, ETAFAT, the company overseeing the project stated that the NMGP had advanced a step following the commencement of topographic surveys in the Northern section. We also highlighted in our Report that funding had been secured through four memoranda of understanding signed in June 2023 and construction was slated to begin this year. The Nigerian National Petroleum Company Limited (NNPCL) announced sometime in November that the project has entered the land acquisition stage and is undergoing environmental and social impact assessments.[5] Morocco has announced plans to launch initial tenders for the project in 2025 aligning with the country's National Office of Hydrocarbons and Mines' 2025 Action Plan.

The tenders will target the Moroccan segment of the pipeline, covering 1,672km of the 5,600-km pipeline. The first phase of the project will involve Morocco, Mauritania and Senegal, with additional agreements for gas transport expected to be signed in 2025. Further phases will extend the pipeline to other participating nations, including Nigeria. Upon completion, the pipeline network is projected to benefit over 340 million people, while promoting economic integration and socioeconomic development in West Africa including driving energy security in Africa and Europe.[6]

[5] https://www.pipeline-journal.net/news/nigeria-morocco-gas-pipeline-project-enters-land-acquisition-phase Accessed 5th December 2024.
[6] https://energycapitalpower.com/nigeria-morocco-gas-pipeline-tenders-set-to-launch-in-2025/ Accessed 5th December 2024.

2.0 GAS INFRASTRUCTURE DEVELOPMENT UNDER THE DECADE OF GAS

The Ajaokuta-Kaduna-Kano Pipeline (AKK) Project

The AKK Pipeline constitutes Phase 1 of the Trans Nigeria Gas Pipeline Project (TNGP) and is estimated to cost about $2.8 billion. In our 2023 End-of-Year and 2024 Mid-Year Reports, we stated that Nigeria is borrowing $2.6 billion over 12 years from the Bank of China at Libor (London interbank offered rate) plus 3.75% with the remaining $434 million to come as equity from the Nigerian Gas Company, a subsidiary of NNPCL to finance the project.

The project had experienced some delays due to the Bank of China's reported unwillingness to commence disbursing the funds it pledged. Sometime in June this year, the Minister of Finance and Coordinating Minister of the Economy, during an inter-ministerial visit to the project at the River Kaduna HDD crossing site stated that the project had reached 90% completion despite the funding delays and security challenges in some of the pipeline's host communities. Although, in March 2024, the Group Chief Executive Officer of NNPCL had fixed December 2024 for the project's completion, the Minister for Finance has projected a new completion date by the first quarter of 2025.[7]

The Presidential Compressed Natural Gas Initiative (PCNGI)

In our 2024 Mid-Year Report, we reported that over $50 million had been mobilised directly under the PCNGI, much more than any amount mobilised in the Nigerian transportation sector in the last 8 years. The PCNGI targets over 11,500 new CNG-enabled vehicles and 55,000 CNG conversion kits for existing Premium Motor Spirit (PMS)-dependent vehicles, and as at our last Report, the head of commercial at PCNGI said 590 CNG-compliant buses had been purchased by the Ministry of Finance to be distributed based on access to CNG. Recent reports reveal that more than 10,000 vehicles have successfully been converted from petrol to CNG under the presidential initiative, with a plan to convert more than 1 million vehicles by 2027. The PCNGI CEO assured Nigerians that it had taken precautionary measures with the different government agencies to ensure the safety of the conversion process.[8]

The events analysed in this Report build on the earlier analysis in our 2024 Mid-Year Report

[7] https://nannews.ng/2024/06/22/akk-gas-pipeline-project-90-complete-minister/ Accessed 30 October 2024.

[8] https://dailynigerian.com/nigerian-govt-invests-over-450-million-in-cng-pcngi/ Accessed 9th December 2024.

The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) Issues Circular on Remittance of Wholesale Levies Due to the Midstream and Downstream Gas Infrastructure Fund for Natural Gas[9]

On 16 July 2024, the NMDPRA issued a circular to all suppliers of natural gas (the "Suppliers") pursuant to Section 52 (8) of the Petroleum Industry Act 2021 ("PIA"), which empowers the NMDPRA to ensure that wholesale levies paid on natural gas sold in Nigeria, be remitted to the Midstream and Downstream Gas Infrastructure Fund ("MDGIF").

In line with section 52(7) of the PIA, 0.5% of the wholesale price of natural gas sold in Nigeria shall be collected as wholesale levy from wholesale customers and paid to the MDGIF. Thus, the NMDPRA directed all Suppliers to commence the remittance of the wholesale levies due to the MDGIF for natural gas purchased by wholesale customers from 21 August 2021 to 30 June 2024 into the MDGIF account. This remittance is to be paid to either the naira or dollar accounts provided in the circular within 60 days from the date of receipt of the circular. In line with the gas infrastructure development objectives of the FGN, the levies will be used as funds for investment in critical infrastructure that will foster the growth of the Nigerian Midstream and Downstream Gas Sectors.

The NMDPRA Issues an Updated Nigerian Gas Transportation Network Code[10]

The NMDPRA on 30 July 2024 released an update to the Nigerian Gas Transportation Network Code (the "Network Code") for immediate implementation. The Network Code seeks to replace the previous code issued in 2020. The Network Code is a crucial regulatory framework designed to ensure safe, reliable, transparent, and economically viable access to natural gas across Nigeria. It establishes a unified set of rules that guarantees non-discriminatory access to a gas pipeline network, enabling the efficient delivery of commercial volumes of natural gas from upstream producers and wholesale suppliers to downstream customers. These customers include power generation companies, gas-based industries, and energy-intensive industries that depend on natural gas. With the code set for immediate implementation, the NMDPRA is actively overseeing all the necessary operational activities outlined in the code. This includes the onboarding and licensing of entities

[9] https://punchng.com/gas-producers-oppose-0-5-levy-as-nmdpra-promises-resolution/ Accessed 2 December 2024.

[10] https://extractive360.com/wp-content/uploads/2024/07/NMDPRA-ADVERT.pdf Accessed 9 October 2024.

involved in the network—such as transporters, shippers, and agents—as well as facilitating the development of network connection agreements between shippers and the licensed network operator. The Network Code currently governs three strategic gas supply pipeline systems, including the Escravos-Lagos Pipeline System, OB-3 and Oben-Ajaokuta pipeline systems located in the Western, Eastern and North-central areas, where natural gas is being utilized for strategic socio-economic activities. The NMDPRA has confirmed that the network will be expanded to cover all other regions of the country in the medium to long term.

NNPCL Set to Build 3 LNG Stations, 100 CNG Sites in Nigeria[11]

NNPCL has announced that in addition to the massive deployment of Compressed Natural Gas (CNG) stations nationwide, it would in collaboration with its partners build three (3) Liquefied Natural Gas (LNG) stations in Ajaokuta. NNPC further revealed that in 2025, the NNPC Retail would have launched over 100 CNG sites, including 16 NNPC Gas Marketing and NIPCO Gas JV sites. Following the removal of fuel subsidies and the declaration of the PCNG initiatives, the NNPC has taken the lead in the deployment of Auto-CNG Stations across Nigeria. Presently, the NNPC Gas Marketing Limited, a subsidiary of NNPC, has developed an Auto-CNG rollout plan for the construction of thirty-five (35) CNG stations across the various geographical zones of Nigeria. This is being done in collaboration with NIPCO Gas Limited.

TotalEnergies EP Nigeria Limited sells its interest in SPDC JV, retaining interest in gas supply to Nigeria LNG[12]

TotalEnergies EP Nigeria Limited ("TEPNG"), a subsidiary of TotalEnergies SE, announced it had executed a sale and purchase agreement ("SPA") with Chappal Energies for the divestment of its 10% participating interest in eighteen (18) oil mining leases ("OMLs") owned by the SPDC JV across the Niger Delta area of Nigeria. The SPDC JV is an unincorporated joint venture between the NNPCL (with 55% participating interest), Shell Petroleum Development Company of Nigeria Limited (with 30% participating interest and doubling as the operator of the joint venture), TEPNG (with 10% participating interest), and Nigerian Agip Oil Company Limited (with 5% participating interest). TEPNG will sell to Chappal Energies its 10% participating interest and all its rights and obligations in 15 of the 18 OMLs, which are primarily oil producing assets. TEPNG will also transfer to Chappal Energies its 10% participating interest in the remaining 3 OMLs (OML 23, OML 28 and OML 77) which are primarily gas producing assets. However, TEPNG will retain the full economic interest in these gas producing assets which currently account for 40% (forty percent) of TEPNG's supply obligations to Nigeria LNG. The transaction was concluded in July this year for a firm consideration of US$ 860 million and is subject to obtaining the requisite regulatory approvals.

The NNPCL expands LNG exports to Japan and China[13]

The NNPCL has expanded its global market reach by delivering LNG cargoes to Japan and China on a Delivered Ex-Ship ("DES") basis. NNPCL achieved this milestone through a collaboration between two of its subsidiaries, NNPC LNG Limited and NNPC Shipping Limited, which facilitated the first DES LNG cargo

[11] https://nnpcgroup.com/insights/nigeria-s-cng-journey-has-commenced-and-is-irreversible-says-kyari-as-nnpc-plans-to-build-three-lng-stations-100-cng-sites Accessed 30th October 2024.

[12] https://www.jonesday.com/en/practices/experience/2024/07/totalenergies-sells-its-interest-in-spdc-jv-retaining-interest-in-gas-supply-to-nigeria-lng#:~:text=Share-,TotalEnergies%20sells%20its%20interest%20in%20SPDC%20JV%2C%20retaining%20interest,gas%20supply%20to%20Nigeria%20LNG&text=Jones%20Day%20is%20advising%20TotalEnergies,SPDC%20JV%20licenses%20in%20Nigeria. Accessed

[13] https://punchng.com/nnpc-expands-lng-shipments-to-japan-china/#:~:text=The%20Nigerian%20National%20Petroleum%20Company,into%20the%20global%20energy%20market. Accessed 30th November 2024.30th October 2024.

delivery to Futsu, Japan, on June 27, 2024. The shipment was made using the 174,000 cubic meter vessel, Grazyna Gesicka. Building on this success, NNPC extended its operations to China, delivering another LNG cargo under the same DES arrangement. According to NNPC, the DES arrangement is more complex but financially rewarding compared to the Free on Board ("FOB") system that NNPC previously used. Dapo Segun, NNPC's Vice President for Downstream Operations, stated that the DES system is more lucrative and allows NNPC to capture a larger market share while building capacity and ensuring global customers become more familiar with the NNPC brand. This expansion marks a significant development for NNPC.

The NUPRC proposes an amendment to the National Data Repository Regulations 2020[14]

The NUPRC has issued a notice (the "Notice"), calling for stakeholders' input and consultation on the proposed amendment to the National Data Repository Regulations 2020 (the "NDR Regulations"), and has invited stakeholders involved in upstream petroleum operations to provide their feedback on the proposed amendments. The proposed amendments to the NDR Regulations, amongst others, seek to enhance and reproduce high-quality, reliable exploration and production (E&P) data, facilitate efficient data sharing between the NUPRC, licensees, lessees, permit holders, government institutions, academia and other relevant parties, increase payable annual fees, and improve the NUPRC's ability to supervise and monitor E&P activities. While the current NDR Regulations apply to the entire oil and gas industry, the proposed amendment specifically applies to lessees, licensees, permit holders in upstream petroleum operations, and any other entities interested in accessing upstream industry data. As such, there is a question of whether the NMDPRA is to establish a separate National Data Repository for the midstream and downstream sector, or whether more integrated amendments will be done to accommodate the midstream and downstream sector. More clarification is expected from the NUPRC/NMDPRA as steps are taken towards finalising the amendments.

[14] https://www.scribd.com/document/717264782/NUPRC-Upstream-Gaze-Magazine-Vol-2 Accessed 30 October 2024.

Oando PLC Completes $783 Million Acquisition of Eni's Subsidiary, Nigerian Agip Oil Company (NAOC)[15]

In our 2024 Mid-Year Report, we reported Eni's plans to sell its entire stake, constituting 100%, in its wholly owned subsidiary focusing on onshore oil & gas exploration and production in Nigeria, Nigerian Agip Oil Company Limited ("NAOC"), to Oando Plc ("Oando"). Oando, one of Nigeria's leading energy solutions providers, has announced the successful completion of its acquisition of 100% of the shareholding interest in NAOC from the Italian energy company Eni. The total consideration for this transaction was US$783 million (Seven Hundred and Eighty-Three Million United States Dollars). This transaction increases Oando's current participating interests in OMLs 60, 61, 62, and 63 from 20% to 40%. It also enhances Oando's ownership stake in all NEPL/NAOC/OOL Joint Venture assets and infrastructure. These assets include forty discovered oil and gas fields—twenty-four of which are currently producing—approximately forty identified prospects and leads, twelve production stations, about 1,490 km of pipelines, three gas processing plants, the Brass River Oil Terminal, the Kwale-Okpai phases 1 and 2 power plants with a total nameplate capacity of 960 MW, and associated infrastructure.

The NUPRC Inaugurates Centre for Efficient Dispute Resolution in the Oil and Gas Industry[16]

In September, the NUPRC inaugurated the Body of Neutrals for the Alternative Dispute Resolution Centre ("ADRC"). This initiative aims to provide quality, cost-effective and efficient alternatives to traditional litigation in dispute resolution within the oil and gas sector. The ADRC is anticipated to offer a solution to the frequently prolonged legal disputes with attendant high costs, and strained relationships, particularly between producers and host communities. Comprising experienced professionals from the legal profession and the oil and gas sector, the Lagos ADRC's Body of Neutrals consists of 27 members, including the former President of the National Industrial Court, Justice Babatunde Adejumo. These individuals have been tasked with mediating disputes that affect both corporate entities and local communities, with the objective of improving access to justice and reducing the burden on the judicial system by offering quicker and more equitable resolutions.

The NNPCL moves to Revive Brass and OK LNG Projects[17]

In September, the NNPCL initiated discussions with investors to revive two Liquefied Natural Gas (LNG) projects, i.e., the Brass LNG and Olokola LNG projects, to maximize gas resources for economic development. According to the NNPCL, both projects, which were anticipated to boost Nigeria's gas capacity by over 22 million tonnes per annum, have faced decades of delays due to "unfavourable market dynamics". By reviving the projects, the NNPCL expects that it would hold significant potential for Nigeria, offering economic benefits, increased power generation, increased revenue, and support for economic diversification. The Brass and Olokola LNG projects were launched in 2003 and 2005, respectively, under the administration of former President Olusegun Obasanjo, to monetize Nigeria's vast natural gas reserves and

[15] https://www.oandoplc.com/press-release/oando-plc-completes-783-million-acquisition-of-enis-subsidiary-nigerian-agip-oil-company-naoc Accessed 23 October 2024.

[16] https://www.nuprc.gov.ng/nuprc-inaugurates-center-for-efficient-dispute-resolution-in-oil-and-gas-industry/ Accessed 30th September 2024.

[17] https://www.nnpcgroup.com/insights/nnpc-ltd-moves-to-revive-brass-ok-lng-projects-1 Accessed 2 October 2024.

address the growing global demand for clean energy. Brass LNG was incorporated in 2003 with the following shareholders: NNPC, Eni International, ConocoPhillips, and Total Energies. The company was established to construct and operate an LNG plant on Brass Island in Bayelsa State. The Front-End Engineering Design (FEED) envisioned two LNG trains, each with a capacity of 5 million metric tons per annum (mtpa), and the facility was originally scheduled to be operational by 2011. The Olokola LNG project was originally designed to have a total capacity of 12.6 mtpa, with an initial start-up planned for 2011. Its shareholders included NNPC, Shell, Chevron, and the UK's BG Group (which Shell acquired in 2016). However, in 2009, BG Group withdrew from the project, and by August 2013, Shell and Chevron had also exited, leaving NNPC as the sole investor. Potential investors have a unique opportunity to play a pivotal role in reviving and advancing the Brass and Olokola LNG projects, both of which have been designed to significantly boost Nigeria's gas output and capitalize on the growing global demand for clean energy.

The FGN Introduces New Fiscal Incentives to Boost Nigeria's Oil and Gas Sector[18]

The Nigerian Minister of Finance, on 2 October 2024, unveiled two major fiscal incentives for the oil and gas sector; the (i) Value Added Tax (VAT) Modification Order 2024; and (ii) Notice of Tax Incentives for Deep Offshore Oil and Gas Production, in accordance with the Oil and Gas Companies (Tax Incentives, Exemption, Remission etc.) Order 2024. The VAT Modification Order 2024 introduces exemptions on a range of key energy products and infrastructure, including diesel, feed gas, liquefied petroleum gas (LPG), compressed natural gas (CNG), electric vehicles, liquefied natural gas (LNG) infrastructure, and clean cooking equipment. These measures are designed to lower the cost of living, bolster energy security, and accelerate Nigeria's transition to cleaner energy sources. The Notice of Tax Incentives for Deep Offshore Oil & Gas Production, on the other hand, provides new tax reliefs for deep offshore projects with an initiative to position Nigeria's deep offshore basin as a premier destination for global oil and gas investments.

[18] https://www.thisdaylive.com/index.php/2024/10/02/fg-unveils-new-fiscal-incentives-to-boost-oil-gas-sector/#:~:text=The%20fiscal%20incentives%20include%20Value,Order%202024. Accessed 3 November 2024.

The NUPRC Announces the Approval of Four out of Five Divestment Applications[19]

We had reported in our 2024 Mid-Year Report that some of the oil majors had announced their divestment plans. The NUPRC announced that the Minister of Petroleum Resources ("Minister") has granted his consent to 4 out of 5 consent applications submitted by international oil companies (IOCs). This announcement was made by the NUPRC Chief Executive during the NUPRC 3rd Anniversary Event on 21 October 2024.

The approved divestments are: (i) ExxonMobil / SEPLAT (ii) Equinor to Project Odinmin Investments Limited (iii) Total Energies EP Nigeria Limited's interests in the NNPC/SPDC JV to Telema Energies Nigeria Limited, and (iv) Nigerian Agip Oil Company Limited to Oando Petroleum and Natural Gas Company Limited The fifth divestment, involving the sale of Shell Petroleum Development Company's assets to Renaissance Africa Energy Company Limited, initially rejected by the Minister, received Ministerial approval on December 18, 2024. However, the deal remains pending as the NUPRC has yet to grant its approval due to unresolved challenges. Despite this, the Special Adviser to the President on Energy, Olu Verheijen, has expressed confidence in the NUPRC's ability and commitment to address the outstanding issues surrounding Shell's proposed divestment.

The FGN set to Rehabilitate 5,120km of Pipelines Transporting Crude Oil and other Petroleum Products[20]

The Federal Government of Nigeria, through the Nigerian National Petroleum Company Limited ("NNPC"), is reported to be scouting for private financiers to overhaul the dormant 5,120 kilometres of pipeline network on the basis that the nation's refineries, being repaired for about US$2.9 billion, are on the cusp of operationalisation. This development comes as industry players and the National Assembly raised concerns about Nigeria's pipeline assets and their implication on worsening environmental pollution from the downstream oil sector, as well as the reoccurring cases of vandalism and oil theft on the pipelines. The existing network runs through the entire country and supplies crude oil to state-owned refineries and evacuates products for distribution across the storage depots. It is expected that the pipeline network rehabilitation project will be financed through a Build, Operate and Transfer ("BOT") model. The rehabilitation is part of a larger strategy to improve the efficiency, safety, and sustainability of Nigeria's oil and gas infrastructure – ensuring a more reliable and secure supply of petroleum products for both domestic use and international export. The NUPRC further presented its mandates as outlined in Sections 6, 7, and 8 of the PIA, focusing on the technical, commercial, and operational functions of the NUPRC. Stakeholders were also briefed on Section 94(4) of the PIA, which mandates the relinquishment of marginal fields or discoveries left fallow for over seven years, as well as related provisions under Sections 94(6), 94(7), and 94(8)(a)(b) of the PIA.

[19] https://punchng.com/four-iocs-get-fg-nod-to-sell-assets/#google_vignette Accessed 20th November 2024.

[20] https://www.brandiconimage.com/2024/11/fg-initiates-rehabilitation-of-5120-km.html Accessed 3 December 2024.

4.0 UPDATES ON NIGERIA'S STATE-RUN REFINERIES

The NNPCL continues its efforts to restore the country's State-run refineries to full functionality, aligning with the Renewed Hope Agenda to enhance energy security and economic prosperity. Initiated under former President Muhammadu Buhari and sustained by President Bola Ahmed Tinubu, these rehabilitation projects aim to address Nigeria's dependence on imported refined products despite being a major crude oil producer.[21]

Port Harcourt Refinery[22]

Following years of operational challenges and underperformance, the NNPCL successfully completed the rehabilitation of the 60,000 barrels-per-day (bpd) Old Port Harcourt Refinery in November 2024. Operations have resumed at 70% of its nameplate capacity, with plans underway to increase output to 90%. The refinery, operated by the Port Harcourt Refining Company Ltd. (PHRC), now produces:

- 1.4 million liters/day of premium motor spirit (PMS) through blending with straight-run gasoline (naphtha).
- 1.5 million liters/day of automotive gas oil (AGO).
- 2.1 million liters/day of low-pour fuel oil.
- 900,000 liters/day of household kerosene (HHK).
- An unspecified volume of liquefied petroleum gas (LPG).

This rehabilitation, part of a broader program launched in 2021, includes upgrades to the 150,000 barrels-per-stream-day (b/sd) “New” Port Harcourt refinery which is ongoing.

Warri Refinery[23]

The Warri Refinery, operated by the Warri Refining and Petrochemicals Company Limited (WRPC), recommenced operations in December 2024, despite its mechanical completion originally being slated for the first quarter of 2024. Rehabilitation of its Area 1 unit (crude distillation, gas plant, and vacuum distillation unit) although not yet 100% completed, restored the refinery's 125,000 b/sd capacity at 60% operational efficiency, representing a full revamp to meet global standards. The refinery now produces straight-run kerosene, automotive gas oil, and heavy and light naphtha for the domestic market, while the petrochemical plant produces 13,000 metric tonnes per annum (MTA) of polypropylene and 18,000 MTA of carbon black. Commissioned in 1978, the WRPC was built to supply markets in the Southern and Southwestern regions of Nigeria.

[21] https://thenationonlineng.net/warri-refinery-arewa-think-tank-hails-nnpcl-tinubus-renewed-hope-agenda/ Accessed 30th December 2024.
[22] https://www.premiumtimesng.com/news/top-news/757174-port-harcourt-refinery-operating-at-70-capacity-nnpc.html?tztc=1 Accessed 30th December 2024.
[23] https://punchng.com/just-in-warri-refinery-has-resumed-operations-nnpcl/#google_vignette Accessed 30th December 2024.

Kaduna Refinery[24]

Rehabilitation of the Kaduna Refinery, operated by Kaduna Refinery and Petrochemicals Company (KRPC), is ongoing. In February 2024, the NNPCL signed a contract worth $740.6 million with South Korean firm, Daewoo E&C for the repairs of the refinery, expected to restore the refinery to 60% of its 110,000 barrels per day nameplate. Commissioned in 1980 to supply petroleum products to Northern Nigeria, the refinery with an initial capacity of 50,000 barrels per day was expanded to 100,000 barrels per day in 1983, with an additional 50,000 bpd crude train to produce lubricating oils. In 1986, the capacity of the first crude train was expanded to 60,000 bpd to increase the actual crude oil refining nameplate capacity to 110,000 bpd. The Tinubu administration is focused on completing this project which has witnessed a significant level of progress, to ensure the refinery contributes to domestic refining capacity, the nation's economic prosperity and energy security.

[24] https://www.thisdaylive.com/index.php/2023/10/30/fg-rehabilitation-of-43-year-old-kaduna-refinery-to-be-completed-q4-next-year/ Accessed 30th December 2024.

5.0 PROJECTIONS FOR NIGERIA'S GAS INDUSTRY

As global energy demand continues to rise amidst the push for decarbonization and the energy transition, the need for hydrocarbon liquid fuels and natural gas remains significant. Global energy demand is projected to grow by 32% by 2050, while Africa's demand is expected to increase by 50% over the same period. Oil and natural gas will continue to dominate the energy mix, with natural gas anticipated to supply over one-quarter of global energy needs by 2025.[25] Nigeria currently produces approximately 7 billion standard cubic feet (SCF) of gas per day and boasts an estimated gas reserve of 182 trillion SCF.

Domestic gas demand is projected to grow by 7.2 billion SCF by 2025. Analysts predict that natural gas will be the fastest-growing major fuel source globally, driven by increasing demand[26]. However, realizing Nigeria's gas ambitions depends on the development of robust upstream and downstream gas infrastructure, the creation of an enabling investment climate, and incentives to encourage indigenous investment in domestic gas projects.

Despite ongoing initiatives such as the NLNG Train 7, the National Gas Master Plan (NGMP), the Ajaokuta-Kaduna-Kano (AKK) Natural Gas Pipeline, and a projection that natural gas production will increase to 12.2 bcfd in 2030, supply may still fall short of demand.

The NUPRC estimates that natural gas demand will grow at a compound annual rate of 16% by 2030, potentially leading to a shortfall of 3.1 billion SCF per day.[27] Bridging this gap will require concerted efforts in infrastructure expansion and technological innovation. As outlined in our 2024 Mid-Year Report, the technological requirements and regulatory focus necessary to drive Nigeria's Decade of Gas policy remain critical to achieving sustainable growth in the sector. The NUPRC have also stated that leveraging the newly awarded 57 marginal fields to 80 successful bidders, the FGN aimed to increase its gas reserves to 210 TCF by 2025 and 220 TCF by 2030 as the fields contain an estimated 5 TCF of gas.[28]

Furthermore, with the successful rehabilitation and recommissioning of key State-run refineries, 2025 is projected to mark a significant turning point for Nigeria's refining capacity and crude oil utilization. The increased operational efficiency of the Port Harcourt, Warri, and Kaduna refineries is expected to substantially reduce the volume of crude oil exported for refining, ensuring a higher proportion is allocated for domestic processing. This shift will likely enhance the availability of refined products, eventually stabilize supply to meet local demand, and potentially decrease the reliance on costly imports. Furthermore, the optimization of in-country refining is poised to lower production costs, improve foreign exchange reserves, and position Nigeria as a regional hub for refined petroleum products, with surplus output available for export to neighbouring markets. Collectively, these developments promise to bolster energy security, promote economic growth, and advance the government's Renewed Hope Agenda for sustainable prosperity.

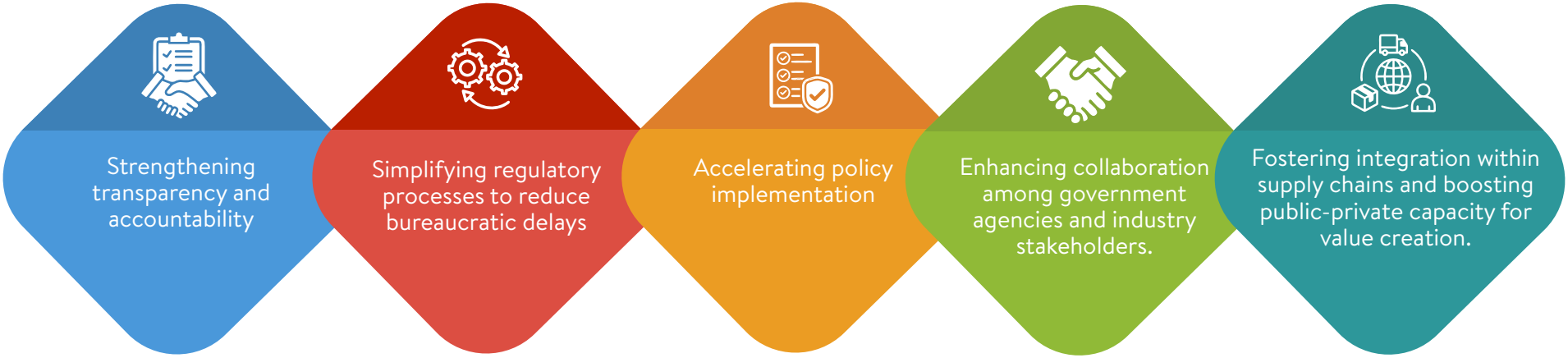
[25] https://corporate.exxonmobil.com/sustainability-and-reports/global-outlook#Keytakeaways Accessed 8 December 2024.
[26] https://archive.businessday.ng/power/article/projected-increase-in-gas-demand-to-boost-nigerias-power-sector-by-2025/#:~:text=With%20an%20anticipated%207.2%20billion%20standard%20cubic,as%20demand%20increases%2C%20industry%20watchers%20have%20projected. Accessed 30 November 2024.
[27] https://www.nuprc.gov.ng/rising-gas-demand-in-nigeria-could-outpace-supply-by-2030-despite-major-projects-nuprc-warns/ Accessed 30 November 2024.
[28] https://www.nuprc.gov.ng/leveraging-marginal-fields-for-improved-national-reserves-local-content/ Accessed 5 December 2024.

6.0 CONCLUSION

The future of Nigeria's gas industry presents immense potential, with projections indicating significant shifts in demand over the next decade. To harness this opportunity, the Federal Government of Nigeria (FGN) must not only promote investment opportunities in the upstream sector but also establish an enabling environment to attract both existing and new investors.

According to the World Economic Forum, Nigeria could generate up to $18.3 billion by leveraging its gas resources during the energy transition. However, inadequate infrastructure and limited investments remain critical challenges. Marginal field awardees, particularly new entrants, may face financing difficulties as international lenders shift focus from fossil fuels to renewables. Established asset owners with proven reserves, strong financial records, and competent management teams are better positioned to secure funding, while newer entrants may need to rely on equity issuance or technical partnerships until their fields are developed to attract debt financing.

To attract credible investments, Nigeria must ensure adequate returns on investment, a predictable regulatory framework, contract sanctity, market size viability, robust infrastructure, human capital, security, economic stability, capital repatriation assurances, and a functional justice system. Additional measures include:



The ongoing NLNG Train 7, Nigeria-Morocco Gas Pipeline (NMGP), Ajaokuta-Kaduna-Kano (AKK) projects, and other initiatives such as the rehabilitation of critical infrastructure and the development of awarded marginal fields, signal positive momentum. With the right strategies, Nigeria's gas industry could achieve significant progress by 2025 and beyond, unlocking its full potential to drive economic growth and energy transition efforts.

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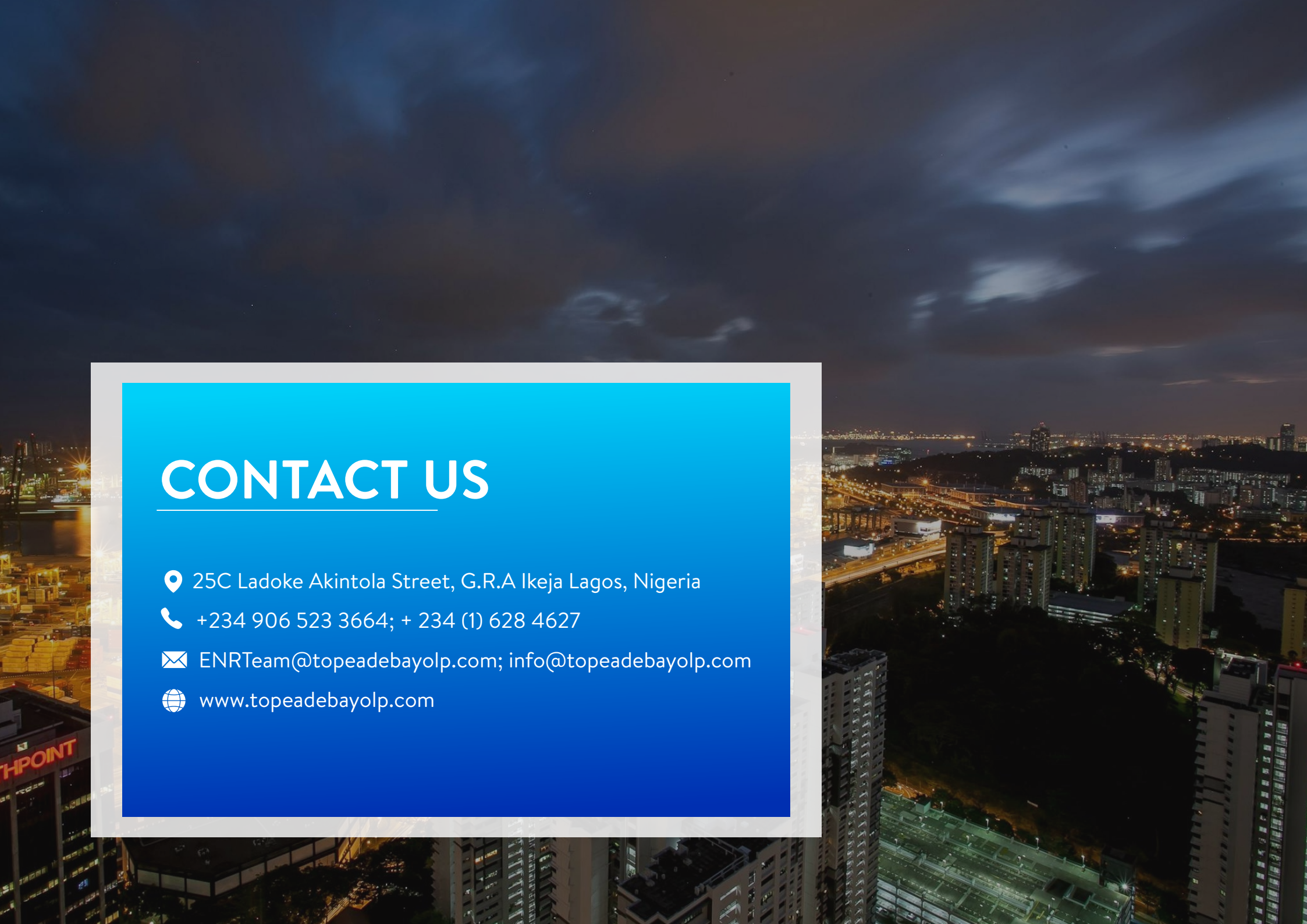

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