

# THE NIGERIAN GAS MASTER PLAN

## - Legal Regulatory & Policy Issues

**`Gbite Adeniji**

**ÆLEX**

**Legal Practitioners & Arbitrators**

**19.05.08**

# THE NIGERIAN GAS SECTOR

- Nigeria has the seventh largest proven gas reserves in the world - 187 Tcf with significant scope for growth
- Gas currently contributes to a small part of Nigeria's GDP but has potential as a major source of revenue
- Gas consumption in Nigeria may increase seven-fold by 2010 - a potential for unprecedented growth

# CURRENT SITUATION

- Export Oriented
  - Bias towards export LNG
  - Lack of confidence in domestic market by IOCs
- Limited infrastructure
- Market structure
- Pricing issues
- Gas supply constraints
- Legal, regulatory and policy issues

## Q: WHAT NEEDS TO BE DONE?

- Industry requires repositioning to ensure sustainability
- Provide a framework for Nigeria to maximise value from gas resources by leveraging multiplier effect of gas in domestic economy and optimizing export market value
- Facilitate timely and cost effective gas capacity additions to meet unprecedented global and domestic gas demand

# THE NIGERIAN GAS MASTERPLAN

GBITE ADENIJI

# BACKGROUND

- Minimize public sector investment in infrastructure
- Develop an internal market for natural gas
- Increase private sector participation in the economy and in the gas sector
- Promote a competitive environment for private sector participation
- The development of a legal regulatory and policy framework for safe and profitable private sector investment in the domestic gas sector

**Issue: Private Sector finance V Continued public sector investment**

# THE NIGERIAN GAS MASTERPLAN

## Q: What is it?

- A suite of solutions designed by Government to address:
  - growth in the domestic gas market
  - the supply challenge (availability of gas)
  - gas pricing (affordability of gas)
  - gas infrastructure development
  - long term gas supply security
  - legal regulatory fiscal and policy issues

# THE EVOLUTION OF THE NIGERIAN GAS MASTER PLAN

The Gas Master Plan evolved over several phases:

- The development of a Strategic Gas Plan for Nigeria
- Nigerian Natural Gas Strategy
- Petroleum Economics studies
- Several industry/stakeholder consultations
- Proposed legal policy and regulatory initiatives
- The Gas Masterplan



# LEGAL REGULATORY & POLICY INITIATIVES

- Draft National Gas Policy
- Draft Downstream Gas Bill
- Draft Natural Gas (Fiscal Reform Act)
- Draft Gas Development Agreement
- National Domestic Gas Pricing and Supply Policy
- National Domestic Gas Pricing and Supply Regulations
- Draft Template GSPA
- Draft Escrow Terms
- Proposed consolidation of DGA, NAGFRA & new Petroleum Act into single document

# GAS AVAILABILITY & AFFORDABILITY

- **National Domestic Gas Supply and Pricing Policy and Regulations** issued by the Federal Government compels holders of gas reserves to meet a Domestic Gas Reserve Obligation for gas supply to strategic gas based industries
- Requires full participation of all gas suppliers in the country in a manner that ensures sustained gas supply to the domestic market
- Establishes a **Domestic Gas Aggregator** that will act as an intermediary between gas producers and wholesale gas purchasers.

# INFRASTRUCTURE

- The main investment opportunities to underpin objectives of gas master plan are in gas **pipeline** and **gas processing infrastructure** for gas supply to Methanol, Cement, Steel and Aluminum, Manufacturing and gas export projects

# KEY INVESTOR CONCERNS

## **Security of investment/Country risk**

- Need for sufficient country risk mitigation

## **Legal/regulatory**

- Clarity of gas policy
- The legal regulatory and policy regime
- Sector regulator (existence, capacity, independence, scope and clarity of regulatory compact)

## **Commercial**

- Third Party Access rules
- Economic regulation (gas pricing & infrastructure tariffs)
- Fiscal incentives
- Need for enforceable and bankable GSPAs – a significant portion of currently supplied domestic gas is not backed by a standard GSPA

## CRITICAL MILESTONES

- Sort out the commercial and fiscal issues
- Enact a Gas Act and associated regulations
- Institutional restructuring/streamline the agencies  
[Separate the regulatory and policy functions]
- Establish Sector regulator

**END**

THANK YOU FOR LISTENING!

**`Gbite Adeniji**  
**Partner**  
**AELEX**  
**Legal Practitioners & Arbitrators**  
**18.05:08**