



A COMMUNIQUÉ ISSUED AT THE END OF THE NIGERIAN GAS ASSOCIATION 11TH INTERNATIONAL CONFERENCE AND EXHIBITION, HELD AT TRANSCORP HILTON, ABUJA, NIGERIA, 14TH -16TH OCTOBER 2018 WITH THE THEME “SHIFT TO GAS ECONOMY: PACE AND SCALE OF INNOVATION IN THE WEST AFRICA SUB-REGION”

The conference carefully considered and addressed several pertinent issues of urgent national importance. At the end of deliberations, the following conclusions were reached:

- The conference highlighted that Nigeria is facing an energy crisis despite having an abundance of Natural Gas. This is unacceptable given that Nigeria is the 9th largest Natural Gas resource holder in the world. Natural Gas remains a viable fuel option to environmental sustainability due to its cleanliness and low green gas emissions.
- The key energy challenge facing the nation is not a lack of energy resources such as Natural Gas but the question of ***‘What are we doing with the resources?’***
- The conference noted that there is a correlation between the levels of domestic gas consumption, power production, and the Gross Domestic Product (GDP) of a country. Full monetization of our abundant Natural Gas resources will propel the Federal Government of Nigeria’s (FGN) economic diversification agenda. Nigeria, as with other countries in the West Africa region, must embrace the use of Natural Gas to accelerate the pace of development and industrialization of their respective national economies within a regional framework.
- Gas via the Gas-to-Power value chain is key to achieving the objectives of the government’s Economic Recovery and Growth Plan (ERGP).

INTERNATIONAL GAS UNION

- The International Gas Union IGU forecasts that energy demand will continue to grow as the world population increases; but the demand will largely be for cleaner energy including gas, with a reduced relevance of oil in the primary mix.
- The IGU sees a bright future for Natural Gas with 3.7% growth in global consumption, more than double that of the previous five years. With the signing of the Final Investment Decision (FID) on NLNG TRAIN 7, the IGU sees Nigeria playing an increasing role in the global energy market. The IGU recommendation is for Nigeria to keep gas development as a key focus area for the economy and leverage its gas reserves for industrialization.

GOVERNMENT POLICY AND GAS DEVELOPMENT

- The FGN’s commitment towards providing a policy framework to guide gas development, as expressed through the formulation of the National Gas Policy is commendable. The conference however pointed out the need for government to review and strengthen the policies, backed by enabling legislation, to encourage much-needed private sector investments.
- The conference opined that the oil and gas industry restructuring has lasted too long and calls on the FGN to urgently pass the Petroleum Industry Governance Bill, Petroleum Industry Fiscal Bill, Petroleum Industry Administration Bill, and the Petroleum Industry Host Community Bill in the coming months, as this will increase investor confidence in the gas industry.
- There is an imperative for the deepening of Liquefied Petroleum Gas (LPG) utilization in Nigeria through policy and market-driven reforms that will encourage private capital investment in the sector. The conference identified the challenges confronting the LPG sector as the global pricing



benchmark, exchange rate volatility, shortage of discharge terminals, inadequate storage and transportation infrastructure, taxation of locally produced LPG vs. non-taxation of imported LPG, etc. and calls for concerted action by the government to address these issues.

INFRASTRUCTURE AND GAS SECTOR DEVELOPMENT

- Natural Gas has the capacity to propel industrialization. The conference noted that Gas exports are used for the development of other economies. Nigeria should therefore aim at balancing domestic and export needs with domestic gas consumption embracing gas-to-power, gas-based industries such as fertilizer, methanol and other petrochemical plants, transportation and other sectors.
- The conference noted that maximizing capacity utilization of existing gas infrastructure is of as much importance, as the push for new gas infrastructure development. There should be extensive due diligence by project developers in planning and execution of projects, as well as concerted efforts to enhance execution capabilities of contractors.
- The conference lends its support to the NNPC 7 critical gas projects and therefore calls the FGN to support these projects, including the expansion of the NLNG Trains, the Ajaokuta-Kaduna-Kano (AKK) Pipeline Project, the Brass Fertilizer Project and other similar projects that are imperative to the realization of Nigeria's Economic Recovery and Growth Plan (ERGP) priorities.
- The conference notes that the NLNG Train 7 project will engender massive foreign investment inflow, increased foreign currency earnings through taxation and dividends to the FGN.

NIGERIAN CONTENT

- Communities play a key role in providing conducive environments and ensuring security of critical national assets. The conference enjoined industry operators to invest heavily in training and capacity building of their indigenous Nigerian contractors to grow their capacity and maintain regular stakeholder engagements with their host communities to ensure the attendant outcomes of curbing vandalism and enhancing community development.
- The conference noted that Local Content implementation through the Nigerian Content Development and Monitoring Board (NCDMB) has made positive impact in the economy. The conference commends NCDMB's intervention funds to support local contracting asset acquisition and financing capacity; and its ongoing establishment of oil and gas industrial parks as key ingredients for economic development.

GAS TO POWER

The conference noted that the gas-to-power value chain is currently neither viable nor sustainable. The nation is facing an energy crisis. The conference therefore calls for the FGN to declare a power sector emergency in order to develop a holistic intervention plan to rescue the gas-to-power sector from collapse, and to put in place plans for the immediate liquidation of the over One Trillion Naira debts within the gas-to-power value chain and assurances for payment of generation and gas invoices from 1st January 2019.

- The illiquidity crisis in the power sector is exacerbated by added market imperfections which do not provide for adequate incentivization of the entire value chain, including: a non-market-reflective pricing framework; ineffectual securitization and guarantees; infrastructure deficits;



inadequate tariffing; and the current situation in the foreign exchange market which creates significant exposures, losses and value erosion for investors.

- The conference therefore calls on the FGN to urgently review the progress of the incomplete Nigerian Electricity Sector reform and take necessary steps to conclude the process and solve the pending issues. Emphasis was placed on decentralization of the national grid and making way for catchment power generation across the nation.

FUNDING, PRICING AND PAYMENTS

- The conference noted that pricing and payment assurance are strong determinants for private sector operators and investors in gas projects, particularly for gas supply to power. The power sector represents the largest gas off-takers in the domestic market and as such, appropriate legislation and regulations should be put in place to set market-reflective tariffs that assure operators can recoup their investments.
- The conference notes the drive to attain parity of domestic gas price to export to encourage entrepreneur investments in the Gas sector. However, consideration must be given to the fact that the gas supplied to NLNG, based on export pricing, is unprocessed gas, whereas the requirement for domestic gas supply is for processed gas which requires significant additional capital investment.
- The conference noted that the challenge of a shallow domestic financial market works against the local financing of the sector through high interest rates and shorter-tenured credit facilities and a mismatch of investment currency in US Dollars and income in Naira.

MINISTER OF STATE FOR PETROLEUM RESOURCES (DR IBE KACHIKWU)

- The conference is in alignment with the Honorable Minister of State for Petroleum Resources, Dr. Emmanuel Ibe Kachikwu who reiterated the relevance of Natural Gas in economic development and industrialization and noted that there is still a huge amount of work to be done in the Gas sector towards actualizing the FGN's aspirations.
- The Honorable Minister stated that infrastructure development is key and informed the Conference of the FGN's plans to launch the Gas Infrastructure Rebirth which will open up tariffs and create policy positions that enable investment by the private sector in critical gas infrastructure, to progress our national aspirations for gas-based industrialization.

The Conference calls on the FGN to maintain a concerted push towards monetization of Nigeria's gas resources, noting that Natural Gas is a key ingredient for the success of the FGN enunciated ERGP key priority areas of:

1. Achieving Agriculture and Food Security – Natural Gas resource abundance supports increase in fertilizer production
2. Attaining Energy Sufficiency in Power and Petroleum Products – Natural Gas fueled power generation remains the lowest cost option for immediate and massive increase in national grid power generation as well as increased LPG production
3. Improving Transportation Infrastructure – Natural Gas vehicles will enable in the first instance mass transit and large fleet operations



4. Drive Industrialization by focusing on SMEs – Natural Gas will provide the fuel and energy required for local manufacturing including Petrochemicals to grow, providing the necessary platform for Industrialization.

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