Nigerian Oil and Gas News

PETROLEUM DEVELOPMENT CONSULTANTS

Volume 1, Issue 7

5June 2014

Nigeria Needs $30bn for Gas Production - Senator Nwaogu

Senator Nkechi Nwaogu disclosed this on behalf of the Senate Committee in her welcome address at the National Conference on Gas Resources, organised by the committee in collaboration with the Federal Ministry of Petroleum Resources, Nigerian National Petroleum Corporation (NNPC) and other relevant stakeholders.

She noted that the low utilisation of natural gas in Nigeria was due to the insufficient production and distribution infrastructure, which resulted into flaring of about 1.4 billion cubic feet of gas daily.

She said: "The low utilisation of natural gas in the country is greatly hinged on the inadequacy of gas transmission and distribution infrastructure which results in Nigeria flaring about 1.4 billion cubic feet of gas per day, second to Russia in the world in gas flaring.

"Thus, to practically address the ugly tide as recently submitted by development experts, a significant investment of over $30billion on infrastructure is needed to achieve Nigeria's target of producing 3-4 billion cubic feet of gas a day by 2015."

Senator Nwaogu also said since the quantity of natural gas in Nigeria is said to be more than twice the quantity of crude oil with estimated reserve production ratio of about 120 years compared to that of crude oil which is just 42 years, Nigeria needs to carry out the needed investment in the gas sector for optimum utilization of gas production for the benefit of all.

Her submission tallies with Senate President David Mark's position at the conference who urged all the stakeholders in the sector to use the current gas revolution to improve the lives of the people and not just limiting it to natural hydrocarbons and wealth.

In an address read on his behalf by the Deputy Minority Whip, Senator Abu Ibrahim, Mark noted that the gas revolution, which has come upon Nigeria, is not just about hydrocarbons and wealth but also about human beings as regards improvement in their lives in various ways.

"Indeed, the gas revolution has come upon us. However, I need to stress that the revolution is not just about hydrocarbons and wealth. It is also about human beings and the betterment of the lives of people, their communities and the entire society.

"We have to explore the varying opportunities of this revolution and chart a sustainable way forward for the development of our people since the revolution does not only engender the creation of a plethora of new jobs but also serves as a springboard for the rebirth of the non-oil sector in our country, such as manufacturing, agriculture, solid minerals and so on," said Mark.

FG Moves to Boost Gas Supply to Domestic Market

The federal government is planning to construct the longest pipeline in the country from Calabar via Ajaokuta to Kano State, as part of efforts to ensure adequate supply of gas to meet the growing market demand for the product.

The Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, disclosed this while delivering a paper titled: "Encouraging Investment in Gas Production, Supply and Consumption" at a three-day National Conference on Gas Resources organised by the Senate Committee on Gas Resources in Abuja.

She explained that almost 500km of new gas pipelines had been completed and inaugurated including the doubling of the capacity of the EPLS between Escravos and Oben and the extension from Oben to Geregu and River Imo to Alaoji respectively.

She said by the end of 2018, the backbone pipeline infrastructure for gas would have been delivered, concluding an initial phase of over 2500km of gas pipeline infrastructure development.

According to the minister, government was strategising to leverage on the full potential of gas to achieve massive impact on the economy and the national Gross Domestic Product (GDP).

Inside this issue:

Asia, Europe Account for 45% of Nigeria's Crude Export

Following a steep decline in United States' demand for Nigeria's crude, India, Netherlands and Spain have emerged as the highest buyers of the nation's crude oil, accounting for 45.01 per cent of its total crude export in January.
Specifically, data obtained from the Nigerian National Petroleum Corporation, NNPC, revealed that India was the highest recipient of Nigeria's crude oil in January, accounting for 18.09 per cent of total crude export with 11.811 million barrels of crude oil.
The Netherlands followed with the purchase of 8.889 million barrels of crude, while Spain received 8.695 million barrels.

In general, Nigeria's total crude export appreciated slightly by 1.19 per cent to 65.305 million barrels in January 2014, up from 64.537 million barrels in December 2013.
Europe was the major importer of majority of Nigeria's crude during the review period with 34.377 barrels of crude, representing 52.64 per cent of its total crude export.
Asia and the Far East followed with the purchase of 15.67 million barrels, representing 23.99 per cent of the total crude export
Nigeria's crude export to other African countries stood at 6.509 million barrels, while South America purchased 5.903 million barrels of crude.

NNPC disclosed that Nigeria exported 1.438 million barrels of crude oil to North America in December 2013, compared to14.279 million barrels in December 2012.
North America accounted for 22.19 per cent of Nigeria's total crude export by December 2012, but it dropped to 2.23 per cent by December 2013.

FG Accuses Joint Venture Partners of Illegal Sale of Assets

The Federal Government has expressed concern over what it called the way and manner that oil companies are divesting their interests, especially in the Joint Venture (JV) arrangements with the Nigerian National Petroleum Corporation (NNPC), describing it as a violation of the Petroleum Act of 1969, as amended.
Specifically, the government accused the JV partners of carrying out divestments in a way that is contrary to the provisions of the Petroleum Act of 1969, which requires that "prior consent of the Minister of Petroleum Resources be obtained before the assignment of any right, power or interest in any Oil Prospecting License (OPL) or Oil Mining Lease (OML).
In a recent memo with reference number PI/1160/A/Vol.10/251, which was addressed to companies involved in the sale of assets, the Department of Petroleum Resources (DPR) noted that in virtually every transaction that takes place, the divesting parties apply to the minister for consent after the transaction has been consummated, thereby giving the federal government a fait accompli.
The letter, which was signed by the Director of DPR, Mr. George Osahon also pointed out that by failing to obtain the consent of the minister before the consummation of the deal as required by law, the divesting parties flagrantly contravene the provisions of the Petroleum Act of 1969.
Osahon noted that the approach of seeking ministerial consent after the deal has been consummated puts undue pressure on the minister and the regulatory agency, thus making it difficult for them to carry out the required due diligence on the capability and suitability of the new buyers to operate the assets.
He also raised concern on the pricing of the assets being divested, saying that some of the offers are grossly out of tune with the value of the assets.
"Ordinarily, the reference value of the assets should be the book value plus some 'good-will'. However, government appreciates the commercial nature of such transactions and the legitimate need of companies to make 'decent' profit but this should not be at the expense of the huge negative impact that such bloated values have on government coffers from the viewpoint of taxation," he said.
According to Osahon, another worrisome aspect of these divestment and acquisition transactions is the tendency by the farmors (sellers) to impose conditions, which linger beyond the closure of the deals.
"For example, a situation where farmees are forced into crude oil sale purchase agreements (CSPA) as a condition for sale of the assets simply fetters the right of the farmees to sell to whomever they wish, thus rendering them incapable of making reasonable commercial decisions," he said.
He further stated that the more severe implication of this arrangement is that the conditions literally diminish government's revenues from the sales of crude oil by these farmees and warned that unless farmees enter into such agreements in their own free will, government will withhold consent to such transactions.
Osahon also warned divesting parties against imposing Domestic Gas Supply Obligation (DGSO) volumes on the farmees without the authorisation of the DPR, which has the responsibility to assign volumes in accordance with established principles.
He warned divesting parties to strictly comply with extant provisions of the law, which requires prior consent of the minister and also reminded them that under Paragraphs 14, 15 and 16 of the First Schedule to the Petroleum Act, the minister reserves the right to impose a fee or premium or both before granting consent.

FG Inaugurates Gas to Power Committee

Worried by the shortage of electricity supply in the country, the Federal Government has inaugurated an eleven member emergency committee charged with the responsibility to fast track the gas to fire plants revolution.
Members of the committee, drawn from key stakeholders in Power, Presidency and Petroleum Resources, were also tasked to find solution to the lingering gas crisis to ensure accelerated and improved power generation.
The Committee, which has Mr. Beks Dagogo-Jack, Chairman Presidential Task Force on Power as Chairman, also has Dr. David Ige, Group Executive Director, GED Gas, Nigerian National Petroleum Corporation, NNPC, as co-Chairman and nine others.

A 12-point term of reference was handed over to the committee, which included the development policy framework that would ensure availability of gas and strategies for curbing vandalism of gas infrastructure.
Inaugurating the Committee, the Minister of Power, Prof Chinedu Nebo, recalled the unalloyed political will demonstrated by Mr. President to drive the fast cruising Power Sector Reform to a logical end.
He recalled the ambitious plan by Government to increase Gas-fired plant contribution to the grid from the current 70 per cent to 85 per cent by December 2014.
According to him, “we are thus at the mercy of gas in order to meet this target, it is for this reason that Mr. President has tasked us to find solution, otherwise we could be strangulated by gas shortage.”
He therefore appealed to the members of the task force, to do all they can, so as to ensure success of their assignment.
“There is obvious gap in gas supply. This has been made worse as a result of vandalism; we cannot be giving gas to the world through export, while we are in dire need of gas to fire our plants.”
He therefore appealed to Nigerians to exercise patience, especially with the new owners, and argued that in the short run, there would be expected disruptions, but assured that reports making the rounds now is that there is remarkable improvement nationwide.
The Minister also used the occasion to denounce the activities of those he described as energy thieves, and enjoined everyone that expects stable power to pay their bills, just as he recognized the importance of liquidity as essential ingredient in the running of the system.
The Minister of Petroleum Resources, Mrs Diezani Allison Madueke, said her ministry is working hard in developing stringent framework in meeting immediate and long term gas demands with some key players like Shell, and private sector in the development of gas infrastructure.
She said that with the enormous work done, “we will see a positive result of what we are doing.” She said her ministry has identified various critical projects which Government has also released funds for their realization to resolve challenges where necessary.

NDPHC Hands Over Akute Transmission Station to TCN

The Niger Delta Power Holding Company (NDPHC) has fully handed over the newly built largest power transmission plant in Nigeria, Akute Power Plant, to the Transmission Company of Nigeria (TCN).
NDPHC, the operator of the NIPP projects had commissioned the plant located in Oke-Aro community, Ogun State last year, but completely handed the plant to TCN at the weekend, having completed the provisions of the contract.
TCN is therefore expected to fully utilise the state-of-the-art facility to improve power supply to Nigerians.
The Deputy General Manager, Civil Field Operations, NDPHC/NIPP, Claudius Ogunrinde, said: “The project has been completed and commissioned; and the company has been running it under contractual terms. Today marks the proper and complete handover of the facility to TCN.
“We are here to examine the effectiveness of what we have done about a year ago and some of the factors listed to be improved upon, and we have seen that most of them have been done and the job is excellently executed to the RFP specified standard, he said.
He further explained that TCN was allowed to take partial control of the facility since last year but with a clause in other to acquaint them with the technology and ensure that the plant starts serving Nigerians.
“The clause was that : In case any of the equipments develop problem, they have a warrantee for one year, the contractor that did the job (EPC,) should also be around to help solve the problem and guide the staff on how to run the station without problems. The waranty is over today and it becomes the baby of TCN completely,” he said.

Petroleum Development Consultants Ltd
Stanhope House
4-8 Highgate High Street
London

Tel: +44 (0)20 8347 3498
Fax: +44 (0)20 8347 3499

Petroleum Development Consultants (PDC) is an independent consulting company specialising in oil and gas development activities. It was founded by David Aron in 1988 and has been building a solid reputation in oil and gas development work. Since then PDC has carried out numerous oil and gas projects in more than 50 countries.

PDC is unusual amongst oil and gas consulting companies in working in both the upstream and downstream part of the oil and gas industry. PDC carries out fully integrated sub-surface studies using leading edge software such as Petrel and ECLIPSE. However in addition it has detailed practical experience of international regulatory practice in the oil and gas industry.

PDC staff and associates include reservoir and petroleum engineers, geophysicists, geologists, petrophysicists, chemical engineers and petroleum economists.

Why Seplat Lost Shell Oil Blocks

Details have emerged as to why Seplat, Nigeria's biggest indigenous exploration and production company lost out in the bid for oil mining leases (OMLs) 24 and 29, the most prized acreage in the ongoing divestment by Shell, Total, and ENI.

The company stated that its bid "was not the highest priced offer", the company further explained that this was why its "strong bid" for the Oil Mining Leases "did not lead to the company's selection as preferred bidder."

Though Seplat did not disclose the value of its 'strong bid', it simply said it "will continue to exercise price discipline".

The statement was made in the company's first interim report since its listing on the Nigerian and London Stock Exchanges in April 2014. It was the first official disclosure by any party involved in the very competitive race for the 45 percent equity held by the three European majors in OMLs 18, 24, 25 and 29, all producing onshore acreages in the eastern Niger Delta.

Shell and the other companies had kept sealed lips held tightly about the bid, which had lasted close to 12 months and had involved over 50 companies and consortia.

United States-based, Pan Ocean had won OML 24. Two Nigerian oil traders, Aiteo and Taleveras had jointly won OML 29, the most coveted of the four assets, though the actual cost could not be ascertained. A joint bid by Midwestern Oil and Gas and Mart Resources is said to have won OML 18, while a consortium of Nigerian and Canadian companies named Cresta is the preferred bidder for OML 25.

Seplat is confident that there is "a substantial pipeline of other material opportunities that are being pursued," according Austin Avuru, its Chief Executive Officer. "We will retain our focus on acquisition opportunities where we can leverage Seplat's technical and financial strength," he said. Seplat's net cash position currently is approximately $285 million, following receipt of the gross proceeds of the IPO of $535 million and repayment of the MPI shareholder loan of $48 million, it said in the statement. "All of our development projects remain on track, and we are confident of delivering our target production exit rate for this year of 72,000 BOPD, and of recovering as much of the production lost in the period as possible", Avuru added.