

An asset that has remained under-commercialized: The story of Nigeria’s Natural Gas Resource – Oghenegare Evankware, a mentee with AfriTAL.



According to experts, Nigeria is a nation where crude oil exists as “pockets” in a large reservoir of natural gas, highlighting the nation has a highly natural gas-endowed zone. Substantiating this is the recent report by the Chief Executive of the Nigerian Upstream Regulatory Commission when he spoke at the 16th Nigerian Association for Energy Economics (NAEE) Annual International Conference in Abuja, stating that Nigeria has a total of 208.83 trillion cubic feet of natural gas, which constitutes 33% of Africa’s total natural gas reserves.¹ With such huge natural gas reserves, this resource is expected to drive Nigeria’s growth in a similar capacity to crude oil, the nation’s current source of foreign exchange. Unfortunately, this is not the case; most natural gas resources monetized in Nigeria are “accidentally” discovered as associated gas. This signifies that Nigeria continues to churn out policies, regulations, and laws, but it has not been practically committed to exploring natural gas resources for consequential commercialization.

However, it must be acknowledged that successive governments in Nigeria have, at one point or another, taken steps to enunciate and implement gas policies to deepen gas penetration projects in international and local markets to diversify and strengthen the country’s economic base, becoming one of the many Gas hubs around the globe, and use gas as an energy transition fuel—significant steps through the development of regulations. Some of the steps include but are not limited to the 2005 Downstream Gas Bill, the 2008 Gas Master Plan, the 2016 Seven (7) Big Wins initiative, the 2017 National Gas Policy, the Nigeria Gas Flare Commercialization Programme, the National Gas Expansion Programme, the 2021-2030 Decade of Gas Agenda, and the 2021 Petroleum Industry Act. The 2008 Gas Master Plan was to make Nigeria a global gas player with a matured local market after a decade. Astonishingly,

¹ Nnodim, Okechukwu. 2023. “Nigeria Now Accounts for 33% of Africa’s Gas Reserves – FG.” *Punch Newspapers* (blog). July 11, 2023. <https://punchng.com/nigeria-now-accounts-for-33-of-africas-gas-reserves-fg/>.

these natural gas commercialization ambitions, aspirations, and expectations have not been fulfilled for many reasons.

Some of the reasons include but are not limited to lack of funding to put the necessary gas infrastructures in place, policy somersaults, lack of technical expertise to do what needs to be done without external help, slow implementation processes, etc. This particularly applies to the Decade of Gas Development Initiative, the newest kid on the block. Since its introduction by the past administration of President Muhammadu Buhari in 2021 to deepen Nigeria's gas exploration and production between 2021-2030, this initiative has achieved little progress. Even to this day, no holistic document that covers the initiative's scope, its mechanisms of operations, milestones to be achieved, and other critical elements that would ensure clarity and its successful implementation is available to readers. Without clarity about the implementation mechanisms, the commercialization of the nation's natural gas resources will face setbacks.

The dialogue showed Nigeria is running out of time in its gas-based industrialization and commercialization endeavors because of diminishing international funding for fossil fuel projects. Besides, at a time when Nigeria needs oil to exit oil for diversification, delving into gas and renewables, there is, unfortunately, a worrisome drop in Nigeria's crude oil production output, including Condensate, from a month-on-month MoM of 17.7 percent to 1.25 million barrels per day, bpd in April 2023, from 1.52 million bpd recorded in the preceding month of March 2023²

On the demand side, investors believe that gas pricing is non-cost-reflective and uncompetitive, while consumers believe that the prices for cooking gas are soaring and too high. Besides, removing fuel subsidies has driven many households and businesses to turn to gas as an alternative energy source for their generators, pushing for CNG transport vehicles and making the LNG available to Nigerians for cooking, thereby putting pressure on gas supplies. Despite these challenges, the government is still pushing its intent to prioritize using gas as a transition fuel with the same template in its policy plans.

To address these challenges, the African Initiative for Transparency Accountability & Responsible Leadership (AfriTAL) and the Natural Resource Governance Institute (NRGI) organized a Policy Dialogue on Nigeria's Gas Plan held in Abuja on August 14th, 2023. This workshop was attended by critical stakeholders in the natural gas exploration and utilization sector, including representatives from the Nigerian Upstream Regulatory Commission, National Council on Climate Change, Energy Transition Office, Federal Ministry of Petroleum Resources, Federal Ministry of Environment; Department of Climate Change, Nigerian Extractives Industry Transparency Initiative, Nextier Gas and Energy Transition, and Stakeholder Democracy Network, amongst others.

At the outset of the session, the Executive Director of AfriTAL, Dr. Louis Brown Ogbeifun, clearly outlined the present realities of Nigeria's natural gas sector that pertain to the lack of

² Ejoh Ediri. 2023. "Nigeria's Oil Production Drops 17.7% to 1.25m Bpd --- NUPRC." *Vanguard News* (blog). May 30, 2023. <https://www.vanguardngr.com/2023/05/nigerias-oil-production-drops-17-7-to-1-25m-bpd-nuprc/>.

funding to drive gas-based infrastructures and investments in the country's natural gas sector, which had negative implications and impacts on developmental ambitions. According to OgbEIFUN, Nigeria would need an estimated 1 trillion USD to overhaul its extant energy systems until it can impact the needed change to achieve the nation's net-zero target of 2060, a feat that would significantly require increasingly near-absence scarce financial resources. Corroborating this claim, Aaron Sayne, the lead of Domestic Energy Transition at NREGI, stated in the session that Nigeria would need an estimated USD 20 billion yearly investment to drive the needed growth in the sector, which presents a daunting challenge due to the drop in global funding towards fossil fuel investments. In addition, Aaron also stated that the funding challenge is also attributed to the less attractive nature of the country's natural gas sector, which is faced with different risks that limit investor confidence.

Drawing inferences from the assertions mentioned above, it becomes evident that the evolving dynamics of financing mechanisms for natural gas projects are facing a downward trend. This shows that Nigeria has a limited window to act in the extensive monetization of its natural gas resources positively and substantially. Be that as it may, the onus lies on the government to address the industry's extant risks and make investment in the sector attractive *while the sun still shines*. This is in line with the assertion of Mrs. Tengi George-Ikoli of NREGI, who stated during her opening remarks that President Bola Tinubu-led administration needs to enshrine transparency in managing the natural gas sector to secure investor confidence. According to Tengi, one way to do this is to present a working document of the country's Decade of Gas Development Initiative, which all stakeholders can interrogate the feasibility of the proposed plans given the projected global decline in gas demand and potential lock-in risks and stranded assets. She also stated that the previous natural gas utilization policies were very ambitious. Thus, current plans should be re-evaluated to prioritize projects that are implementable and were not feasible due to lack of finance and technical expertise, renewable energies should be considered to address those domestic energy needs. .

Given the above, Nigeria needs to take urgent steps to re-strategize and resize its policy framework and ambitions in line with current realities to drive investment in the gas sector. Otherwise, the resource might become an underground artifact with no significant value shortly, especially in a world where ambitious plans are in top gear to replace fossil fuel with renewable and clean energy sources in the nearest time possible. Hence, as stated by AfriTAL and NREGI, all stakeholders need to act now, as there is *no time to beat around the bush*.