

GAS, A DRIVER OF SOCIO-ECONOMIC CHANGE IN NIGERIA



RECOMMENDED POLICY INTERVENTIONS

- 1** Gas pricing reforms: encourage more gas flow to the domestic market by moving from a regulated pricing regime for gas to the domestic economy to a willing buyer and willing seller arrangement.
- 2** Enforce penalties for Gas flaring to attract investment and ensure efficient resource utilization.
- 3** Create a “one-stop” shop to truncate bureaucratic bottlenecks and encourage foreign investments in the gas sector.
- 4** Target the development of non-associated gas production through heightening fiscal incentives for investors.
- 5** Expedite the mitigation of gas flares through their monetization.
- 6** Prioritize domestic gas-based industries by giving investors incentives such as tax breaks.
- 7** Optimize midstream processing and transportation infrastructure by implementing co-location and open access principles across the gas value chain.

Of Nigeria’s daily gas production, more than sixty per cent is exported as liquefied natural gas (LNG) via the six trains of Nigerian Liquefied Natural Gas (NLNG) Ltd. and as natural gas via the West African gas pipeline (WAGP). Ten per cent is wasted through environmentally hazardous gas flares, while only 25 per cent goes for domestic consumption. However, while gas exports are suitable for fast foreign exchange earnings, adding value to it, rather than its export, brings the most favourable socio-economic impact for the people of Nigeria.

A study undertaken in 2018 by the Department for International Development (DFID) in Nigeria compared the economic and financial benefits of exporting gas to domesticating it. It did so by simulating what would happen if the 1.2 billion standard cubic feet of gas, currently used to produce LNG for export from NLNG’s six trains, were to be fed into domestic industries such as petrochemicals and fertilizer production. The study found that while the number of jobs created from NLNG trains 1-6 is 4,500, the number of jobs created under a domestic consumption scenario would be more than 3,000,000. The report also found that using gas to produce semi-finished and finished products, liquefied petroleum gas (LPG) for cooking, compressed natural gas as a cleaner transportation

fuel and industrial and household petrochemicals products would save the country billions in foreign exchange expenditure and provide a supporting role to the strength of her currency. In contrast, the export of petrochemicals and fertilizers would fetch similar revenues and compare, if not exceed, the value derived from selling LNG. The study's only flaw is that it is highly theoretical. Making gas work for Nigeria's socio-economic benefit would require the federal government's will to tackle the perennially intractable issues plaguing the development of the domestic gas sector, such as poor security, deficient infrastructure and other governance, regulatory and fiscal impediments.

Conclusion

Utilizing Nigeria's abundant gas resources is crucial for driving socio-economic change and the environmental welfare of communities that host gas flares. With appropriate policy interventions and investments, the gas sector can contribute significantly to power generation, industrialization, job creation and environmental sustainability. The government should prioritize the necessary reforms and create an enabling environment to maximize gas utilization benefits for Nigeria's development goals and people.