

# Gas & Energy Transition

## | ANALYSIS OF NIGERIA'S GAS EXPANSION PLAN



### Policy Recommendations

- 1** The new administration should enhance infrastructure development to optimise production for efficient gas resource distribution across the country.
- 2** The government should prioritise initiatives encouraging the promotion of gas utilisation and diversification.
- 3** There is a need for the provision of a well-regulated pricing framework to boost investor confidence and promote long-term sustainability.
- 4** Efforts to implement robust security measures for safeguarding these critical assets should be prioritised.
- 5** The new administration must actively engage with international partners, multinational companies, and investors to attract capital, technology, and expertise into the Nigerian gas sector.

### Introduction

Things are not well with Nigeria's plans to expand her gas industry. Nigeria is the world's sixth-largest exporter of Liquefied Natural Gas (LNG) and has the ninth largest proven natural gas reserves. Yet, while the exports of LNG and gas condensates have performed well and are expected to grow with the coming of a seventh (7th) Nigerian Liquefied Natural Gas (NLNG) train (expected to be exporting LNG cargoes by 2024), the domestic expansion of natural gas continues to underperform by comparison.

International Oil Companies are walking away from new exploration and choosing projects more carefully: focusing on producing assets and preferring exploration in countries where investment is cheaper and easier to implement than in Nigeria. In the new energy transition context, gas (along with other fossil fuels) is defined as a commodity in terminal decline, to be used as a stable transit fuel as the nation pivots to cleaner renewable energies by 2060.

The focus on reducing global Green House Gases has given rise to the Energy Transition Plan (ETP), which in turn has added a new dimension to the

context of Nigeria's gas expansion. The ETP seeks to re-define the strategies for the growth of the gas industry, based on the widely held assumption that global demand for gas will increase incrementally—peaking at 80 per cent by 2040—followed by a steep 61 per cent decline by 2050, as the universal share of renewables (as a fuel) increase and as energy storage systems such as Carbon Capture, Utilization and Storage (CCUS) become cheaper than gas alternatives.

Priorities for improving gas utilization:

**1 Enhancing Infrastructure Development:** One of the top priorities for the administration is to address the inadequate infrastructure in the gas sector. Investments in pipeline networks, storage facilities, and gas processing plants are essential to optimize production, reduce flaring, and enable efficient distribution of gas resources across the country. This infrastructure expansion will boost domestic consumption, increase power generation, and support industrial growth. The Ajaokuta-Kaduna-Kano (AKK) Gas Pipeline, currently approaching 50 per cent completion, is an example of a gas infrastructure project that signals ambition and concern for the sector.

**2 Promoting Gas Utilization and Diversification:** While significant strides have been made in gas utilization, there is still a need for further diversification and expansion of its applications. The new administration should prioritize initiatives that encourage using natural gas as a cleaner and more affordable energy source (especially as Autogas offers up to 50% cost savings compared to petrol) in various sectors, such as power generation, manufacturing, transportation and residential consumption. Promoting investment in gas-based industries, such as petrochemicals and fertilizer production, will unlock immense economic potential.

**3 Strengthening Gas Pricing Mechanisms:** Establishing transparent and market-oriented gas pricing mechanisms is crucial to attract investments and stimulate growth in the gas sector. The new administration must focus on removing existing price distortions, ensuring fair competition, and providing a predictable pricing environment that encourages investors to participate in exploration, production, and distribution activities. A well-regulated pricing

framework will bolster investor confidence and promote long-term sustainability.

**4 Addressing Security Challenges:** The security of gas infrastructure, including pipelines and facilities, remains a significant concern in Nigeria. Recently, the country has experienced gas supply shortages attributed to oil pipeline vandalism which constrains associated gas supply, a considerable gas supply source to the domestic and export market. The new administration should prioritize efforts to safeguard these critical assets by implementing robust security measures, collaborating with security agencies, and engaging local communities. Effective security strategies will protect investments, ensure uninterrupted supply, attract foreign investments, and foster a conducive business environment.

**5 Encouraging International Collaboration and Investments:** The new administration must actively engage with international partners, multinational companies, and investors to attract capital, technology, and expertise into the Nigerian gas sector. Promoting favourable policies, offering attractive incentives, and showcasing the sector's potential will encourage foreign direct investment and strategic partnerships. Collaboration with international entities can facilitate knowledge transfer, enhance technological capabilities, and foster best practices, ultimately driving the growth and competitiveness of Nigeria's gas industry.

## Conclusion

Nigeria's abundant gas reserves are a viable tool for the nation's energy transition plan, as natural gas is a cleaner and more affordable energy source. On May 29th, 2023, the Nigerian Government abolished subsidies on petrol. That announcement had the effect of deepening the need for increased gas utilization. It influenced the commitment of the new Bola Tinubu government to increase capacity for Liquefied Petroleum Gas (LPG) and Compressed Natural Gas (CNG) as alternatives to petrol. However, without serious government will to support the growth and development of natural gas in Nigeria, little may happen.