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SYNOPSIS OF THE 2017 NATIONAL GAS POLICY

Introduction

On Wednesday, June 28, 2017, the Federal Executive Council (FEC) at its monthly meeting approved the **National Gas Policy, 2017 (“NGP”)**. The NGP, which was first released through the Ministry of Petroleum Resources (“MPR”), as a Consultation Draft in October 2016, is based on a fundamental review of the policy positions of the Government over the last ten (10) years in respect of Nigeria’s gas resources. Notably, the shortcomings of the *2008 Gas Master Plan (“GMP”)* in attracting the needed private sector investment for building critical infrastructure and developing a mature domestic gas market by the target-year of 2015, coupled with the Government’s resolve of achieving its policy goals for the gas sector under the MPR’s *7 Big Wins* initiative and the recently launched national *Economic Recovery and Growth Plan (ERGP 2017–2020)*; seemingly necessitated the formulation and adoption of a new and better policy thrust for the industry. It is intended that the NGP will be complemented by a National Oil Policy and a Petroleum Fiscal Policy.

Fundamentally, the NGP sets the goals, strategies and an implementation plan for establishing a framework that will drive the institutional, legal, regulatory and commercial reforms necessary for attracting investment into the gas sector. Key components of the NGP are highlighted hereunder:

Strategic Objectives Of The NGP

The NGP envisions Nigeria as an attractive gas-based industrial nation, focused on satisfying local gas demand requirements, and developing a significant presence in international markets. The Policy aims to define and set the framework necessary to move Nigeria from being a crude oil export-based economy to becoming an attractive, oil and gas-based industrial economy.

The strategic objectives of the NGP include the following:

- Separation of the roles and responsibilities of government and the private sector, as it relates to the gas sector;



- Implementation of full legal separation of the upstream from the midstream;
- Implementation of full legal separation of gas infrastructure ownership and operations from gas trading;
- Establishment of a single independent petroleum regulatory authority;
- Optimisation of Liquefied Natural Gas (“LNG”) international downstream value;
- Pursuit of a project-based approach rather than a centrally-planned model for domestic gas development;
- Identification of new gas resources from the Niger Delta, offshore, inland basins and at the same time, aiming to achieve a reduction in gas flaring;
- Creation of a conducive environment for investors through the introduction of an appropriate institutional, legal, regulatory and commercial framework for the gas sector;
- Establishment of strong linkages of the gas sector with the electric power, agriculture, transport and industrial sectors;
- Ensuring compliance with the requirements of the Nigerian Content Act.

The Gas Value Chain

The NGP separates and segments the gas value chain, for the following reasons:

- I. Separate fiscal treatment (extensively dealt with in the complementary Petroleum Fiscal Policy), as well as providing a basis for ending the practice of consolidating midstream costs and using same to offset upstream tax liabilities;
- II. Enabling market entry and access for new entrants and investors;
- III. Providing a level playing field between existing industry players and new entrants; and
- IV. Ensuring clarity in the regulation of the midstream sector.



The gas value chain has been identified and segmented in the NGP, as described below:

UPSTREAM:

This includes activities related to:

- Exploration for, development and production of gas;
- Drilling and operation of gas producing wells;
- Construction and operation of gas gathering pipelines/facilities;
- Gas separation and treatment facilities and operations;
- Transportation of personnel and equipment to and from upstream gas locations and facilities.

MIDSTREAM:

This means activities related to:

- Construction and operation of gas transportation pipelines, in general after the flow station;
- Gas gathering and processing facilities;
- Natural gas liquefaction plants;
- Gas bulk storage facilities;
- Shipping of gas and related products;
- Other bulk transport methods, such as rail, barge and trucks for transporting gas and related products on a wholesale basis.

DOWNSTREAM:

This includes activities pertaining to:

- Construction and operation of facilities for distribution of gas to end-users;
- Retail stations for Compressed Natural Gas ("CNG");
- City gate reception terminals;
- Distribution of gas;



- Wholesale marketing of gas and gas products;
- Marketing, retailing and sale of gas.

Goals of the NGP

The strategic objectives of the NGP are described under broad heads to wit; **Governance** (establishment of requisite legal, regulatory and institutional framework); **Industry Structure** (provisions in respect of the roles of government-owned corporations, export gas ownership and tolling arrangements, wholesale domestic market, separation of transport and trading, domestic gas supply obligations (“DSO”), review of the gas aggregation policy (“GAP”); **Development of Gas Resources** (including gas flare-out, gas field development & resource management plans); **Infrastructure** (development of a gas infrastructure blueprint & strategy necessary for the improvement of the whole supply chain); **Building Gas Markets** (strategies for financing and developing gas markets, LNG, Liquefied Petroleum Gas (“LPG”) and pipeline projects domestically, regionally and internationally); **Developing National Human Resources** (for achieving local content and building in-country capacity); **Communications** (specifying models for internal & external communication within the MPR and government entities as well as consultations with industry stakeholders; necessary to properly explain the policy and changing attitudes); and a **Roadmap and Action Plan** (setting timeline for the gas policy roadmap).

Timeline of Gas Policy Roadmap

Without prejudice to the ultimate role of the private sector in delivering on gas utilization in the country, the Government, in order to ensure the development of the gas market, is expected to set targets for market development, monitor progress and take appropriate actions. The NGP sets out a roadmap and action plan for delivering the gas policy with different timescales as shown in the table below:

SHORT-TERM ACTIVITIES (Timescale: months, up to 1 year)	MEDIUM-TERM ACTIVITIES (Timescale: 1 to 2 years)	LONG-TERM ACTIVITIES (Timescale: over 2 years)
<ul style="list-style-type: none"> • These are mostly institutional reforms within the remit of the MPR and Nigerian 	<ul style="list-style-type: none"> • These include activities that will ordinarily take a little longer than short-term activities, 	<ul style="list-style-type: none"> • These pertain to activities required to step up and implement the NGP in terms of infrastructure



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National Petroleum Corporation (NNPC) which can commence very soon and are reasonably expected to be completed within months, and in any event, no later than a year.

These include:

- (i) Gas policy approval
- (ii) Communications strategy
- (iii) Legislation (drafting)
- (iv) Downstream gas regulations (drafting network code, DSO)
- (v) Developing & finalizing PSC Gas Terms
- (vi) Studies and policies
- (vii) Gas flare commercialization programme
- (viii) Institutional restructuring

to be completed. They are largely, but not completely, within the remit of the MPR and are mainly legislative and regulatory focused activities aimed at setting the framework for the growth of the gas industry and market.

These include:

- (i) International reviews
- (ii) Legislation (enactment of the petroleum industry legislation)
- (iii) Regulation (petroleum regulator, technical codes & standards, network code, cost benchmarking and tariff modelling etc.)
- (iv) Fiscal policy
- (v) Studies and policies (implementation of LPG pilot projects etc.)
- (vi) Institutional reforms (establishment of a national petroleum policy directorate within the MPR and establishment of an independent petroleum regulatory authority etc.)
- (vii) Gas flare commercialization programme
- (viii) Industry restructuring
- (ix) Upstream (implementation of a gas resource management plan and updating

projects and growing both the Nigerian domestic and export gas market. Essentially, these activities will be needed after two years from the date the NGP was approved and became operational. It is envisioned that the legislative, regulatory, institutional and commercial framework would have been put in place.

These include:

- (ix) Communications strategy (identification of potential strategic partners)
 - (i) Upstream (bring on new gas from dedicated gas fields from inland and offshore basins)
 - (ii) Implement LNG downstream strategy
 - (iii) Infrastructure (complete and commission AKK pipeline & build gas transmission backbone infrastructure)
 - (iv) Complete establishment of wholesale gas market
 - (v) Institutional capacity building and training.



	<p>the gas infrastructure blueprint etc.</p> <p>(x) Infrastructure (complete and commission OB3 pipeline link, make progress on the AKK pipeline project, and advance the Assa North & Ohaji South gas development plan)</p>	
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Conclusion

Nigeria is often regarded as a gas province, even though, little has been done over the years to fully exploit or harness its abundant gas resources. Whilst records show that a significant proportion of the country's gas was incidentally discovered during oil exploration, as at 2015, reserves-to-production ratios for the country's oil and gas resources ironically stood at 46 years and 102 years respectively. These are some of the reasons why industry reactions to the new NGP have been that of commendation and optimism.

As the new regime has emerged in the wake of the failed export-focused and less-ambitious GMP, it will be interesting to see the NGP implemented to usher in a new dawn that will allow for full exploitation and development of the country's huge gas potentials. Effective implementation of the NGP has the potential of attracting quick economic gains such as increased government revenues, enhanced gas-powered electricity, agriculture, infrastructure and industries. In the long run, in-country capacity is expected to be developed for gas resources and a clean environment, particularly in the Niger Delta, facilitated. This is also expected to enhance the attainment of the country's targets under the global Sustainable Development Goals (SDGs).

By setting critical policy milestones, the NGP shows the seriousness of the Government to hold itself accountable to delivering the promise of gas-based industrialisation in the short, medium and long terms. However, for these milestones to be of any significance, all relevant stakeholders must be committed to ensuring successful implementation of the NGP. Specifically, the legislature and the private sector need to be sold on the new regime. The ability of the Government to meet the milestones set in the NGP shall depend largely on the legislature enacting the new petroleum industry legislation in



good time, as well as the building of investors' confidence in order to ensure that they key into the gas development and utilisation aspirations and initiatives of the Government.

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