



FEDERAL MINISTRY OF ENERGY

Office of the Honourable Minister of State for Energy (Gas)



NIGERIAN NATIONAL PETROLEUM CORPORATION
(NNPC)

The Nigerian Gas Master Plan Investors Road Show 2008



Abuja 15th May **London** 19th May **Singapore** 23rd May



The Nigerian Gas Master-Plan - Investor Road-show

By

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OBJECTIVES OF THE ROADSHOW



- 1. Present an overview of Nigeria's huge gas potentials and opportunities to participate in this rapidly evolving gas sector**
- 2. Present an overview of the measures in place to guarantee / secure investments**
- 3. Provide a platform for investor networking and syndication**

CONTENT

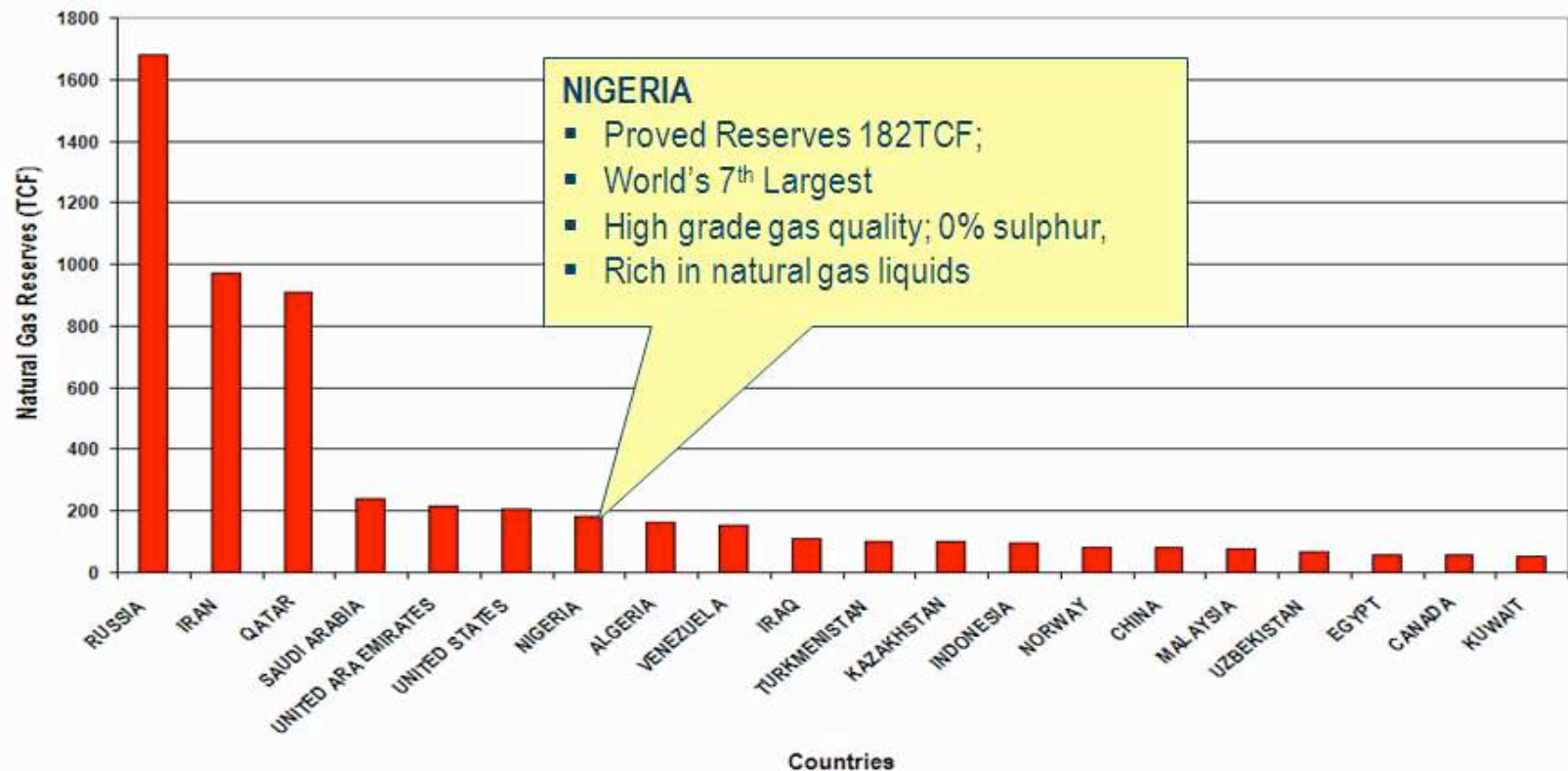


- **Overview of the Nigerian Gas Sector**
- **FGN Policy Aspiration for Gas**
- **Investment Opportunities**
- **Fiscal Terms**
- **Next Steps**

GAS SECTOR POTENTIALS

The Gas Resource Base

Top 20 Countries Natural Gas Reserves as of January 01, 2007



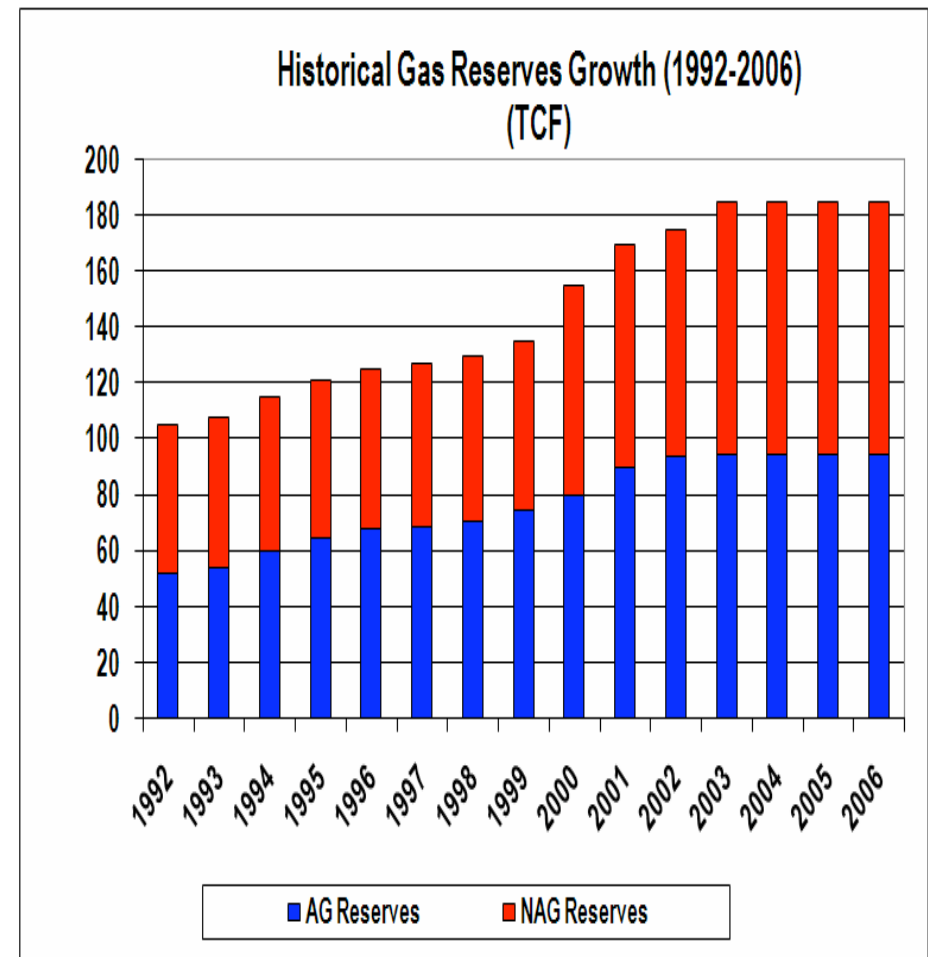
Source: Oil & Gas Journal, (December 18, 2006)

GAS SECTOR POTENTIALS

Historical Reserves Growth

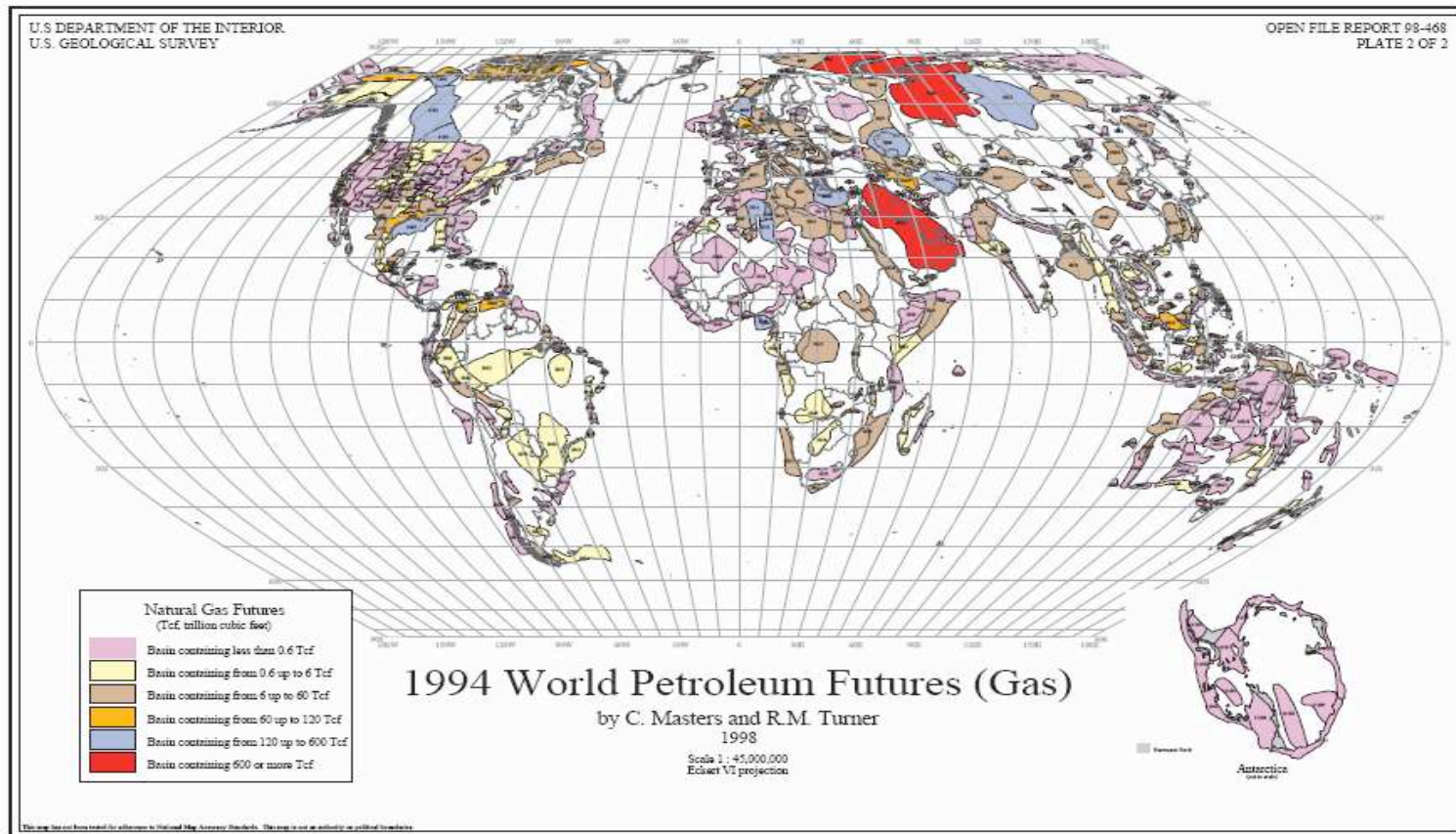


- **Steady growth in reserves**
- **Recent growth from deepwater basin**
 - Many basins remain untapped in Nigeria
- **No dedicated gas exploration**
 - All gas discoveries to date as a result of exploration for oil
 - Significant potential for reserves growth with focused gas exploration



GAS SECTOR POTENTIALS

Future Reserves Growth Potential



Nigeria's reserves potential can grow to as high as 600TCF, making it the world's 4th largest after Qatar

GAS SECTOR POTENTIALS

Robust Market Potential



Nigeria's Evolving Market Position

Rapidly growing domestic market

- Many gas based industries relocating
 - Methanol, Urea and GTL plants
- Power sector reform
 - 2.5GW to over 15GW growth plan

Consolidating a regional position

- West African Gas pipeline project advancing for 200mmcf/d
 - Demand growth already evident
- Continued progress on the Trans-Saharan Gas Project

Rapidly growing LNG export position

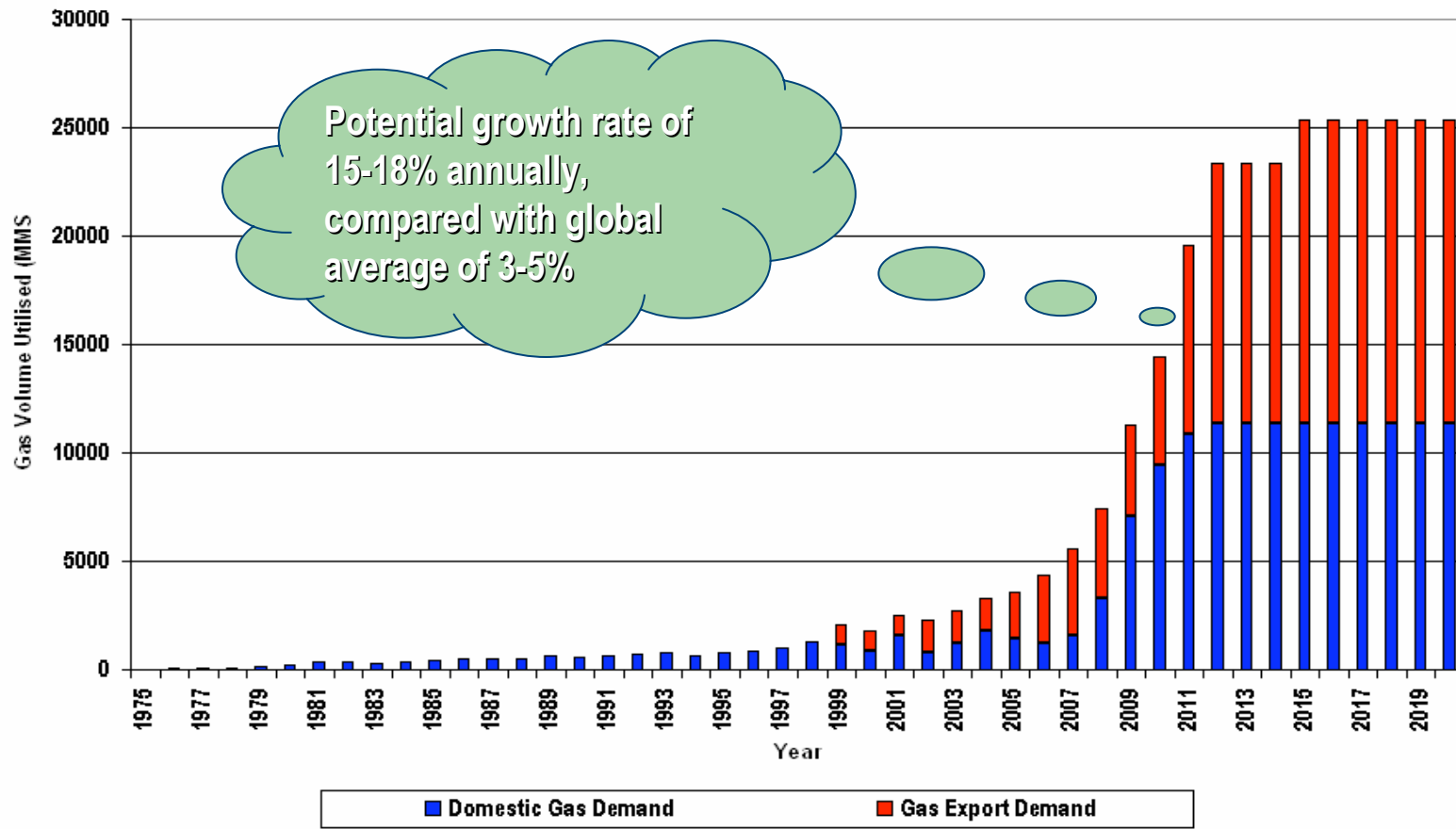
- NLNG T6 commissioned – capacity now 22MTPA
 - T7 planned
- Ok, Brass and other 3rd Party LNG plant under evaluation
- Nigeria now 2nd fastest growing LNG capacity after Qatar

GAS SECTOR POTENTIALS

Unprecedented Growth In Potential Demand

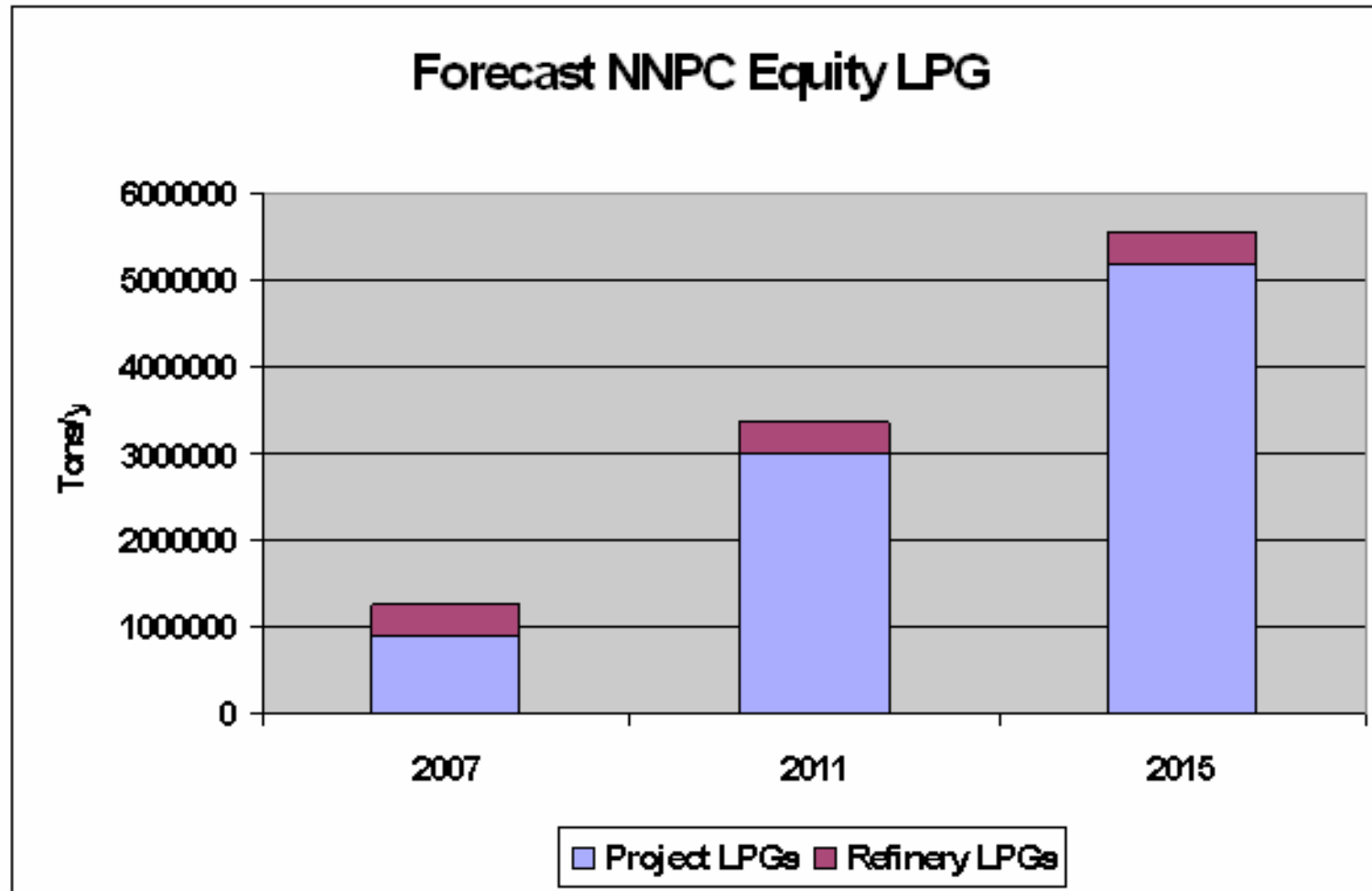


Nigeria's Historical Gas Utilization and Forecast Potential Demand



GAS SECTOR POTENTIALS

Forecast LPG Production



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FGN POLICY DIRECTION FOR GAS



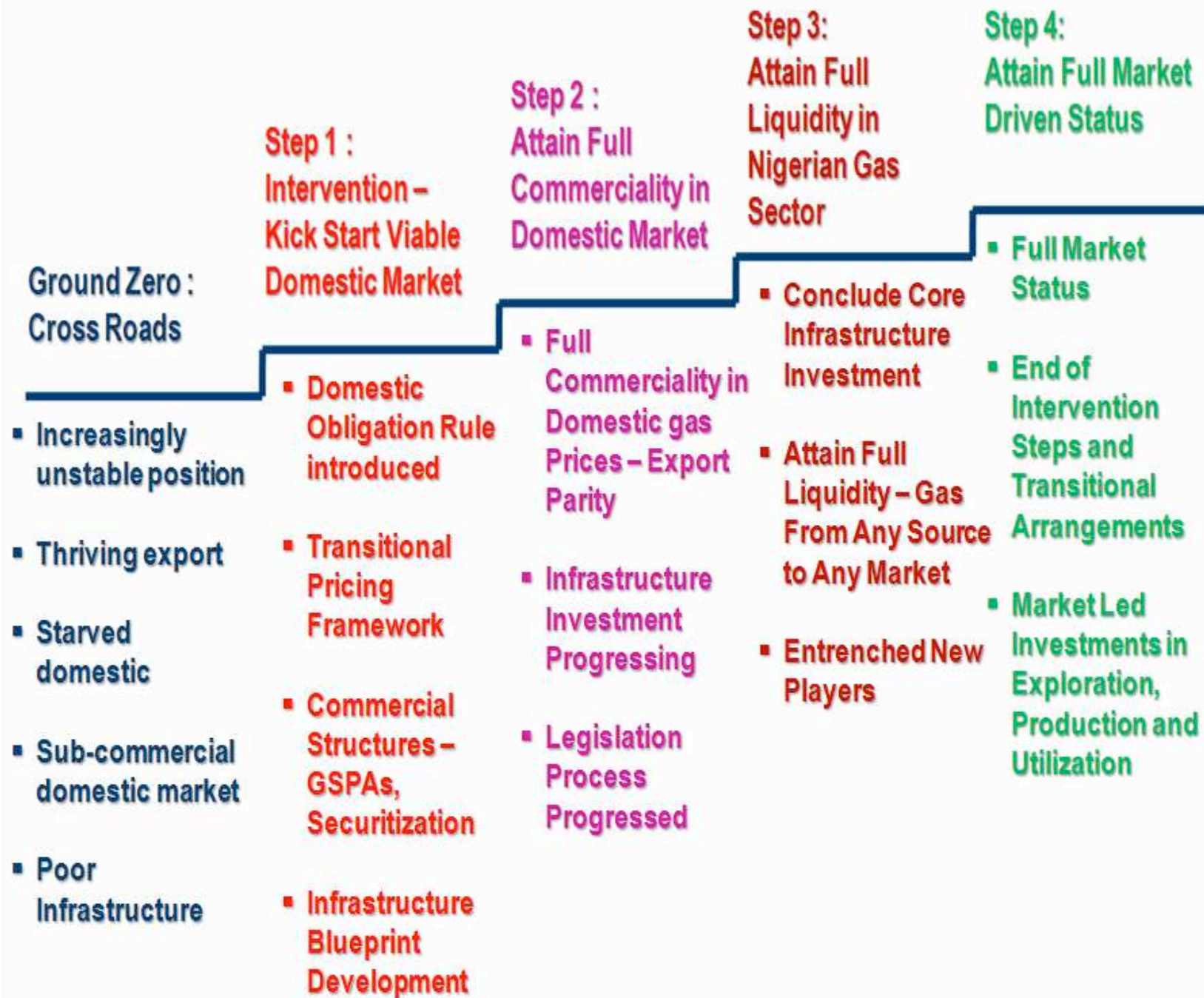
- ❑ Fully exploit the potential in gas for accelerated economic development, in pursuit of the 10% GDP growth aspiration
 - ❑ Concurrent focus on a viable domestic, regional and other export markets

- ❑ Competitively position Nigerian gas in terms of cost competitiveness and scalability of capacity
 - ❑ *Integrated infrastructure strategy to support domestic , regional and export LNG markets*
 - ❑ *Attract new players into the Nigerian gas value chain*
 - ❑ *Ensure commerciality for all investments*

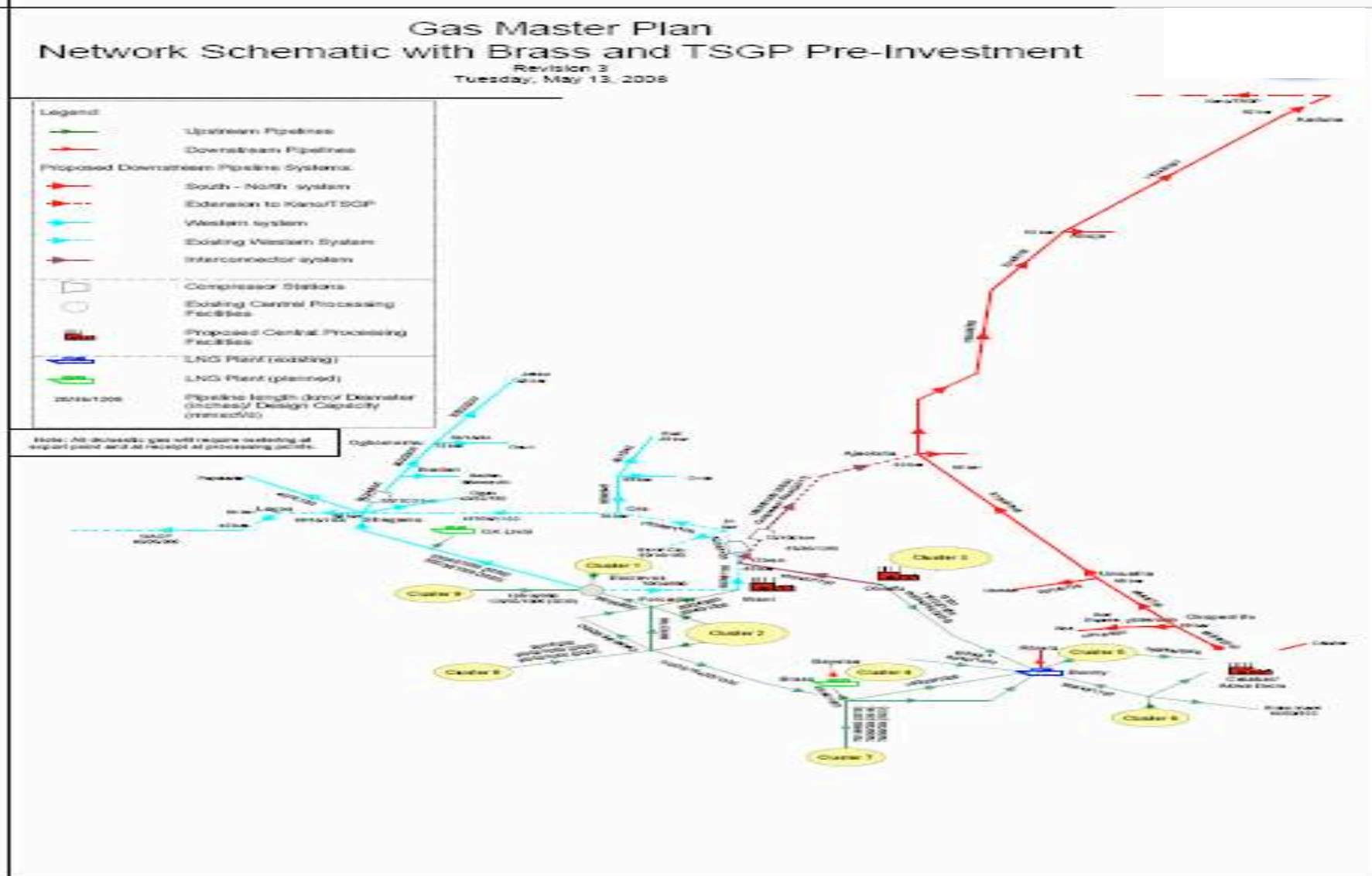
FGN POLICY DIRECTION FOR GAS

Repositioning For Viability – The Gas Master-plan





THE GAS INFRASTRUCTURE BLUEPRINT



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THE GAS INFRASTRUCTURE BLUEPRINT

2 Key Investment Categories



- ❑ **3 central gas gathering and processing facilities CPFs**
 - ❑ **West Delta (Warri/Forcados Area)**
 - ❑ **Obiafu (North Port Harcourt)**
 - ❑ **Akwa-Ibom/Calabar Area**

- ❑ **3 gas pipeline transmission systems, including compressor stations**
 - ❑ **1200km South-North Line**
 - ❑ **700km Western system with 200km offshore extension**
 - ❑ **200Km Interconnector system**

INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Gathering and Processing Facilities



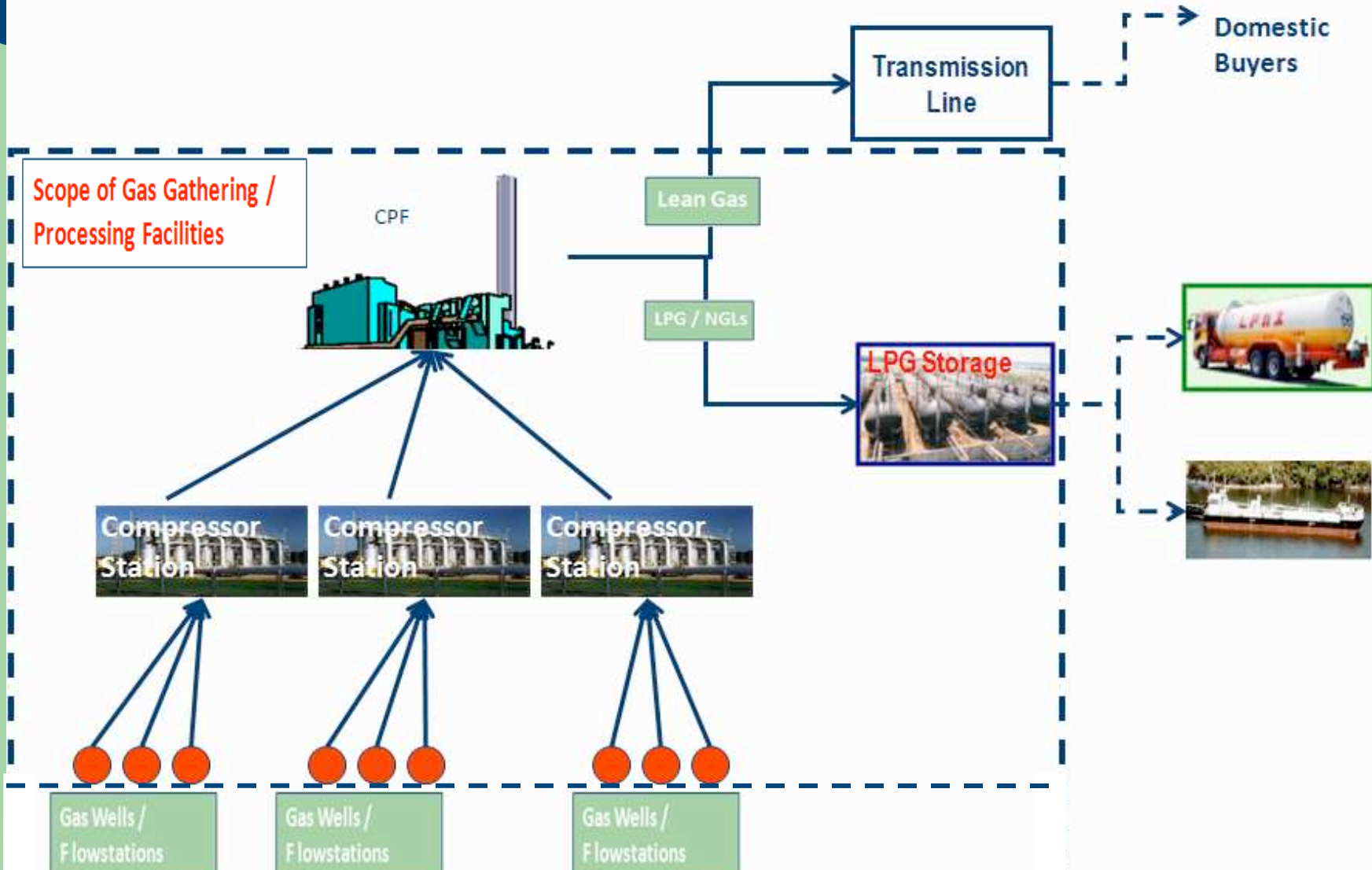
Strategy

- ❑ These will be regional gas processing hubs
- ❑ Wet gas will be treated, LPG/NGLs extracted, lean gas exported into transmission system
- ❑ Plants owned and operated as tolling facilities for 3rd party gas
- ❑ Plant can also access and purchase 3rd party wet gas

Scope of Investment

- ❑ Comprise gas gathering lines within designated franchise areas
- ❑ Network of compressor stations
- ❑ Gas treatment and LPG extraction facility
- ❑ LPG primary storage facilities

SCOPE OF GAS GATHERING/PROCESSING FACILITIES INVESTMENT



INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Gathering and Processing Facilities



Revenue Sources

❑ Gas Processing fees

- ❑ Determined by economics of project (basis for selecting final investor)
- ❑ Investment subject to rate of return regulation by the Gas Regulator
- ❑ Fees to be paid by gas producers (securitization of revenues through FGN and World Bank Guarantees, LCs for Private sector buyers)

❑ Incremental LPG sale

- ❑ Incremental LPG extraction beyond quality spec will be owned by CPF
- ❑ LPG can be sold into domestic and export markets

INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Gathering and Processing Facilities



Revenue Sources

- ❑ **Sale of Acquired 3rd Party Gas**
 - ❑ **CPF through extended gathering system can access and purchase stranded gas**
 - ❑ **Target will be flared gas and or gas from marginal field operators i.e. CPF can act as a physical aggregator of gas within franchise area**
 - ❑ **CPF can utilize acquired gas for own export LNG plant or for other downstream domestic use**

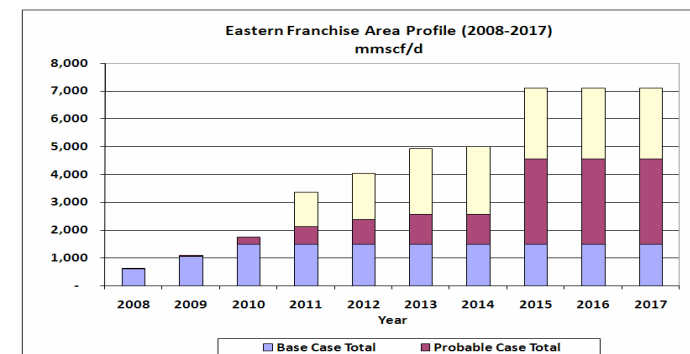
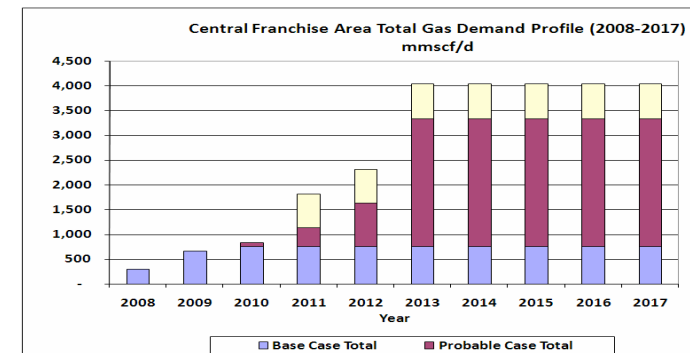
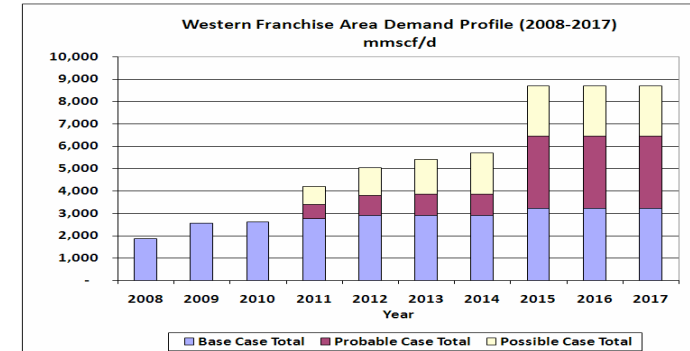
INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Gathering and Processing Facilities



Capacity/CAPEX Phasing

- ❑ Forecast Gas Demand
 - ❑ Within each franchise area, a forecast gas demand has been compiled
 - ❑ Demand profile will form basis for capacity and CAPEX phasing
 - ❑ Capacity forecast by 2015
 - ❑ Western area range from 3-8bcf/d
 - ❑ Central Area range from 1-4bcf/d
 - ❑ South eastern area range 1-7bcf/d
 - ❑ Additional gas can be purchased on bilateral basis with the growing population of marginal fields etc



INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Gathering and Processing Facilities

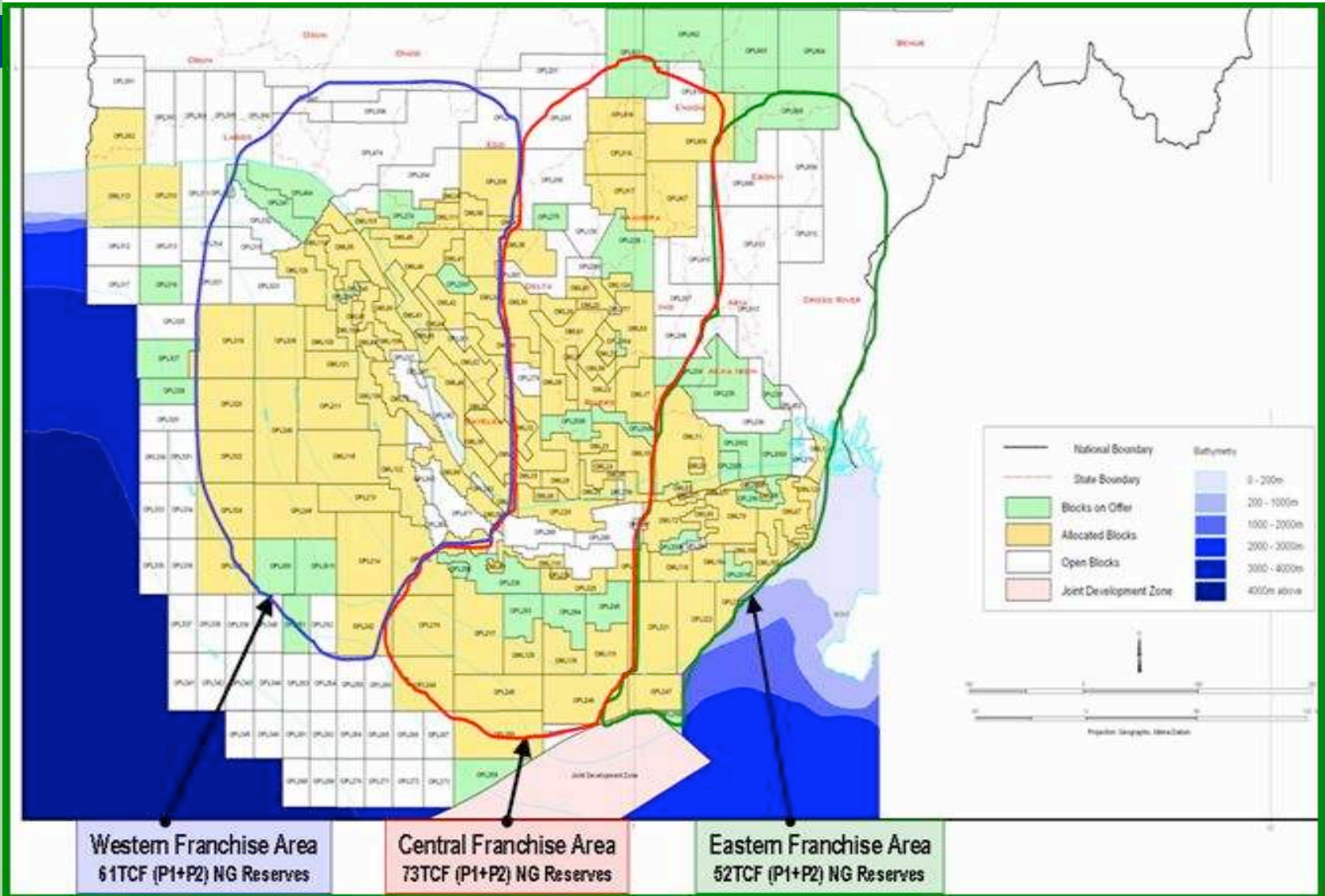


Capacity/CAPEX Phasing

❑ Securing the Demand

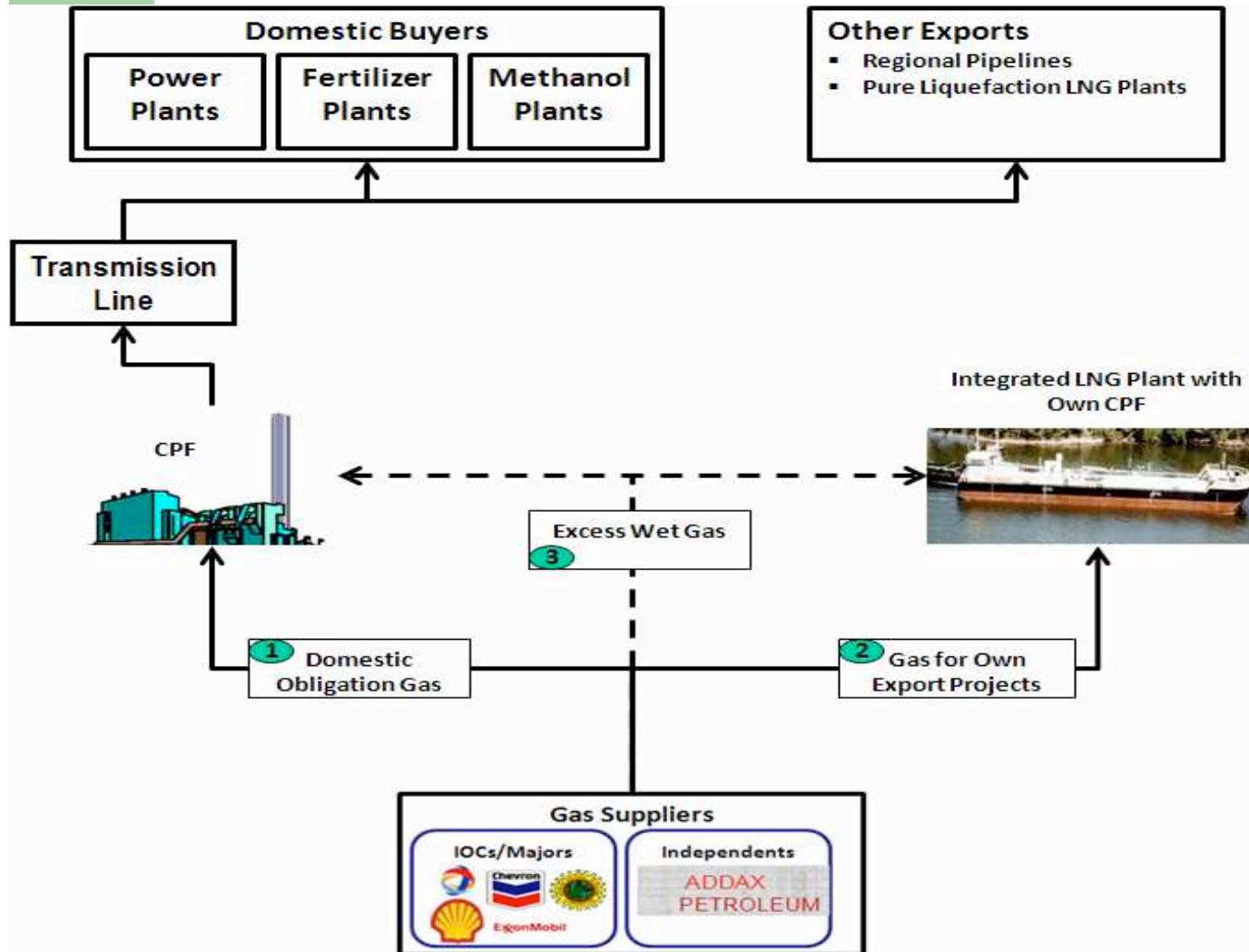
- ❑ Franchise areas delineated – CPF to have exclusive operational access within area going forward in addition to existing capacity
- ❑ GSPA's been signed for anchor customers within each franchise area
- ❑ Mandatory domestic obligations will underpin base throughput

DELINEATION OF FRANCHISE AREAS



GAS FLOW SCHEMATIC

3 FLOW CATEGORIES



- Gas from upstream suppliers have 3 possible flow paths

1. Meet domestic obligation
2. Meet own dedicated export project
3. Could be excess gas produced over and above domestic obligation

- Excess gas potentially could be

1. aggregated by and purchased by the CPF or
2. Bilaterally negotiated between supplier and end buyer and processed through CPF

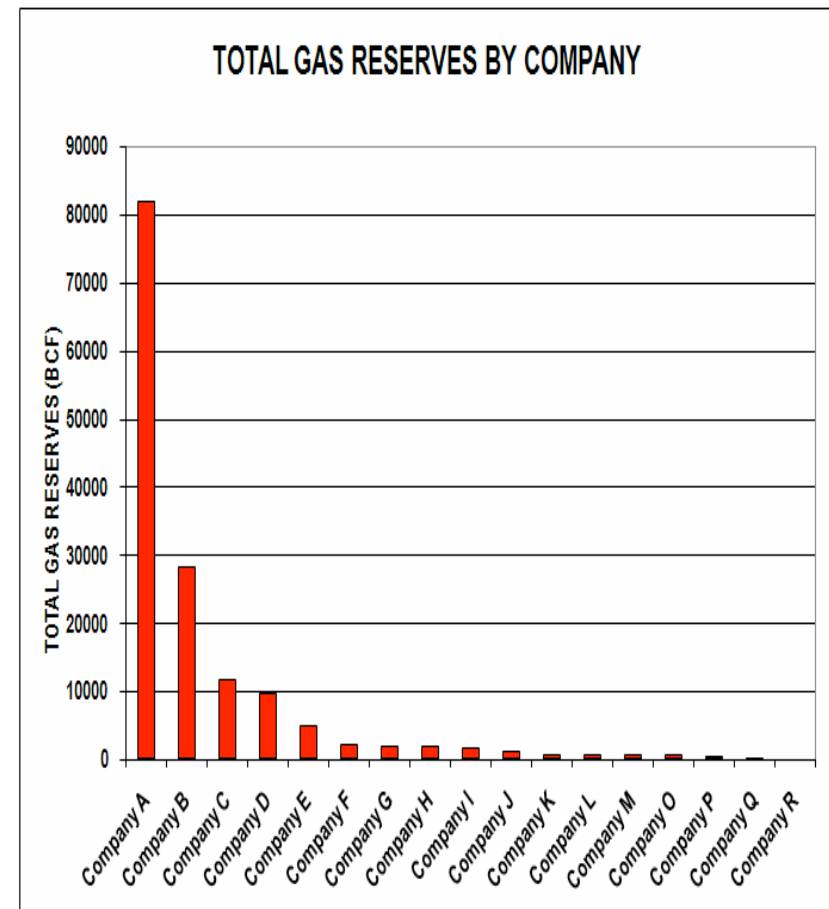
INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Gathering and Processing Facilities



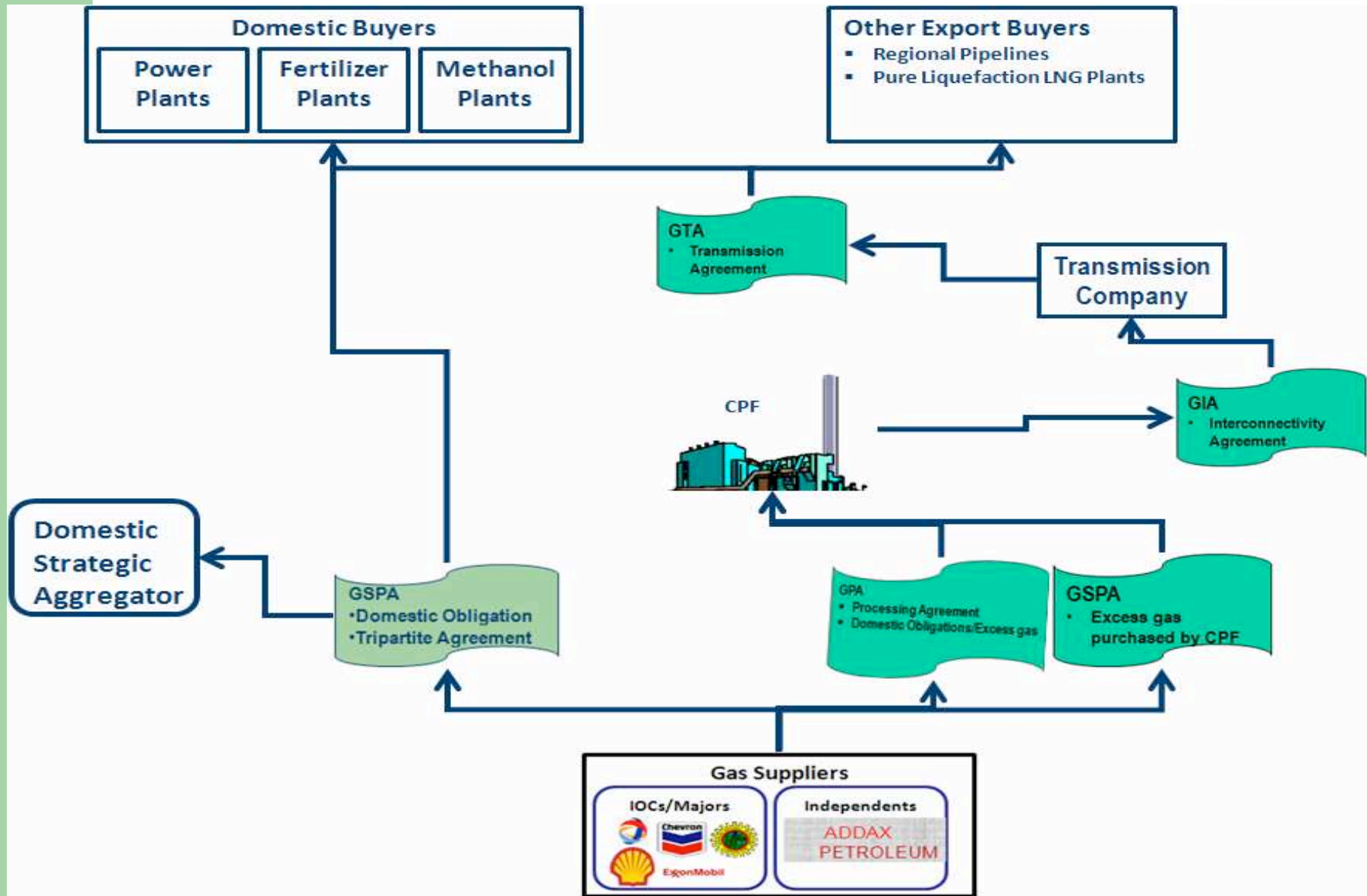
Strategic Access to Gas Reserves by CPF

- Increasing number of 3rd tier oil and gas companies within Nigeria
 - Companies with less than 1TCF gas reserves
 - Scope to aggregate these gas (subject to bilateral arrangements)
 - CPF operator can utilize this gas for own export or domestic project



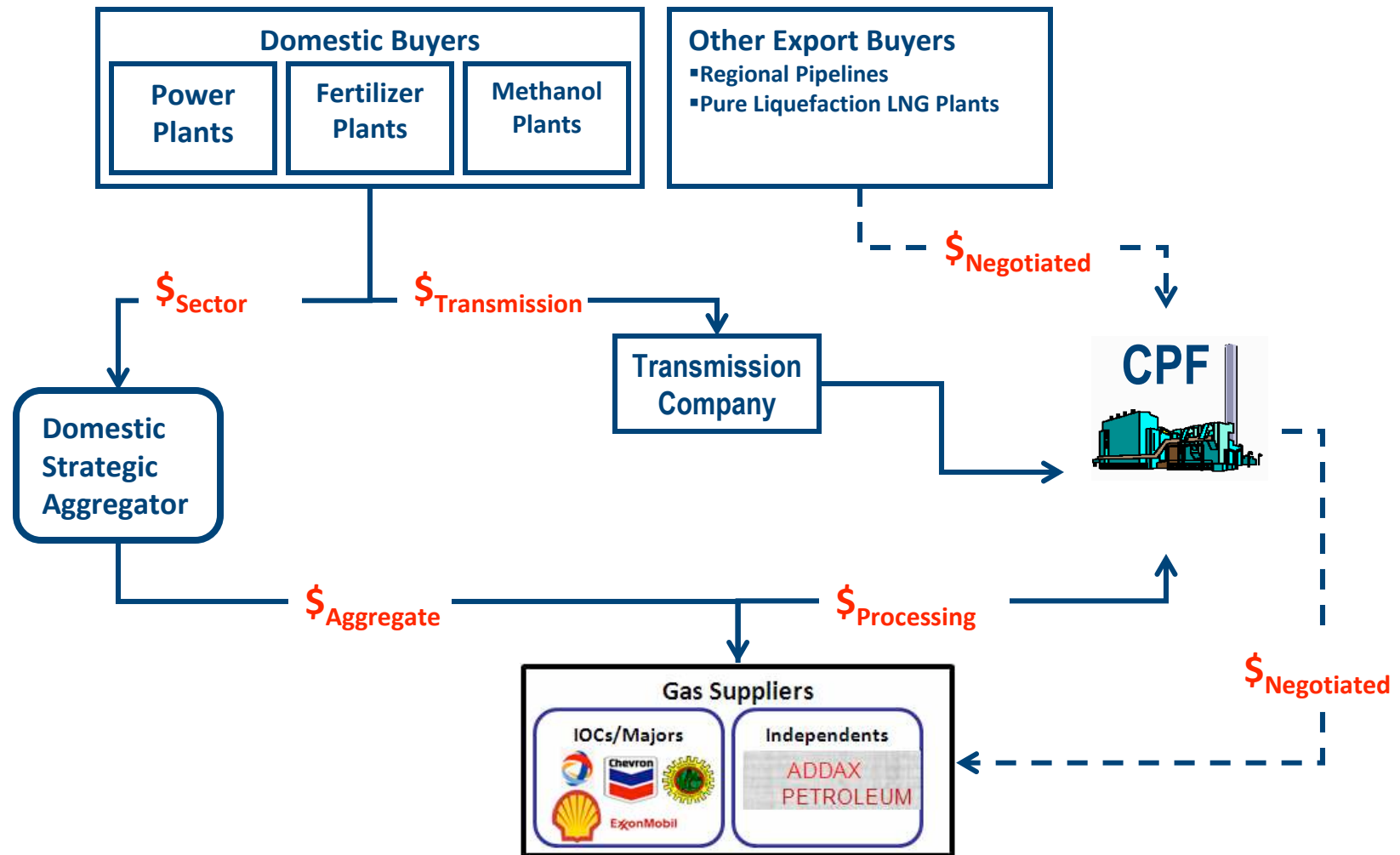
INFRASTRUCTURE INVESTMENT OPPORTUNITY

Contractual Framework



INFRASTRUCTURE INVESTMENT OPPORTUNITY

Composite Revenue Framework



INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Transmission Investment Opportunities



3 Gas Transmission Systems

South - North System

- 1,135KM Pipeline
 - 56" x 55KM
 - 48" x 1080KM
- Key Markets
 - Domestic
 - Trans Sahara
- Gas Throughput @ Peak
 - 3,800MMScfd

Western System

- 36" x 412km existing ELPS Pipeline,
- 42" x 200km offshore pipeline to Sagamu
- 24" x 265km Sagamu to Jebba
- Key Markets
 - Domestic
 - WAGP
- Gas Throughput
 - 3,250MMScfd

Interconnector System

- 306KM Pipeline
 - 36" x 196KM
 - 42" x 110KM

INFRASTRUCTURE INVESTMENT OPPORTUNITY

Gas Transmission Investment Opportunities



Strategy

- ❑ 3 Transmission systems to be operated independently
- ❑ Systems will be interconnected

Revenue Source

- ❑ Transmission tariff
 - ❑ Determined by economics of project (basis for selecting final investor)
 - ❑ Investment subject to rate of return regulation by the Gas Regulator
 - ❑ Tariff to be paid by gas buyers

Contractual Arrangement

- ❑ Gas Transmission agreement between gas buyers and transmission company

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APPLICABLE FISCAL TERMS

- ❑ **Applicable fiscal term is CITA**

- ❑ **CITA incentives (Decree 18, 1998):**
 - ❑ **Initial tax free period of 3 yrs, renewable for 2 more years (Decree 30, 1999).**
 - ❑ **Alternative to the initial tax free period (above), an additional ITA (investment tax allowance) of 35% which shall not reduce the value of the asset. Such company not entitled to the ITA of 15% in (b)(ii) below.**
 - ❑ **Accelerated capital allowance after the tax free period, as follows**
 - ❑ **An annual allowance of 90% with 10% retention for investment in plant and machinery (Decree 19, 1998)**
 - ❑ **An additional investment allowance of 15% which shall not reduce the value of the asset; (Decree 30 1999)**

APPLICABLE FISCAL TERMS (Contd.)



- ❑ Tax free dividend during the tax free period where:
 - ❑ The investment for the business was in foreign currency, or
 - ❑ The introduction of imported plant and machinery during the period was not less than 30% of the equity share capital of the company.

- ❑ Interest payable on loan obtained with prior approval of the Minister for a gas project shall be deductible.

- ❑ The tax free period of a company shall start on the day the company commences production as certified by the Ministry of Petroleum resources.

- ❑ Gas utilization under CITA is defined as : *“the marketing and distribution of natural gas for commercial purpose and include power plant, liquefied natural gas, gas to liquid plant, fertilizer plant, gas transmission and distribution pipelines”*.

APPLICABLE FISCAL TERMS

- Anticipated Legislative Additions



- **No anticipated changes in CITA**
- **Downstream Gas Bill:**
 - **Regulatory framework for Downstream activities including open access principles.**
 - **Establishes the Gas Regulator**
 - **Regulator to determine reasonable return for common use facilities e.g. pipeline, CPF.**
- **Gas Fiscal Reform Bill**
 - **Removes Consolidation of Gas investment with Oil**
 - **Provides for a non discriminatory fiscal regime for all upstream Gas players**

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INVESTOR TYPES



- ❑ **Open to all credible investors looking to have a foothold in the Nigerian Gas Sector through initial investment in a commercially viable gas infrastructure play**

- ❑ **2 Categories anticipated**
 - 1. Pipeline Companies**
 - 2. Gas Gathering and Processing Companies**
 - a) Investors with broader LNG export aspirations**
 - b) Investors with broader domestic industry (methanol, Petrochemical etc.) aspirations**
 - c) Pure-play infrastructure Investors looking to build, own and operate gas facilities for commercial return**
 - d) Private Equity Investors**

INDICATIVE NEXT STEPS



- **Clarification Period** **1st - 30th June**
 - Potential investors post questions for clarification on website
 - Questions answered and shared on website

- **'Invitation to bid'** **1st – 15th July**
 - Global advertisement (FT, Economist)

- **Investor Expression of Interest** **15th July – 15th August**

- **Investors Develops Bid Proposals** **15th August – 15th Dec.**

- **Proposal Evaluation and Selection** **Jan-Mar 2009**

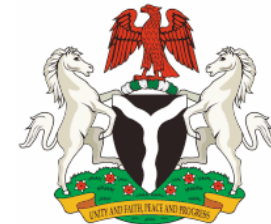
- **Commencement of Investment** **April 2009**

NEXT STEPS



www.ngmproadshow.com

**For further details from 1st June
2008**



Thank You!!!