



**NIGERIA COUNCIL**

## COMMUNIQUE

### issued at the end of the Society Of Petroleum Engineers' (SPE) Nigeria Annual International Conference And Exhibition (NAICE)

#### held at the Eko Hotel and Suites, Victoria Island, Lagos between the 4<sup>th</sup> and 6<sup>th</sup> of August, 2015.

#### PREAMBLE:

The Nigeria Annual International Conference and Exhibition (NAICE) is the largest technical oil and gas event in Sub-Saharan Africa organized by the Society of Petroleum Engineers (SPE) Nigeria Council. The event provides a platform for stakeholders in the energy sector including the Ministry of Petroleum Resources, Government Agencies, Captains of Industry, Oil and Gas professionals and the Academia to collaborate, share and disseminate technical knowledge for the advancement of the Oil & Gas industry in Nigeria.

The 2015 edition of the Nigeria Annual International Conference and Exhibition (NAICE) was held between the 4<sup>th</sup> and 6<sup>th</sup> of August 2015 at the Eko Hotel and Suites, Victoria Island, Lagos. The event focused on the theme "Natural Gas Development and Exploitation in an Emerging Economy - Strategies, Infrastructure and Policy Framework". The Industry Address was given at the opening ceremony by the Society of Petroleum Engineers International President and Director General, Stalioi Mexico, Dr. Helge Hove Haldorsen. Other dignitaries in attendance at the opening ceremony included Dr. Emmanuel Egbogah (MON) former Special Adviser to the President on petroleum matters, former SPE African Region Director and Chairman/CE Emerald Energy Resources, Mr. Abubakar Nuhu Muhammad GM Services NAPIIMS, representing the Group Managing Director of NNPC and Group General Manager of NAPIIMS, representing the Group and Managing Director of Chevron Nigeria Limited, Mr. Amadu Kido Musa DMD Deepwater Total representing the Managing Director & Chief Executive of Total, Mr. Austin Awura Chief Executive Officer of Sepilat Petroleum Development Company, Olunbo Femi Ayoju Executive Secretary PTDF represented by Mr. Jide Adegunlehin GM Strategic Planning and Documentation.....amongst the many leaders of the major and indigenous of E&P and services companies.

The conference boasted of the highest exhibition of companies in any oil and gas conference in the year 2015, in the African continent, with over 60 exhibitors cutting across the various spheres of the industry.

The conference featured two panel sessions, with seasoned discussants, focusing on (i) Oil and Gas Global Demand, Supply and Pricing Trend: Implications for Nigeria and (ii) Natural Gas Supply Gaps - Can the regulatory framework alone solve the problem? Also featured at the conference were: a workshop on Marginal Field, focusing on "Nigeria Gas Monetization and Infrastructure Development: Indigenous participation in the value chain" with Engr. Dada Thomas MNSC, P. Eng. lead presenters, a Women Development program with the theme: "Global Oil Price Trend: Lessons from the past and insight into the future" with Ms. Elsie Ayoju, General Manager Commercial and Business Development for Chevron Nigeria Limited as the Keynote Speaker. The Lead Paper Presenters at the Panel Sessions were Prof. Omowumi O. Iledare, PhD, dfncee, stuceee, Chirota & Emmanuel Egbogah Distinguished Professor & Director, Emerald Energy Institute, Unifort, Nigeria & Professor Emeritus, LSU Center for Energy Studies, USA & President, Nigerian Association for Energy Economics, NAEF and Mordcau Domani Babo Ladangra, Director of Petroleum Resources represented by Prince Aderinola Olugbanga LUFADEJU NNAFE, FMGMS Assistant Director, Gas Exploration and Production Department of Petroleum Resources (DPR).

#### OBSERVATIONS:

In the course of the proceedings, the conference noted as follows:

- Gas is the future of Nigeria, the key to unlocking economic potential of Nigeria and increasing the living standards of the average Nigerian.
- Domestic Gas development will be driven by indigenous independent companies and not the IOCs.
- Natural Gas is world's fastest growing fossil fuel with consumption projected to increase from 1.18 TCF in 2013 to 1.85 TCF in 2040.
- Nigeria currently has proven gas reserves of 181 TCF, the 9<sup>th</sup> largest natural gas reserves in the world and largest in Africa and 18<sup>th</sup> largest holding shale gas into account.
- Nigeria's gas reserves accounts for one-third of Africa's proven gas reserves. Undiscovered potential natural gas reserves are also estimated at 600 TCF.
- Gas production has been largely export focused with approximately 15% going into domestic market.
- Out of approximately 4000km of gas pipeline in Nigeria, only a third is dedicated to domestic consumption.
- Pipeline vandalism and crude oil theft has led to a decline in oil production from 2.45 million barrels per day to 2.05 million barrels per day in the last four years (2010 - 2014).
- An average of 250,000 BOPD of crude oil is either deferred or partly stolen through activities of pipeline vendors and crude oil thieves representing a loss of \$9.1bn at \$100/bbl oil price. Actual crude theft from January 2013 to April 2015 stood at 39.3 million barrels.
- Drop in crude oil earnings from low oil price presents an annual under funding of \$1.8 - \$2.0 Billion to the Nigerian Government.
- Crude Oil Market dislocation from the United States destruction requires strategic realignment geographically to seek alternative markets in Europe and Asia.
- A new rehabilitation strategy has been developed for refineries in Nigeria by the Nigerian National Petroleum Corporation. Refineries are expected to run at 90% capacity utilization with new strategy which will account for 40% of nation's demands.
- Renewed efforts needs to be made in Gas Discovery based on projected local gas utilization for export and sales export to meet growing demand.
- Gas development with the right strategy could achieve adequate power supply by 2017.
- The extent of collaboration for the gas industry will determine the success of the industry.
- Gas to power will generate huge revenue and save money for Nigeria.
- High development cost of Gas projects and low oil price is currently unfavourable to the industry.
- Power distribution pricing to investors must be conducive for investors to improve the power sector.
- Regulatory framework alone is not sufficient to address the gaps in Nigerian Gas Supply.
- There are no concrete plans in place currently to sustain gas supply to the Nigerian Gas Company. Most of the gas supplied goes directly to the power needs of the country and Nigerian Gas Company is paying more than required by Government to ensure that power is consistent.
- The largest debtor to the power DISCOs is the Federal Government. The same applies to cash calls for crude oil to the major E&P companies.
- Investors in Gas market require infrastructural and financial framework to boost confidence in the gas market.
- Gas and Oil demand previously trending together has been decoupled because of evolving industry dynamics such as shale oil production.
- The world is endowed with more unconventional resources than conventional.
- Indigenous participation in gas development will be greatly enhanced through contractual agreements such as PSC such as applied in the Deepwater Operator participation.
- There should be less focus on petroleum export revenue and more on other petroleum derivatives.
- Domestic gas development will primarily be driven by indigenous operators.
- Current Gas distribution infrastructure in Nigeria is inadequate
- Indigenous players require funding incentives from financial institutions to make investment more attractive

- Vandalization is still a major problem for Gas development in the country
- Government buyers of gas are the major debtors to indigenous gas operators which is hindering expansion of the gas industry among operators.
- Source of funding, shipping delays of critical equipment and legal tussles are three of the major challenges faced by gas operators
- Current Government regulated pricing does not favour operators especially with associated challenges

#### RECOMMENDATIONS:

Based on the foregoing, the Conference recommends as follows:

- Government need to set up critical infrastructure force with direct line of sight and accountability matrix and a combination of enlightenment, empowerment and enforcement of anti-sabotage laws.
- Additional refining capacity must be developed to meet local demand.
- Incentives should be given on investment in Domestic Gas projects across all components of the value chain. Tax holidays, tax rate reduction, de-rated tax system etc are examples of the incentives needed.
- Duty waiver should start at the beginning of the value chain and cover all the way to the end.
- Payment of debts to operators is crucial and should be done as soon as possible.
- Flexibility can be built around take-or-pay CSPAs especially for associated gas projects.
- Collaboration is important for the development of the gas resources amongst operators.
- Companies need to strategically and competitively collaborate.
- Gas revenues should be documented nationally by NAPIIMS.
- Willing buyer - Willing seller market economics should be promoted. A free market pricing mechanism should prevail to encourage more investors.
- Incentivize gas investment by reducing or retaining taxation at 30% rather than an increase to 80% as proposed in the PIB and Pioneer status for the entire Gas to Market value chain.
- Government enter into partnerships with indigenous companies to develop gas transmission but allow the private sector to execute and manage the process.
- PIB should be re-edited to include fiscal advice for Domestic Gas projects.
- Marginal field awards should not just be based on indigenization; they should be target based.
- Indigenous operators should be awarded fields based on their operational targets.
- Micro & Mini processing plants might be a potential window worth exploring
- Young professionals and higher institutions of learning need to be aware of the challenges in the Gas and Power sector and research solutions to support the industry.

In Conclusion, the Society of Petroleum Engineers, Nigeria Council would like to express her profound gratitude to all panelists, moderators, sponsors, resource persons, captains of industry, industry professionals, exhibitors, academia and the media for their support for SPE activities & the growth of the Oil & Gas industry in Nigeria and the African Region.

## NAICE2015

### With Thanks to our sponsors



With the support of these sponsors, SPE Nigeria Council was able to host 39th edition of the Society of Petroleum Engineers' Annual International Conference and Exhibition (NAICE2015) to the world, where indigenous Engineers, colleagues and other energy specialists who attended the NAICE 2015 shared points-of-view on industry opportunities with increased transparency in the Oil and Gas sector.

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Eko Hotel & Suites, Lagos, Nigeria M 2-4 AUGUST, 2016

Mr. Emeka Ene  
Chairman, Society of Petroleum Engineers, Nigeria Council, 2014/2015