

COMMUNIQUE

COMMUNIQUE ISSUED AT THE END OF THE SOCIETY OF PETROLEUM ENGINEERS' (SPE) 38TH NIGERIA ANNUAL INTERNATIONAL CONFERENCE & EXHIBITION (NAICE) HELD AT EXPO CENTRE, EKO HOTEL & SUITES, VICTORIA ISLAND LAGOS FROM 5TH - 7TH AUGUST, 2014.

PREAMBLE:

The Nigeria Annual International Conference and Exhibition is the biggest annual event of the Society of Petroleum Engineers (SPE) Nigeria council and the best international oil and gas technical conference in Africa. The event provided a platform for stakeholders in the energy sector including the Ministry of Petroleum Resources, Government Agencies, Captains of the Industry, Professionals and the Academia to collaborate, share knowledge and formulate strategic solutions for the advancement of the Oil & Gas Industry towards economic prosperity of Nigeria and the Sub-Saharan Africa.

The 38th edition of the Nigeria Annual International Conference and Exhibition (NAICE) was held from 5th to 7th August 2014 at the EXPO Centre Eko Hotel & Suites Victoria Island Lagos. The event focused on the theme "Africa's Energy Corridor: Opportunities for Oil & Gas Value Maximization through Integration and Global Approach". The Industry Address was given at the opening ceremony by the Honourable Minister of Petroleum Resources Dr (Mrs) Diezani Alison-Madueke represented by Director Department of Petroleum Resources, DPR (Mr. George Osahon) who was represented by Deputy Director Upstream DPR (Mr. E. K. Bekee). The Lagos State Governor His Excellency Mr. Babatunde Raji Fashola (SAN) was represented by Engr. Taofiq Ajibade Tijani (Honourable Commissioner Ministry of Energy & Mineral Resources Lagos State). Other dignitaries in attendance at the opening ceremony included Mr. Mark Rubin (CEO & Executive Vice President SPE International), Mr. Tony Ogunkoya (SPE African Region Director), Engr. Isaac Ademola Olorunfemi FNSE (President Nigerian Society of Engineers), and several CEOs of E&P and services companies.

The British Deputy High Commission, Trade and Investment Section was represented by Director UK Trade & Investment, Mr Mike Purves.

Over 70 companies were present with their exhibition booths at this year's (2014 NAICE) event.

The conference featured two panel sessions with seasoned discussants focusing on (i) funding Africa's Oil & Gas Production Growth Aspiration: Challenges & Solution and (ii) the Changing Global Energy Supply Balance and Africa's Economic Transformation. A workshop on Marginal Field was also held focusing on "Key to Effective Management of Acquired Indigenous Fields &

Production Enhancement Strategies”. The Lead Paper Presenter at the Panel Session 1 was Dr. Timothy Okon, Group Coordinator Corporate Planning & Strategy NNPC. During the Panel Session 2, the Group Managing Director of NNPC (Dr. Joseph Dawha) who was the Lead Paper Presenter was represented by Dr. Timothy Okon.

OBSERVATIONS / RECOMMENDATIONS

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

Day 1: (05/08/2014)

- Expansion in new oil and gas finds in Africa and the global unconventional revolution have heightened competition in the continent’s exploration and production industry for investment and market opportunities for value extraction. There is therefore the need to maximize value from oil and gas resources in Africa through value addition to boost economic growth and development and for African oil producers to evolve from exporter of natural resources to exporter of raw resources.
- In the emerging need for domestic energy security in Nigeria, indigenous independent oil and gas companies are expected to play increasing role in oil, gas production and refining. Nigeria should make effort to double her current refining capacity.
- The current sweeping transformation in the global oil and gas production, being largely driven by North America, will affect all regions of the world. There’s need for African oil and gas producing countries to adapt new sustainable economic strategies to keep up with global economic changes amid the US shale oil and gas revolution and the dwindling crude import to US and other countries. Nigeria should intensify effort to diversify export to Europe and Asia.
- African countries need to examine opportunities and strategies to improve integration and utilization of their oil and gas resources to maximize the benefits of energy efficiency on the continent in technology and legislation.
- Several African countries have opened their doors to indigenous African operators, mainly from Nigeria, thanks to the various local content laws. This underscores the need for indigenous companies to look towards the capital market to raise huge capital required for expected industrial growth and expansion.
- Due to the disruption caused by shale oil in the United States, African countries such as Nigeria and Angola need to seek new markets. The compelling need to monetize gas amid the growing demand for gas in the country especially for power generation. Government and industry should focus more on gas exploitation and development to support the growing power demand.
- There is need for the Department of Petroleum Resources (DPR) to fast track the process of establishing a national data bank for the oil and gas industry.
- Stakeholders in the industry should be encouraged to collaborate to drive growth. Indigenous oil and gas companies should come together under one umbrella and come up with a set of objectives and code of conduct applicable to all members and erring members could be sanctioned.

- Indigenous companies should exercise fiscal discipline and manage their businesses prudently with good oil field practices.
- African indigenous independents should take a cue from the Independent Petroleum Association of America, whose members are contributing 54 percent of oil production and 85 percent of gas production in America.

Day 2: (06/08/2014)

Funding Africa's Oil & Gas Production Growth Aspiration: Challenges & Solution:

- With regards to Indigenous oil and gas players, government should create enabling fiscal, regulatory, and administrative environment for easier access to capital from foreign banks.
- Potential sources of capital for indigenous operators include private equity, supplier credit agreement/contract financing from commercial banks (reserves-based lending), mezzanine financing, capital markets (initial public offer) and multilateral lending agencies.
- The price of services in Nigeria is high. There is need to find a way to reduce cost to be able to compete effectively.
- It is a welcomed development that Nigerian banks are growing their energy desk.
- Globally, competition for investment is increasing. Cost control will be a focus of most E&P companies. Large investments are being made in East Africa due to new discoveries.
- Nigeria needs \$100 billion investment to achieve its vision 2020 of 4 million barrels per day of oil production. There is need to create a stable regulatory environment. An accelerated passage of the Petroleum Industry Bill (PIB) could be an enabler to funding in the Nigerian oil and gas industry.
- Nigeria has a key role to play in growing Africa's oil and gas production.
- Industry players should present their solutions to government to deal with funding challenges in the industry. Governments need to step up by providing intervention funds.
- Governments should create enabling framework for transparency not only in regulation but also in business processes.
- In Nigeria, honoring cash call by government for joint ventures with oil companies remains a major challenge. A pseudo-PSC (production sharing contracts) arrangement is recommended to solve the funding issue. More so, there is need to resolve the continued disagreement between the federal government of Nigeria and international oil companies operating in the country over the terms and conditions of the PSCs to enable projects that are being put on hold to be activated.

Day 3: (07/08/2014)

The Changing Global Energy Supply Balance and Africa's Economic Transformation:

- The growth in oil producing countries in Africa in the last decade has been driven by natural resources. There's need to fully maximize this to create opportunities for economic development and bring about economic transformation through energy.

- Nigeria must make gas available and affordable to jump start economic transformation, given the energy competitiveness of other African countries. African oil and gas producing countries need to move from producer of primary goods to finished goods producer.
- There's need to deal with insecurity especially oil theft.
- Human capacity-building is very essential. African countries must develop certain capacities in core engineering and science and technology. The benefits arising from natural resources should be used in building in capabilities and must be seen in human development indices.
- There is need to focus on alternative sources of energy, cleaner energies, energy conservation and efficiency to meet growing demand - the Lagos State example in IPP and promotion of LPG usage.
- There is need to tackle inadequate oil and gas infrastructure by investing in infrastructure, have good domestic prices and fiscal measures critical, adoption of new technology to drive the industry and to develop an efficient system in Africa to manage costs.
- Gas to power should be an absolute driver for Nigeria.
- There is need for collaboration (among countries, among companies, between industry and academia); quality leadership and right vision.
- There is need to work with the government to tackle the issue of inadequate funding for Joint Ventures operations in Nigeria to increase gas production and also need for a good, stable regulatory environment, competitive fiscal terms and a good business environment.

Women Professional Network Development

- Women professional growth in the industry should be encouraged.
- Forward-looking companies need to tap into the attributes that stand women out including the ability to multi-task, balanced and holistic decision-making ability, accountability and integrity, perseverance, determination, commitment and loyalty.
- Solutions to barriers to women's participation and upward movement in the industry include effective monitoring and networking, mentoring women need to be focused and determined to succeed.
- There is need to change the negative mindset of perceiving women as liabilities, rather than assets. Women need family support to climb higher on the corporate ladder in the industry.
- Government to establish policies that make companies accountable to government policy of encouraging women participation.
- Women should dream, dare and deliver outstanding performances by availing themselves of the available tools and resources in their organizations to grow and become better leaders.
- There is need for well-structured mentoring and coaching for women. Women should be encouraged to prioritize and strike a balance between their careers and homes (family lives).

- Girls should be encouraged to study and practice engineering courses and other science-related courses to grow the number of women in the industry.

The Society of Petroleum Engineers 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.