



Regulatory & Competitive Policies for Investment in the Current Global Low Price Regime

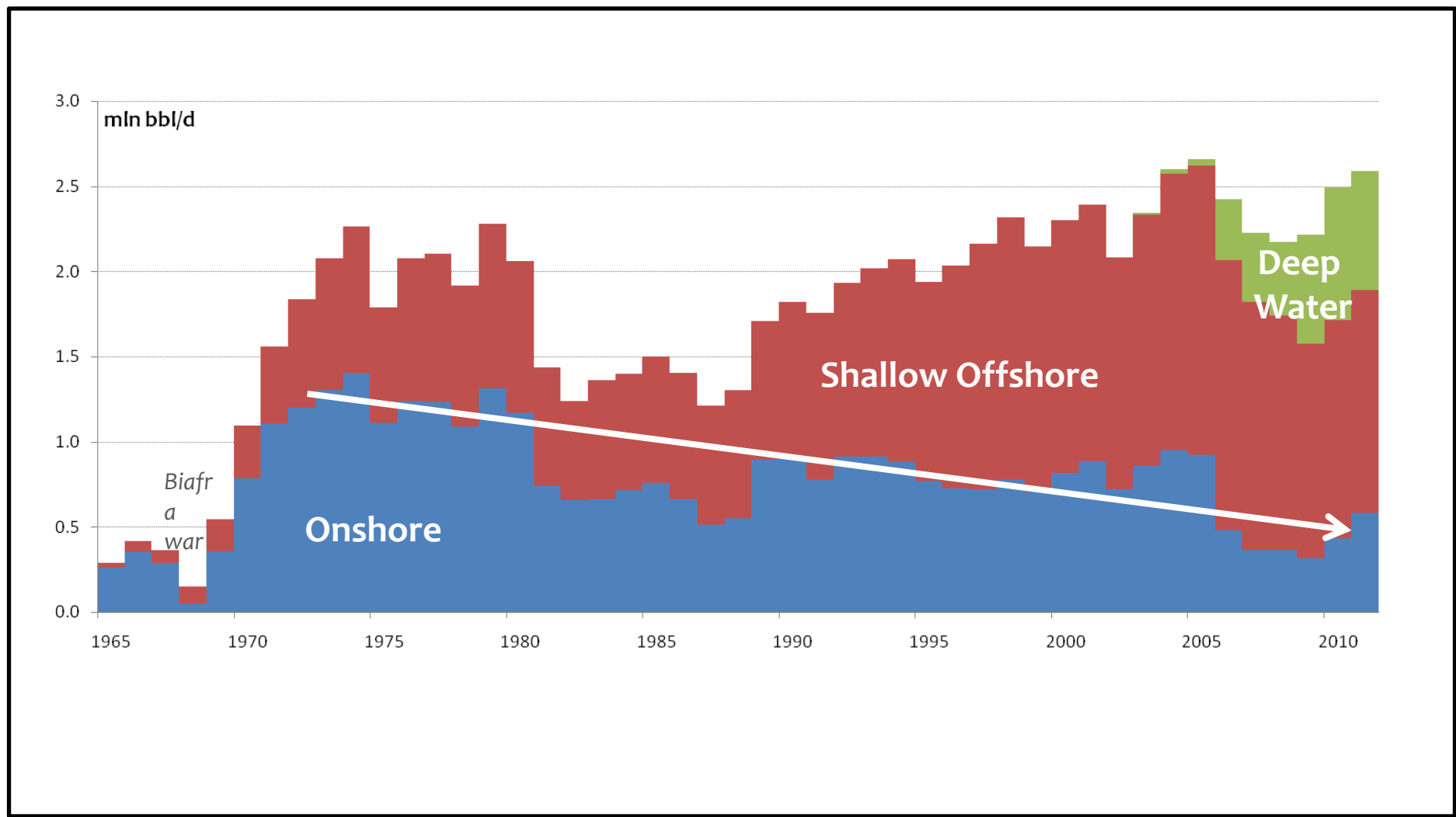
MARCH 3 2016

Content



1. Overview
2. Oil as definition of Nigerian state
3. Effects of price dips
4. Opportunities
5. Challenges
6. Policy options

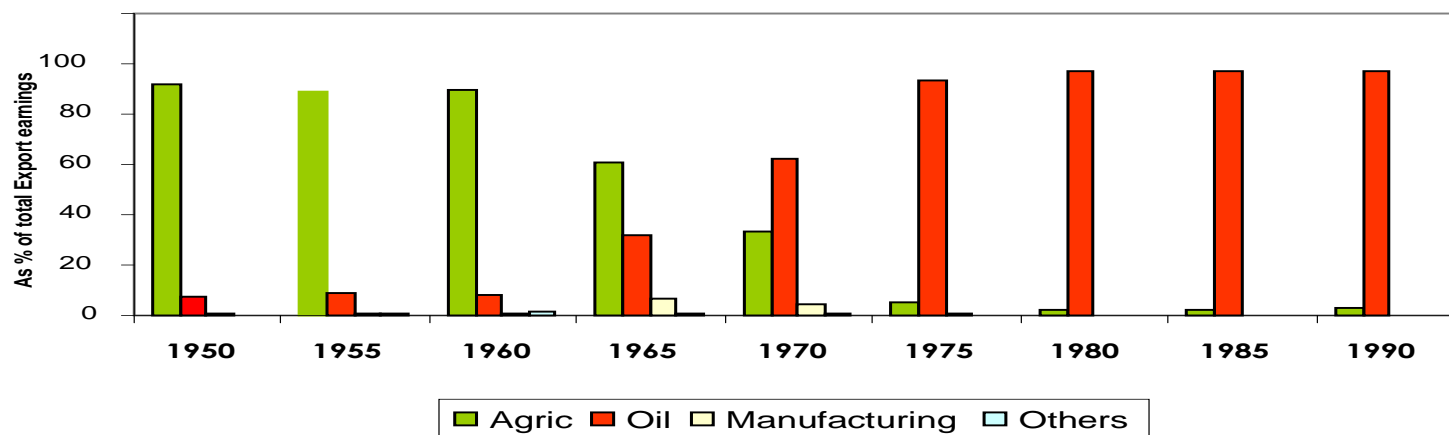
Oil as definition of the Nigerian state



Submergence of the real sector- An enduring theme of the Nigerian oil narration



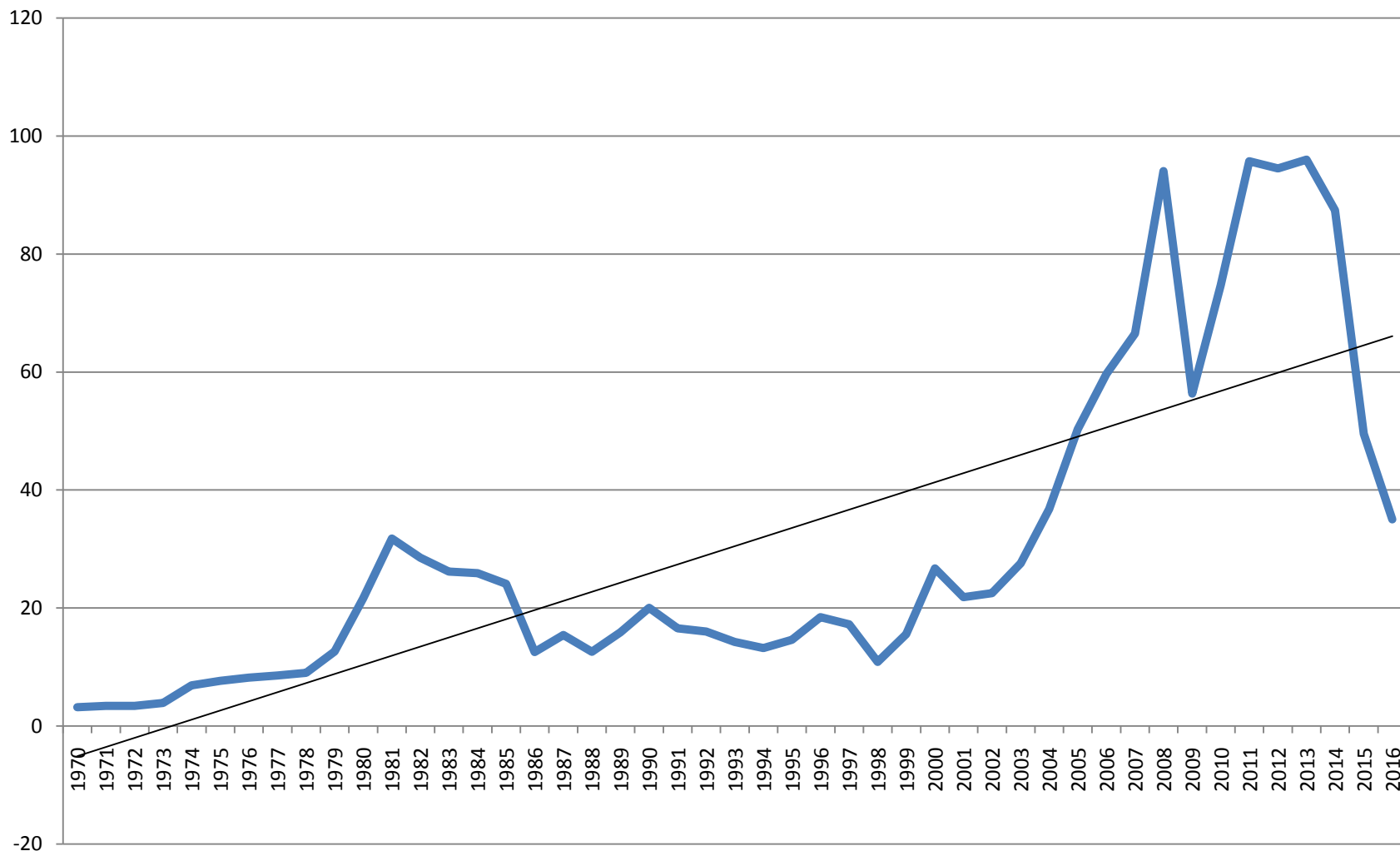
Within a Decade Oil & Gas Had Surpassed the Real Sectors



Department of Petroleum Resources



Price instability – The Bane of over-dependence on crude oil



Echoes of price slides



Year	2007	2008	% Change
Price	US\$ 90	US\$ 45	50%
Revenue	US\$74,033 millions	US\$43,623 millions	41%
Rate N/\$	118/1	148/1	20%

Year	2014	2015	% Change
Price	US\$ 90	US\$ 40	56%
Revenue	US\$77.5 millions	US\$67.5 millions	13%
Rate N/\$	155/1	197/1	20%

What should be the worth of a barrel?



=

- How much direct benefits can be derived from the resource value-chain for linkage to domestic development and job creation
- What aspects of the E&P & downstream operations should be domiciled
- How could the tertiary institutions derive opportunities for R&D, reduce cost & promote Local Content
- How much of the resource should be ploughed internally for present and future development

The road not taken – Comparative Refinery Capacities



Country	Population	Total Refinery Capacity
India	1.27 Billion	4,200,000
Iran	54.16 Million	1,618,000
Saudi Arabia	29.2 Million	3,300,000
Singapore	5.4 Million	1,395,000
Nigeria	170 Million	446,000

Energy Intensity Relative to economic growth



Country	A Daily oil Consumption/ per bbl**	B Population**	C Energy Intensity per 1,000 <i>A / (B / 1,000)</i>
China	7,578,000	1,313,973,713	5.77
Malaysia	501,000	24,385,858	20.54
Singapore	834,600	4,492,150	185.79
Brazil	2,372,000	188,078,227	12.61
Nigeria	312,000	131,859,731	2.36
India	2,722,000	1,095,351,995	2.48
Iran	1,679,000	68,688,433	24.44
South Korea	2,140,000	48,846,823	43.81

** Culled from NationMaster.com



Low Refinery Capacity – Evidence of

		KRPC	WRPC	NEW PHRC	OLD PHRC	NDPR	TOTAL
<i>Designed Capacity, (BPSD)</i>		110,000.00	125,000.00	150,000.00	60,000.00	1,000.00	446,000.00
<i>Crude Oil Processed, (BPSD)</i>	2010	21,986.72	53,345.20	19,345.38	0.00	0.00	94,677.30
	2011	20,896.79	49,731.41	31,853.02	0.00	0.00	102,481.22
	2013	31,981.86	34,868.71	24,530.97	0.00	1,000.00	92,381.54
	2014	32,452.43	20,925.04	44,937.47	0.00	1,000.00	98,314.93
	2015						

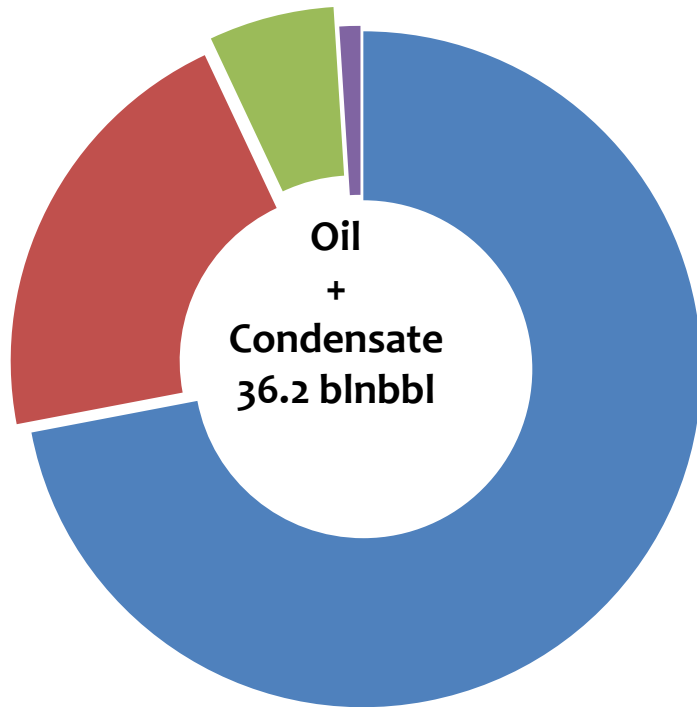


The Opportunities

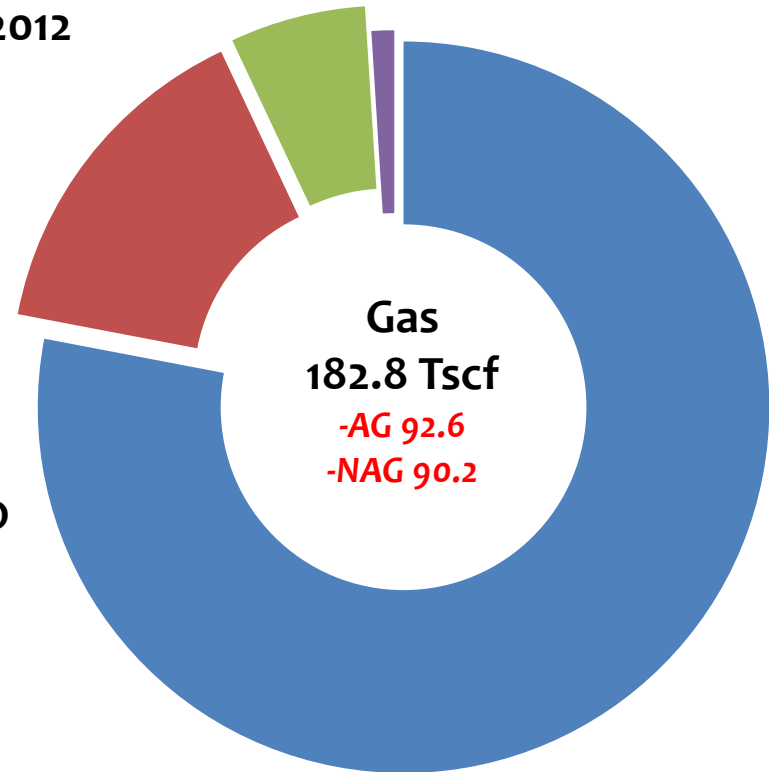
Current Reserves



Reserves @ 1/1/2012

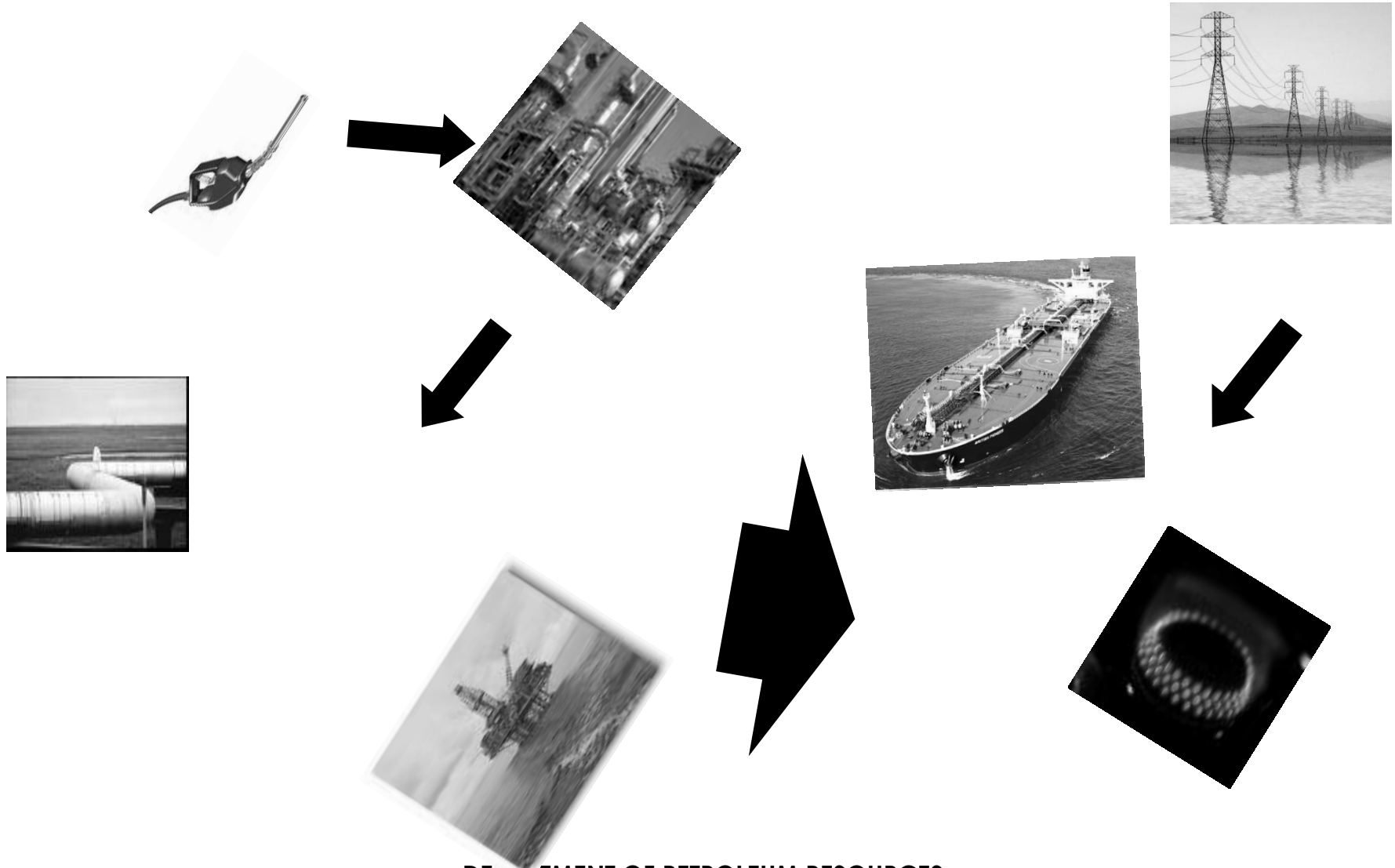


- JV
- PSc
- Ind O
- MFO



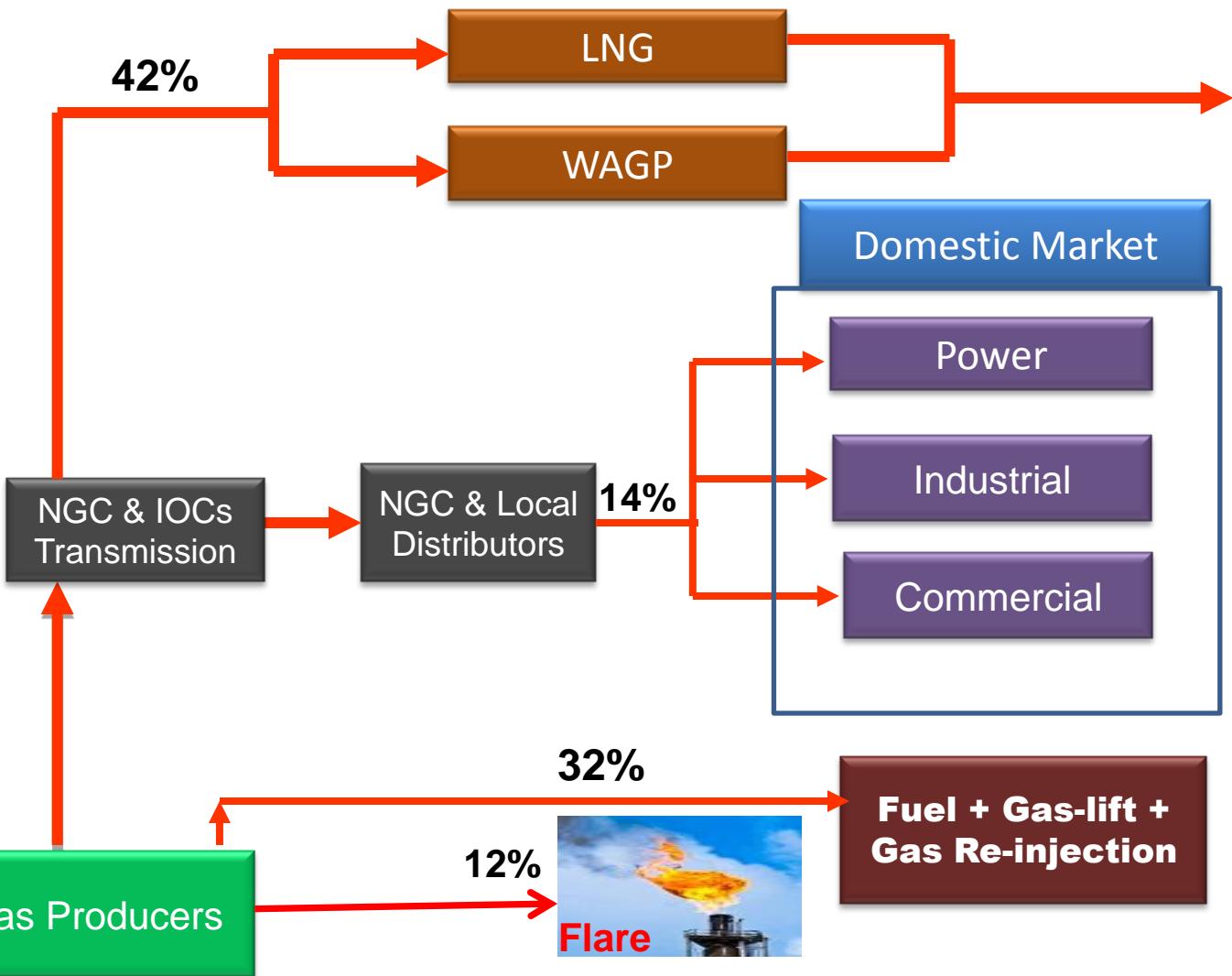


Lack of Integration in the local oil & gas value chain has further compounded the effects of low crude



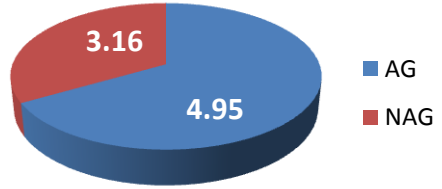


Gas infrastructure sector proffers visible options for investment

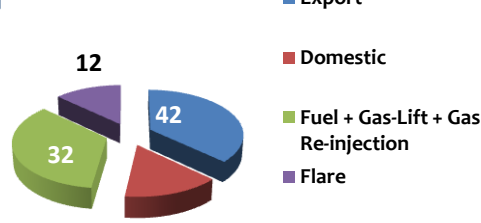


Export Market

Avg Daily Production
(8.11Bscfd) – 1st Half 2015



Breakdown of Production (%)



The African dark night point to the for gas monetization





Also the need to fill the huge Refinery gaps

★ VISION 2020:20

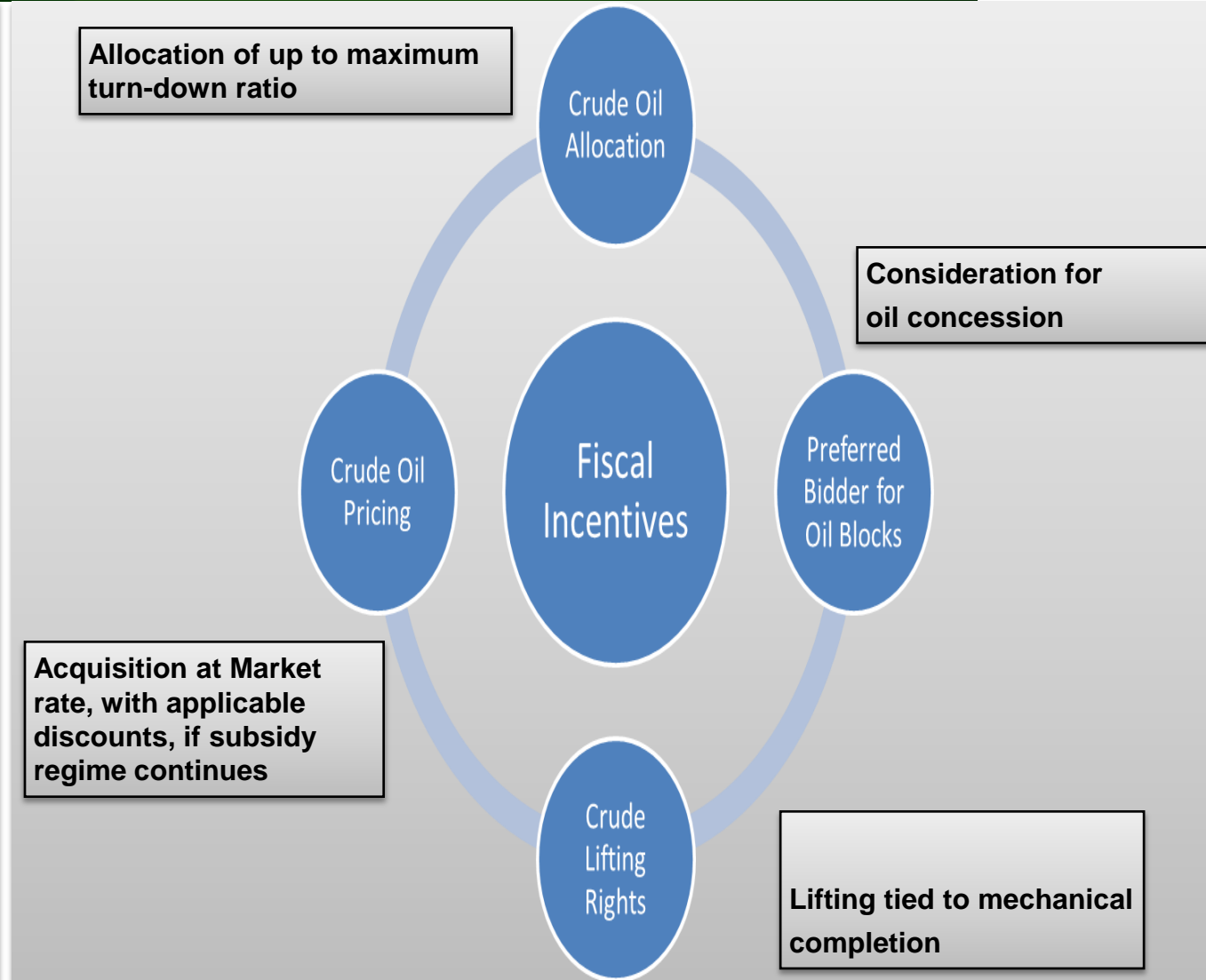
- Federal Government policy thrust to refine over 50% of crude oil produced in Nigeria to enhance national refining capacity and deepen Nigeria's industrial development.

★ PRIVATE INITIATIVE

- Inclination towards establishment and operation of privately owned refineries

★ MODULAR REFINERY INITIATIVE

- Squeeze-out value from stranded hydrocarbon in remote locations and marginal fields to enhance resource



Challenges to creating needed domestic values



- **Capital**
- **Expertise**
- **Security**
- **Enabling laws**

Challenges



- Today's market conditions have essentially created a buyers' market, as governments launch more licensing rounds
- The world already holds more opportunities for oil and gas finds than companies have money to pursue and develop
- The fiscal terms on offer in Nigeria will play a critical role in determining how attractive the opportunities are perceived

Ways out...



- Regulation should take more cognizance of the growing global competition for investment dollars
- Streamline governing regulation
- Streamline taxation regimes
- Emplace predictable fiscal structure across board

Harness & effectively implement existing policies



- **Address multiplicity of Regulatory Agencies**
- **Entrench transparency**
- **Remove bottlenecks in approval processes**
- **Digitize approval processes to reduce turn around time**

Synergize strategy on FDP



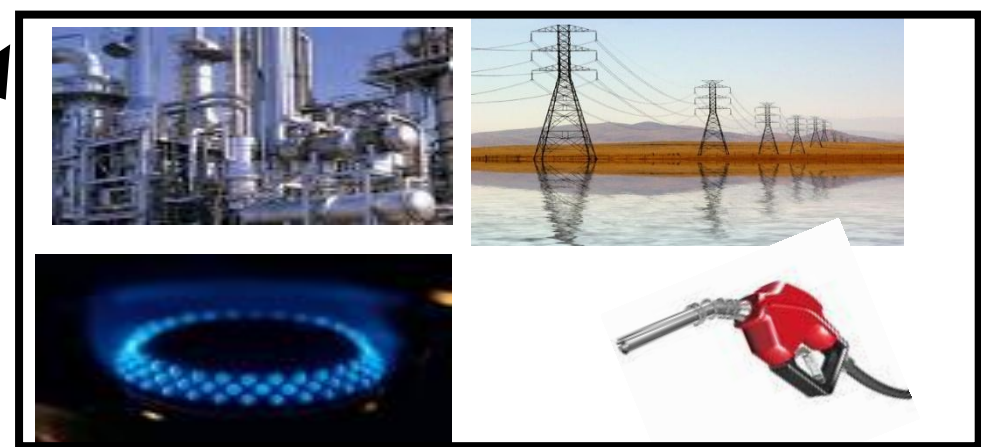
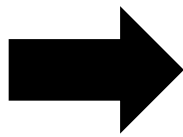
- Shared Capital; Shared risk; Shared returns
- Joint Development Projects
- Surface production facilities
- Oil transportation/ Gas transmission

Innovative financing models



- Financing Models different from traditional
- New thinking: Contractors offering services in lieu of returns in kind for the development of the asset
- Turn-key Operations Model

The case for integration



DEPARTMENT OF PETROLEUM RESOURCES

Road to the future would be better paved with products from our refineries



The PIB Imperatives



Passage of PIB important to create trust and regain investors' confidence

Yet-to-be-passed Bill needs to be situated in today's reality on competition for investment capital

Closing



- **Effects of price downturn is dire due to wholesale reliance on trading unprocessed crude**
- **Revising strategies to optimize the hydrocarbon value chain and riding out of the raw material dilemma key to getting out of perennial slough of price slides**
- **The season offers opportunities for reconsideration of strategy**



End