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AFRICA

The importance of oil revenues in African countries

SUMMARY

NIGERIAN MIDSTREAM AND DOWNSTREAM PETROLEUM REGULATORY AUTHORITY (NMDPRA)

Logo of NMDPRA

Nigerian Petroleum Agency Inaugurates Regulatory Review

The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) on Monday 1st of August has begun the long awaited initiative to review the midstream and downstream petroleum regulations to in the oil and gas industry with laws and policies to enable investment in the sector.

The Minister of State for Petroleum Resources, Chief Timipre Sylva, at the NMDPRA stakeholders stated that copies of the regulations had been shared with critical stakeholders for inputs, contributions, comments and reviews.

The Minister stated that the intention behind the review was to provide clarity for local and foreign investors, build and promote investors' confidence, and enhance indigenous participation in the sector as well as attracting investments to the midstream and downstream sectors.

"We are now at the point of engagement and interaction with a view to issuing regulations that would benefit all stakeholders," Chief Sylva said.

He mentioned that the authority is a creation of the Petroleum Industry Act (PIA) 2021 burdened with the enormous responsibility of commercially and technically regulating the midstream and downstream operations of the oil and gas industry in Nigeria.

He said that the purpose of the review was to fulfil the provisions of Section 33 and 216 of the Petroleum Industry Act 2021.

"We are gathered here today in fulfilment of the provision of sections 33 and 216 of the PIA 2021 which mandate the authority to consult with relevant stakeholders prior to finalizing and making any resolution concerning the process of refining, transmission, distribution, supply, sell and storage of petroleum products or any other matters by the authority as related to the activity of mid and downstream petroleum operations."

Sylva stated that this administration understood the need to have a robust, well-crafted and unambiguous regulatory instrument that has been meticulously developed to meet the present and future aspirations of the government and one that is in line with global industry standards.

While observing that the present state of Nigeria's local energy landscape is dismal and in need of home grown indigenous solutions, the minister said that the nation has an opportunity to improve the situation through these regulations.

It is expected that these regulations in the long run will ensure rapid business growth in the oil and gas sector and create enormous opportunities for Nigerians in terms of job opportunities, business opportunities and employment.

Also speaking, Mr Farouk Ahmed, the authority's Chief Executive reiterated that the consultation with stakeholders was in line the mandate of the Petroleum Industry Act which instructed that stakeholders be consulted before introducing of new regulations.

Mr Ahmed said that these regulations are critical, important and integral to the operationalisation of the Petroleum Industry Act and require collective commitment to ensure it is properly done.

He observed that stakeholders had intentionally decided to facilitate policies that will attract the sorely needed investment, improve the ease of doing business, create employment opportunities for Nigerians and reduce the burden on their business partners.

"Accordingly, our priority will be to ensure these regulations are primary enablers of the Federal Government's Decade of Gas initiative and will help catalyse investment and enhance the attractiveness of the domestic gas value chain.

He mentioned that he is also conscious of the fact that effective regulations must be ethical and amongst many outcomes ensure equity, fairness, transparency and certainty for all stakeholders in the regulatory space.

"It is, therefore, necessary that we give undivided attention to this process, as the success and quality of our deliberations would significantly determine how our Industry evolves in the near future. Our collective actions have a direct impact in unlocking the main energy provision sector of the Nigerian economy.

He, therefore, requested that stakeholders approach this task with a sense of responsibility and patriotism.

Timipre Sylva, Minister of State for Petroleum Resources of Nigeria

Natural gas tank

Natural gas the game changer in the energy sector

Josep Borrell, representative of the European Union for Foreign Affairs and Security Policy, stated recently that the EU has reduced 50% of its Russian gas dependency. This represents a significant move and shows the new direction Europe is taking to impact its gas supply.

"We have already managed to cope with an overall reduction in the share of Russian gas imports from 40% at the beginning of the year to around 20% today, principally by buying more LNG, whose share of gas usage has doubled from 19% to 37%," "We have also made progress in buying more pipeline gas from Norway, Algeria and Azerbaijan," Mr Borell said.

Even though these important measures are impacting the supply chain of European gas supply, the old continent will have to reduce its gas consumption if it wants to go through this coming winter without major energy shortages. Joseph Borell is calling for solidarity among European nations in order to go through a smooth winter.

Gas consumption has to be reduced significantly and Europeans have to agree that certain industries will be given priority. It is ironic that the EU has not opted out of using other sources of energy sources but its message consisting in banning fossil fuel remains intact.

Other challenges are emerging and are making predictions on gas supply for the next two years almost impossible. The closing of the Brittan and Belgium gas pipeline will add pressure on the lack of supply.

According to Interconnector UK, the British company that manages the pipeline and the two terminals, the “Interconnector” pipeline, which connects the UK to the mainland, has been closed due to a problem with the Bacton terminal's filtration system. Every year, 20 billion cubic meters of gas are transported to Belgium via the Interconnector and 25.5 billion cubic meters in the other direction.
The impact could be limited on Belgium when we take into consideration that “some 600 GWh of gas passes through the pipeline every day, mainly to supply Germany and the Netherlands”. England has exported record gas to the Netherlands this year because it does not have the capacity to stock the combustible but expects the product to be sent back when needed.
The US which is the biggest natural gas producer (US) is still strong and is expected to grow in 2022 but extraction rates in the beginning of the year are staggering. Dry natural gas will grow but not as much as demand. In January, production fell about 2.5%. Dry natural gas production will average 96.5 Bcf/d in 2022, which is 3.2% (or 3.0 Bcf/d) higher than the 2021 average.
Furthermore, the two leading regions the Appalachians and West Texas are seeing a decrease in production due to a lack of adequate pipeline. The US has really stepped up to help the EU reduce Russian gas dependency and has become at the beginning of year the first LNG exporter but no one can tell what the future holds.

gas pipeline

Logo of ExonMobil

Controversy as Buhari Approves the Acquisition of Exxon Mobil Shares

The President, Major General Muhammadu Buhari (rtd) in a press briefing released by his media adviser, Femi Adesina stated that, the president had approved the acquisition of the entire share capital of Mobil Producing Nigeria Unlimited from the parent company Exxon Mobil in America by Seplat Energy Plc an indigenous oil and gas firm.

In doing this, the president considered the enormous benefit the business transaction would bring to the Nigerian Energy Sector and the spillover effect to the larger economy as well. This is part of an initiative to drive foreign direct investment in the energy sector so as to boost productivity and increase employment opportunities for Nigerians.

The media adviser stated that the president is committed to encouraging investment in the sector which is in line with the Petroleum Industry Act. President Buhari consented to the share sales agreement that was demanded by the parties involved and gave a directive that all parties involved should be informed of the approval.

After successful completion of the business transaction, it is expected that Exxon Mobil/Seplat carry out operatorship of all the oil and gas mining licenses in shallow waters assets – this is intended to boost productivity and ensure that Nigeria meets its Organization of Petroleum Exporting Countries quota and also enhance development in the oil and gas sector by harnessing the gas resources in the sector.

The Chief financial Officer, Seplat, Emeka Onwuka confirmed the deal. He stated that business negotiations and arrangement have reached advanced stage and that completion of the acquisition was subject to ministerial consent and regulatory approval by the Nigerian Upstream Regulatory Commission.

A few days later, Nigerian President Muhammadu Buhari overturned his earlier endorsement of Seplat Energy Plc's $1.28-billion purchase of Exxon Mobil assets and decided to back the regulatory agency's decision to reject the deal.

The Nigerian Upstream Petroleum Regulatory Commission had contradicted the position of the president, who also serves as Minister of Petroleum. The Chief Executive Officer of the regulatory agency, Gbenga Komolafe stated that the status quo remains in relation to the acquisition of Exxon Mobil assets by Seplat. He further mentioned that in line with provisions of the Petroleum Industry Act 2021, that the agency is the only regulator vested with the power to deal with such matters in the Nigerian upstream sector.

Garba Shehu, a spokesman for the presidency, stated that, "it has become clear that the various agencies involved in the decision had not coordinated well among themselves and having looked at all of the facts with all of the ramifications, the president decided the position of the regulator is to be supported."

Oil well

The importance of oil revenues in African countries

Oil producers in Africa have often been a subject of controversy. While some are seen as lucky to be part of a limited group with a resource that everyone needs, others are pointed out for their lack of transparency, corruption, the strong dependence on the black gold and the negative impact exploitation can have on their population.

When oil revenues are used to build new infrastructures like hospitals, schools, roads or to create jobs, everybody applauds and asks for more, populations can actually measure the benefits of the exploitation.

The easy access to quality health facilities such as hospitals and clinics are one of the pillars in most of the country's constitution. It is the duty of the States to offer the population a means to heal whenever necessary.

Education is even more important because knowledge is life and without it there will be no progress. An educated population is responsible and thus more productive. Education is key when developing a country.

Some people theorize that good roads are fundamental to development. We can easily understand that position when we relate it to our daily lives and the importance of transportation of people and goods.

On the other hand, when contracts with the multinational firms are signed without consensus, the population always feel that their interests have not been preserved. Corruption also is in many people's tongues when considering the important amounts of money at stake.

However, the most important point remains the impact that oil has on the economy. Countries are at risk when most of their revenues are mainly generated from oil. They become vulnerable and dependent on external fluctuations. Usually, a great percentage of exports involve oil.

African countries should extract, refine and transform this resource before exporting. This will assure more significant revenues and impact the economy in a positive way. They also should use an important percentage of the revenues to diversify the local economy in order to be less dependent on oil.

Diversifying the economy is fundamental for the future of African nations, developing a parallel industry such as solar and wind-based energies would be a great strategy to achieve a mix of energy sources. This will foster the creation of small transformation industries for local products and also bigger industries such as automobile, pharmaceutical, metallurgy and so on.

Manar E. SALL, Managing Director of Petrosen Trading and Services

Between Clarifying and Educating

On Friday, July 29, 2022, the Petrosen Trading and Services management organized an information session at the Radisson Blu on the topic of natural resources in our country.
Personalities of the sector attended this event and we can mention in particular, Fary Ndao Thierno Seydou Ly, DG Petrosen E&P, Abdou Thiam, DG ECSEN, Samuel Faye, DG CNFTPA, Issa Diop, expert of the Diaspora.
Distinguished members of civil society, the private sector and employers were also present and this was followed by quality exchanges with the public. We will retain the intervention of Victor Ndiaye of Performances, Oumar Diop of Millenium Challenge, Abdoulaye Ly of CIS, Babacar Diagne of CDES.
The interventions and discussions focused on breaking down the many preconceived notions and false allegations regarding the oil issue in Senegal. They have also enabled everyone to better understand the reality of the real figures by taking note of the true information. Some essential points were recalled:

- Senegal has indeed discovered important oil and gas deposits and exploitation is expected to start as early as next year.
- Senegal is more a gas country than an oil country.
- Senegal ranks 5th in the continent and 27th in terms of world reserves.

The discovery of oil and gas in Senegal has caused a lot of ink to flow and given rise to the most insane rumors. It is important to communicate truthfully and clearly. The exercise in which Manar Sall, CEO of Petrosen Trading & Services and his guests took part consisted essentially in re-establishing the truth by coming back with strength and details on the nature of the collaboration between the State of Senegal and the international firms concerned. Mr. Sall also insisted on the need to have a communication plan to inform accurately and in real time.

Many ideas have been put forward and deserve to be implemented, in particular the approach of explaining the State's roadmap in national languages so that everyone has the possibility to have the same information in real time.

We greet the intervention of Fary Ndao in Wolof which was remarkable and which thus made it possible to close the debate on the percentage which returns to Senegal. Between analogies and realities he was able to explain clearly and without any ambiguity the percentages put forward.

The part played by national companies through local content was also of great interest. Local content is indeed the best way for our citizens to enter this sector of the future. To facilitate the access of Senegalese to local content, the State has proceeded to a subdivision into three parts.

A part reserved only for nationals, another for nationals and foreigners and finally a last part on international tender because it requires an expertise that we do not have locally.

Such efforts must be multiplied so that we can all form an opinion based on reliable information.

City of Dakar, Senegal

Oil well

Premises of an Oil and Gas boom in Africa

We have witnessed an increase in production over the last years in several African countries due to a rise in demand for fossil fuels.

Many oil firms see in African soil an opportunity to develop new low-carbon oil operations. However, the challenge that African governments might face is to convince the members of the COP27 to allow and accompany the development of the oil industries.

The best argument would be that African countries have important gas resources that are vital to developed countries actually facing shortages and rising prices.

Furthermore, the oil and gas reserves in Africa could be used to avoid problems and hikes in prices while conducting a renewable energy transition process. Hence, there will still be opposition from world leaders who want to reduce dependency on fossil fuels. So it is African countries to make their case to the rest of the world for the need of the natural resources during the transition process.

According to the Guardian, a document by the African Union highlighting support for the development of oil and gas operations across most African states will likely be presented at the next global climate summit in November 2022. In the document, the Union says: "In the short to medium term, fossil fuels, especially natural gas will have to play a crucial role in expanding modern energy access in addition to accelerating the uptake of renewables."

However, environmentalists and some NGO are not totally aligned with African leaders who plead for a continuing exploration of their natural resources, but rather encourage a more rapid development of renewable energy projects across the African continent, and fear more reliance on fossil oil at the expense of the global green transition.

Because of the need to exploit their natural resources, many African leaders have expressed their support for the industry. tTey rightfully argue that it is now time for their countries to profit from their resources just like developed countries have profited for oil and gas.

Research showed that many of Africa's current oil and gas operations are more expensive than the global average. According to McKinzey, African countries must consider three parameters in order to benefit entirely from their oil and gas operations:

- First, they must reduce emissions produced in the oil and gas operations, decarbonize operations while improving cost efficiencies.
- Second, Africa should anticipate the global energy transition and invest in lower-carbon infrastructure projects as existing oil projects are less profitable to major firms.
- Third, they must invest in renewable energy projects while they run their oil and gas operations to gradually shift away from fossil fuels.


Wind power

South Africa to produce more Renewable Energy

As we know, South Africa has not been able to provide a steady electricity supply for several years now.The country's power generation is still dominated by coal. And it lags far behind the global trend toward clean energy.

Most people associate renewable energy exclusively with wind and solar power, but it also encompasses all technologies that deal with non renewable fossil fuels even though it is in a small quantity or proportion.

Hydropower stations, which extract electricity from the downhill flow of water, are a renewable energy source. However, a major increase in local hydropower generation is not feasible, because South Africa is prone to drought.

Other renewable energy technologies like geothermal and tidal power generation are not common in South Africa and this makes room for wind and solar, which make up about 8% of South Africa's energy mix.

Wind and solar power can be very attractive and profitable because South Africa has some of the best solar and wind resources in the world. Solar and wind plants already produce electricity very effectively in less windy environments than South Africa. and they can also be built in less than two years. Their extremely low carbon emissions contribute to global warming and make solar and wind energy attractive to investors.

Considering the climate advantage, the share of electricity generated from renewable energy technologies is surprisingly small in South Africa. Despite this low share, there is considerable opposition in some communities to the development of renewable energy. Some sectors have an interest in maintaining the coal-dominated status quo.

Given the variability of wind strength and the variability of sunlight, these technologies only occasionally produce power at full capacity. Under typical South African conditions, a solar or wind power plant produces only about one-third of the energy of a coal plant of the same capacity that is operating.

Thus, overcoming the current power shortages therefore requires about 15,000 MW of new solar and wind power plants. The continued decrease in productivity of large coal plants means that the actual need for new renewable generation capacity over the next five years is closer to 20,000 MW.

It is now agreed that the energy crisis must be addressed. A rapid expansion of renewables is the only way to avoid the downward spiral of power outages in the medium term.

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