

# NEWSLETTER



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## **NIGERIA OWNS THE WORLD LARGEST OIL REFINERY**

Just a decade after oil was discovered in 1957, it was a major factor tearing Nigeria apart in civil war. Since then, production has seldom exceeded 2million barrels a day, many economists blamed the state-owned industry. Nigeria is sitting on 37 billion barrels of oil enough to power the country for 273 years, the biggest producer of oil in Africa still imports from other countries. According to the Former DG Lagos Chamber of Commerce and Industry Dr. Muda Yusuf, these are state-owned refineries and we know what the stories have been, over the past 10 years.

They have been underperforming closely, and become a major liability, the problem of oil theft by militant groups is endemic in Nigeria, by some estimates, 15% of all crude produced is stolen and on the black market. NNPC runs 4 refineries that operate at a fraction of the capacity, the newest is 4 decades old. According to a spokesman and an oil and gas analyst Bode Ososami, who has said oil does not have to be a curse.

It is more truthful to say, for Nigeria oil has been a wasted opportunity and does not need to be that. He also mentioned that countries with abundant natural resources, tend to have challenges with economic growth, and wealth development outcomes when you compare them with fewer natural resources. The cause is not in the oil itself, but in how it has been managed.

To operate a refinery in an environment of a tapped pipeline, severe pollution, kidnapping, and especially in times of climate change and public awareness of the need for alternative energy sources, Nigeria's future however continues to advance in this 21st century. Nigeria's natural resources lie a hundred feet beneath its service, and they could transform the nation's fortune.

In some countries, the discovery of oil has brought unprecedented wealth, and development while in some other countries, the discovery of oil has brought economic stagnation, corruption. For oil itself has excellent qualities, it is low in Sulphur, easy to blend, and relatively straightforward to drill.



Business Mogul and Entrepreneur Aliko Dangote has decided to build a refinery. According to Dangote, the refinery would be producing 650,000 barrels daily. Nigeria exports almost 2,400,000 daily and we don't refine any at all he said.

For a country like India, they create about 5 million barrels per day, and that is a country where they don't have oil at all. Nigeria is sitting on over 2,400,000 barrels at a point and we don't refine any of this oil. This is an opportunity to get the Nigerian oil and gas industry where it needs to be. We import almost 100% of the oil we consume, for a country that has the tenth world largest oil reserve.

According to Godwin Emefiele (Central Bank governor) setting up a 650,000 barrels per day refinery, is usually a project set up by sovereign countries, not by an individual no matter how big the company is. According to Dangote, the refinery is going to help to transform not only the oil and gas sector but also the entire economy of the country. It will put millions of people directly and indirectly at work thereby creating employment opportunities in Nigeria.

By transforming the economy, the government would have more money in terms of education, health, infrastructure.

According to Dangote, it is very painful for a country as resourceful as Nigeria, with a population of over 200 million-plus, and yet still indulges in the importation of our petroleum products. With that in mind, he thought it should be addressed, and that Nigeria has been beneficial to him, so he decided to consider the project.



He however said they had tried in 2007 but the government at that time lost interest. But now the present government is in support of addressing the issue in Nigeria. It is said that 57,000 people are going to be working on the site. 11,000 engineers from different parts of the world already working there, 28,000 and more are Nigerians getting massive training on the site.

It is the biggest in the world, said Dangote, filled with heavy machinery, cranes, massive towers, etc., with 2500 hectares of land, heaters from different parts of the world. The goal is to finish by early next year, with 40,000 hands at work.

According to the CBN governor who said that their selfish interest is that, it will help to achieve their import “substitution objective” which means goods that are currently being imported into the country, with the scarce foreign exchange are now produced locally, thereby saving foreign exchange, that would have been used to fund the importation of the products. One of the benefits of producing petroleum products locally is that it would give us currency stability because today 25% of our foreign exchange goes into the importation of petroleum products.



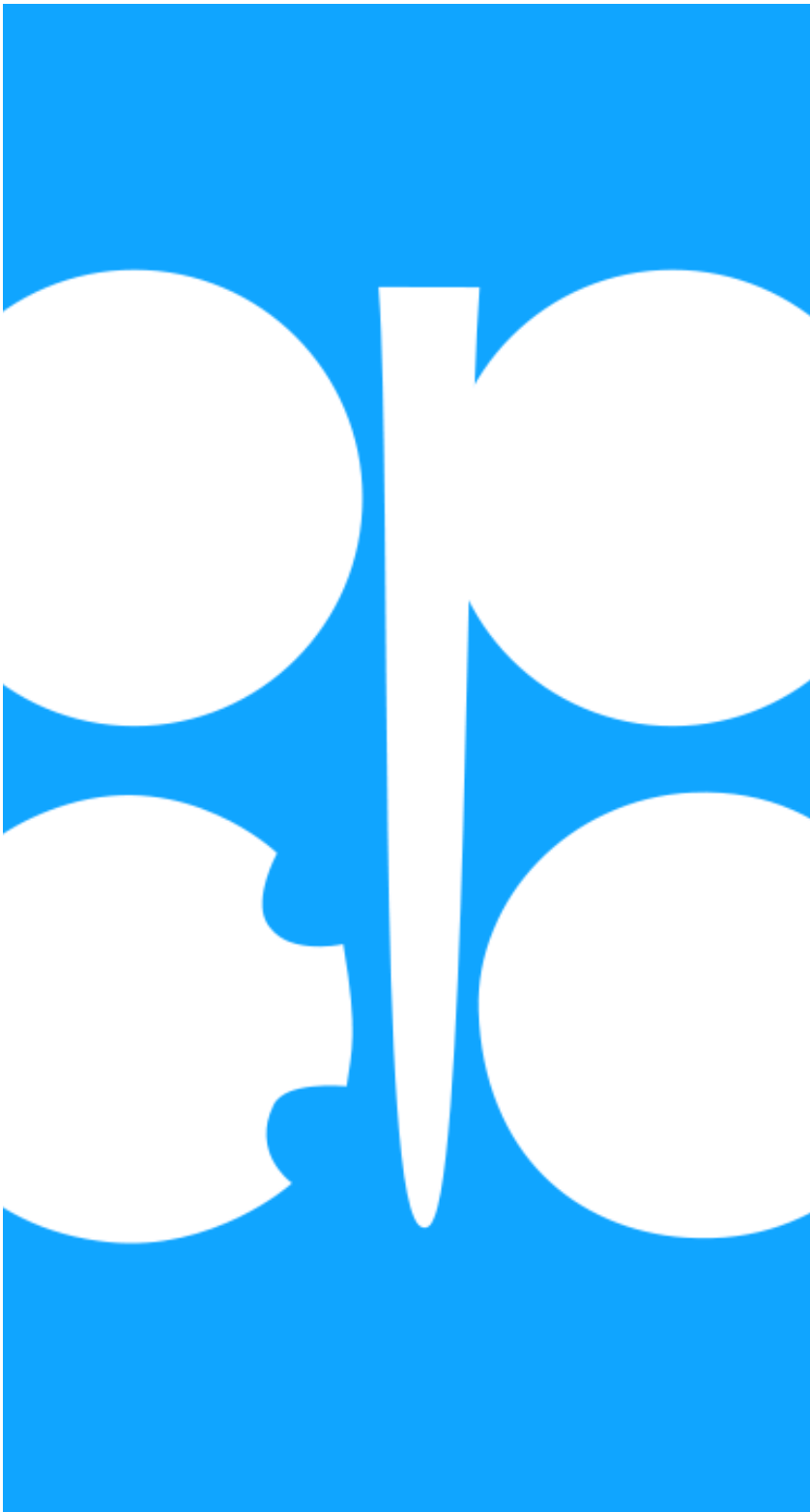
But right now if we are going to spend like 8-9 billion dollars on imports, it's not just going to happen because there is the full capacity to meet up everything. Either PMS, diesel, or aviation fuel there will be a lot of it, as well as there will be leftovers that can be exported to bring back foreign exchange to the country. Even our own balance of trade would change and it will strengthen the naira because we don't have to go and import the finished products of our raw materials. (NNPC) is taking a 20% slice. The Dangote refinery might have its name on it but doesn't have full ownership.



## **AN OVERVIEW OF THE ORGANISATION OF PETROLEUM EXPORTING COUNTRIES OIL CUTS VIS-À-VIS NIGERIA'S PRODUCTION AND SAUDI ARABIA'S AGREEMENT WITH OPEC**

The organization of Petroleum Exporting Countries (OPEC) began to make huge oil production cuts in early 2020. This was due to concerns that an economic slowdown would create an excess in the amount of crude oil supply and the fact that the demand for crude oil further reduced, owing to the COVID 19 pandemic. The decision led to oil production cuts by OPEC of 7.2, 7.13, and 7.05 million barrels per day (BPD) as of January, February, and March 2021. In April 2021, OPEC released a production quota that eased the target production cuts by 1.14 million barrels per day from May through July 2021. The production cuts were reduced to 6.55, 6.20, and 5.76 million BPD in May, June, July. This decision was in response to the gradual recovery across the world and the noticeable increase in crude oil prices.

At the recent meeting of OPEC and its allies, which was held virtually on 18 July 2021, OPEC proposed a further reduction of the production of 0.4 million BPD monthly starting August 2021. The decision to continue to reduce the agreed production cut is a signal that the economy is recovering from the impact of the COVID 19 pandemic and the demand for crude oil and its product is increasing. We can only hope that this trend remains the same considering the new COVID 19 variant and its impact on countries around the world.



On a separate note, amid OPEC production cuts of almost 10million barrels per day in 2020 and a gradual relaxation of production cuts to about a 5.8million BPD, the United Arab Emirates (UAE) and Saudi Arabia were in disagreement over production volumes, sparked by UAE's rejection of the Saudi-led deal to raise production beyond the limit set for early 2022. While Saudi Arabia and the UAE both endorsed raising the production output, the UAE opposed extending the existing deal from April 2022 until December 2022, unless it was granted a higher production quota.

The disagreement, which caused a fluctuation in global oil prices, was finally resolved when the UAE came to a consensus with Saudi Arabia, the de facto leader of OPEC in July 2021. The parties reached a provisional compromise that was subject to approval at a yet unscheduled meeting of the cartel and the OPEC.



## **FINANCING PETROLEUM PRODUCTS IS A FUTURE CHALLENGE**

Most oil and gas reserves are located in developing countries and significant discoveries are still being made. However, they are facing important challenges ahead. A growing number of financial organizations are looking away from investing in new projects due to the global shift towards cleaner renewable sources of energy.

Meanwhile, those new oil/gas discoveries will require significant investments. The energy demand is growing at a very fast pace in developing countries and is undeniably one of the most important keys for development. There will be no industrialization without reliable sources of energy and no development without industrialization. Understanding this correlation is a necessity for the future of the world. Conversely, a misdiagnosis of the situation will have catastrophic consequences in the future.

Often, we fail to correctly assess the impact that each sector can have on “World Security”. Tackling certain issues like poverty, immigration, security needs to be done in the way we solve major issues. We must change paradigms and recognize the consequences of our actions to find sustainable solutions.

Some studies in the 1990s predicted O/G use would increase in the developing countries and decline in the developed countries between 1998 and 2010.



Oil would be used primarily for transportation in the “West”. In light of today’s reality, we are witnessing the boom of electric cars. The automobile industry is making every effort to transition quickly and this will have a huge impact globally. It will have an enormous impact on the automobile industry even in this part of the world.

There is a pressing need to estimate with accuracy for how long petrol resources will be entirely exploited worldwide and especially in the developing countries. Developing a strategic exit or transition to other sources of energy is going to be the logical next step. In those countries, gas seems to be widely available, making it an excellent alternative energy source. It’s equally important not to overlook solar and aeolian sources.



The majority of multinational firms are aware of the current situation and have focused on developing countries for future growth. They are even changing their names to be politically correct. In this industry, the key to success will remain in being proactive and anticipating new trends.

Financing of O/G new projects is a major challenge for the developing world, so all resources should be pooled together to ensure that they will not be faced with a situation where O/G resources are abundant without a way to exploit them. It is a legitimate concern that must be addressed.

It is essential to establish a fund exclusively dedicated to auto-financing oil/gas investments in oil-rich countries to ensure internal growth and eliminate dependence on western financial institutions. The challenges ahead will not be easy, and it's time to ring the alarm.



Last, but not least, renegotiating new agreements with international firms should be a priority in order to ensure a win-win situation for the exploitation of the resources. It is imperative to develop new economic terms as most petroleum resources will be produced and consumed in developing nations.



## **VICE PRESIDENT PROF YEMI OSINBAJO REJECTS DEFUNDING OF GAS PROJECTS**

The Federal Government has called on the international community to understand defunding gas projects to achieve the global net-zero emission would be unhelpful to developing countries like Nigeria.

According to a statement issued by the government, Vice President Yemi Osinbajo made the call at the high-level United Nations event on the Energy Transition plan in Africa with a special focus on Nigeria.

He said the scaling up in the Nigerian context was based on clean energy, a reflection of the Federal Government's commitment to the Paris Agreement on Climate change, with energy consumption in developing countries doubling in the last 15 years, and expected to grow another 30 percent in the next fifteen years.

Osinbajo states "it means building sustainability into our economic planning, and so our Economic Sustainability plan includes a plan to provide five million homes with cleaner energy through its decentralized solar power programme. This means an estimated 25 million Nigerians would have access to solar power."

"The first phase of this plan is already underway, and we think that this sort of programme will quickly and ramp up our progress towards net-zero emissions.

This is why the international community should understand that the plan to defund gas projects in the run-up to the global net-zero emissions target would be unhelpful to developing countries like Nigeria.” The Vice President added “The energy access element of the transition must be linked with the emission reduction aspect of the transition. For too long, we have considered these to be parallel tracks.



However, pathways to reaching net-zero by 2050 have to include first ending energy poverty by 2030. If energy access issues are left unaddressed, we will continue to see growing energy demand being addressed with high polluting and deforesting fuels such as diesel, kerosene and firewood.”

He said, “Nigeria has already made a commitment to have 30 percent of our electricity supply from renewables by 2030. Also, natural gas is currently used for industry, fertilizer manufacturing, and cooking which are more difficult to transition than power generation.” however, the meeting was a closed-door session with COP26 President-Designate, Mr.Alok Sharma, a cabinet rank British minister and the chair of the UK Government’s COP26 Energy Transition Council at Whitehall.



## **PIA WILL INCREASE NIGERIA 'S OIL PRODUCTION BY 317% TO 4M BPD**

The Federal Government has said that the implementation of the newly enacted Petroleum Industry Act (PIA) will boost the oil production capacity of Nigeria by about 317 percent to four million barrels per day (BPD) from the current level of 1.2 million BPD. Disclosing this in his keynote speech at the 2021 Seplat Energy Summit in Abuja yesterday, Minister of State for Petroleum Resources, Chief Timipre Sylva, stated that this would enable the oil and gas sector contribute more to the economy. He said that government has rejected a single pathway concept for the energy transition and net zero carbon, explaining that the energy transition is a process, rather than an instant result.

He stated: “The PIA 2021 will undoubtedly assist in harnessing Nigeria’s potential to achieve its plan of increasing oil production to 4mb/d and oil reserves from 37bbls to 40bbls, while also drawing on the country’s estimated 600TCF of natural gas reserves to provide clean and efficient energy. These resources will be crucial in supplying world markets with a broad portfolio of energy options, as well as supporting the global endeavor to alleviate energy poverty as envisioned in the United Nations Sustainable Development Goal 7.” According to the minister, Nigeria will continue to explore and invest in the development of hydrocarbon resources while pushing for the use of gas as transition fuel

He explained that gas would be central to Nigeria’s plan for energy transition. “First is the focus on gas, for us, this is at the heart of the energy transition and represents the first step in the journey to renewables, away from oil. Already, we have declared that gas is our transition fuel, and also represents a destination fuel, as we envisage that it will be part of our energy mix by 2050, given the vast resources that can be commercialized and utilized” he added.



Meanwhile the chairman of Seplat Energy plc, Dr. ABC Orjiako, said the company has set 2024 as the target to end gas flaring in all of its operations. He stated: “Seplat Energy delivers over 50 percent of gas supply in Nigeria. Seplat is to remove gas flares in 2024. Our plan is to replace all of the wood we use in homes with the use of Liquefied Petroleum Gas, which is a cleaner energy.”



## **EVOLUTION MONDIALE DE LA TRANSITION ÉNERGÉTIQUE ET PERSPECTIVES AFRICAINES**

On October 07, 2021, a second edition of the Seplat Energy Summit will be held. The summit will feature a panel of respected subject-matter experts to discuss on the theme: Global Trends in Energy-Transition- The Africa Perspective. As the world moves toward energy transition with Climate Change, Environmental Sustainability and Policy Change dominating the energy discussion, addressing Africa's electricity/power deficit becomes Paramount.

It becomes even more imperative in the backdrop of the growing population of the continent. The global economy will depend upon an energy mix that will prioritize clean energy sources from now on. Contribution from oil and gas to the energy mix will continue to decline going forward.

The declining will be more in oil than gas, which is a cleaner energy source. Gas will play a strategic role as a transition fuel, boosting economic growth and development by providing needed energy access, particularly for emerging economies where energy poverty has possessed perennial barriers to economic growth.

The 2021 Seplat Energy Summit brings dynamic leaders in their fields to examine the various aspects of Energy Transition and put divergent perspectives on it in proper context. The Summit is a hybrid of onsite presence and online participation.



The event will feature keynotes, presentations and panel discussions on the topic of the Energy Transition by renowned global experts as well as seasoned professional from the private and public sectors. The Summit is designed to provide the right platform to generate insightful discussion that offers insights and knowledge to understand energy transition for the continent in the proper context.

We anticipate the Seplat Energy Summit 2021 to provoke thoughts on perspectives of the energy transition, its economic impact, challenges, prospects, and the changing paradigms to the politics of the energy ecosystem. The event is to give insight on the aspect of the global topical subject matter, Energy Transition.





## **GUINEA-BISSAU, SENEGAL PROMOTE HYDROCARBON DEVELOPMENT OF THE MSGBC BASIN**

Guinea-Bissau has several offshore areas that hold good prospects for a variety of independent exploration and production (E&P) companies, as well as International Oil Companies (IOCs) that are currently operating in several of the MSGBC Basin countries including Sweden's Svenska Petroleum, Norway's PetroNor E&P and Australian-based FAR LTD - which is also present in the Gambia and Senegal. The bulk of E&P activities are conducted in partnership with Petroguin Ep, the national oil and gas company of Guinea Bissau. However, there is another particularly important player in Guinea's oil and gas sector, the Agency for cooperation between Senegal and Guinea-Bissau (AGC).

The AGC is headquartered in Dakar, Senegal, and is responsible for the undertaking of geological and geophysical studies, drilling work, and activities related to exploration, and petroleum resources. Equally important, the AGC is responsible to help the marketing and promotion of all oil and gas activities in Guinea Bissau. Finally, the AGC also takes an active role in ensuring that the exploitation of these natural resources is done in a sustainable manner that ensures the control and protection of the marine environment where these offshore blocks are located.

In addition to its important role in developing regional cooperation in the oil and gas sector, the AGC also plays a role in two other highly strategic sectors for both countries, which are mining and fisheries. Guinea-Bissau is undoubtedly one of Africa's richest countries when it comes to natural resource endowment. There are significant deposits of bauxite and phosphates in the country.

Petroleum Operations in the AGC zone began in 1958 with the Compagnie des Petroles Total Afrique de l' Ouest (COPETAO) in Senegal and the EXXON company in Guinea- Bissau. Initially, Petroleum Operations focused on salt domes (Dome Flore and Dome Gea) characterized by structural traps. These operations led to the discovery of heavy oil deposits on the Dome

Flore in 1967 and on the Dome Gea in 1971. In 1991, Casamance Petroleum Ltd obtained the hydrocarbon exploration permit known as the Dome Flore Permit and acquired a set of 3D seismic data(300km), on the Dome Flore and the Dome Gea in 1971. This permit expired in 1994 and the area was subsequently reassigned to the pectin company, which drilled a shallow exploration well called "Baobab-1" on the eastern flank of Dome Gea in 1996.



This drilling encountered evidence of oil from 1997 to 1999, the AGC undertook seismic studies followed by a vast campaign to promote the blocks of the deep offshore of the common zone in which the AGC facilitates cooperation between Senegal and Guinea Bissau. Following this promotion campaign, two hydrocarbon exploration permits (Cheval Marin Permit and Southern Cross Permit) were awarded in the deep zones respectively to the company AGIP- a subsidiary of the multinational petroleum company Eni- and fusion Oil & Gas NL, at the beginning of 2001.

These two companies subsequently carried out important work of 2D and 3D seismic surveys, magnetic, gravimetric, geochemical studies, in their respective permits. The AGC currently has partnerships with several oil and gas companies including Petroguin E&P, Oryx Petroleum, CNOOC/NEXEN, Tender Oil & Gas SARL best petroleum among others. A future bidding round could attract even more players to the offshore blocks managed by the AGC.

Today, following the various large-scale discoveries that took place in the offshore waters of Senegal (SNE, SAGOMAR) and the border with Mauritania (GTA) FROM 2014- 2017, there has been renewed interest throughout the region in developing the hydrocarbon potential of the MSGBC Basin, which is still largely Underexplored.

The offshore blocks that the AGC is in charge of managing and promoting for future bidding rounds currently have many medium-sized E&P companies analyzing the seismic data obtained and prospecting for oil and gas.

But both Guinea-Bissau and its partners in Senegal are interested in attracting new investors, and potentially partnering with IOC's to help potentially finance, a more aggressive exploration and drilling campaign.

In response to the growing demand for renewable power, and increasing interest by international stakeholders to invest, develop, and succeed in Africa, Energy Capital & power will hold the MSGBC Oil, Gas & power 2021 conference and exhibition 2-3 December 2021.

It will focus on enhancing regional partnerships, spurring investment and development in the oil, gas, and power sectors. The conference will unite regional international stakeholders with African opportunities, serving as a growth-oriented platform for Africa's energy sector.



## KEEP IN TOUCH

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