

Playing 'hide and seek' with gas flaring deadline

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The nation's skies, after all, may become clear again, if the Federal Government and the National Assembly finally agree to harmonise their different deadlines for an end to gas flaring in the Niger Delta. The snag however is that, while the Federal Government is looking at January 2009, the National Assembly recently advocated it wants gas flaring to end by December 2008.



A Nigerian National Petroleum Corporation's official, however insisted in Lagos, Friday that, the corporation believes that actual gas flaring may not end by 2011. Cyril Odu, vice chairman, Mobil Producing Nigeria Unlimited, suggested that the way to get investments into the gas industry was to give incentives rather than use penalties to drive it. He also spoke about security in production fields and adequate funding for projects as key fundamentals that would determine government's success at putting out the flares. For Ademola Adeyemi-Bero of BG, three key fundamentals must be taken care of before Nigeria can talk about developing its gas resource fully. These are; increasing

exploration and discovery efforts, determining the man-hours and resources needed to achieve targets and developing human resources in tertiary institutions to work in the gas companies.

One key issue that has meanwhile been throwing the gas flaring issue back to the Federal Government is that the fields where all flares are taking place now are joint venture fields in which gas development programmes have been grossly underfunded by the Nigerian National Petroleum Corporation (NNPC), which is government's representative in the joint ventures. Recently, the Oil Producers Trade Section of the Lagos Chamber of Commerce and Industry (LCC1) the trade group of major oil producing companies operating in Nigeria, while supporting Federal Government's move to secure gas supply to power stations, also identified pitfalls that could derail the objective. An official of the Oil Producers, while reacting to government's threat to suspend all Liquefied Natural Gas Projects in the country if by October 2008, the International Oil Companies (IOC) do not show firm commitment to improving domestic gas supply, stressed that the group was in full support of government's desire to ensure regular and adequate supply of gas to the power stations, but added that funding of gas projects

and correct pricing of gas are critical issues that must be addressed by government for the objective to be achieved. "The pricing of gas has to be right. We want to be assured that when we sell the gas; we will be paid not only for now but for the life of the contract. That is what we call securitisation," OPTS said. OPTS also stated that both domestic and export gas markets should be developed equally. "I don't think for balance, we need to develop only the domestic. We should develop both equally. Both have to go hand-in-hand. Government makes money from gas exports while the power stations need gas to generate electricity for the development of the Nigerian economy. The official also stated that the issue of security in the Niger Delta must be addressed because accessibility to some project sites have been difficult while the situation has been driving up projects cost. Federal government had recently directed all major oil companies operating in Nigeria to submit a detailed plan for domestic gas supply before the end of October 2008. It further threatened to suspend all Liquefied Natural Gas Projects in the country if by October 2008, the International Oil Companies (IOC) do not show firm commitment to improve domestic gas supply. The Federal government though, is working at achieving 6,000 megawatts power generation by December 2009 and 10,000 megawatts by December 2011, but presently, gas shortage in the existing thermal stations has been pushing power generation below 3,000 megawatts. "Federal government's policy and regulations on gas supply to domestic market are not up for discussions or negotiations anymore," Minister of State for Energy (Gas) Emmanuel Odusina, said at an interactive session with the chief executives of all the International Oil Companies (IOCs) operating in Abuja, Nigeria. According to him, the plans shall include the required budgets and critical milestones and any other enablers subject to the boundary conditions of already established technical and pricing frameworks in order to have a comprehensive and efficient document for uninterrupted domestic supply of gas for power generation and distribution in the country. He assured that in the short term, the IOCs have been further directed to look deep into their respective operations and to expedite the processing of about 280 to 350 million square cubic feet of gas between now and the end of the year. NNPC, meanwhile, it is expected, will lead efforts with all the IOCs to firm up the plans for the realisation of the 280 to 350 mscft of gas per day with a view to having a report in by Thursday, October 2, 2008 for onward submission to the President on Monday, October 6, 2008. "We must prioritise domestic gas supply over any LNG project, since the country needs power to realise the seven point agenda of the federal government," the minister said. He noted that the present administration has confidence in the crop of leadership of the oil and industry and will deliver on its obligations to Nigeria with respect to domestic gas supply. The minister warned that if by the end of October 2008, there is no evidence of cooperation, the federal government would consider further measures it deems necessary, including but not limited to putting a stop or suspension of all LNG projects

targeting export of gas.
President Umaru Yar'Adua is said to be concerned with the apparent disregard by the IOCs for the Domestic Gas Supply obligation approved by the government since April this year.