

Senate Plans Review of Benefits Granted Bonny LNG

From Sufuyan Ojeifo in Abuja, 08.11.2008



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Worried about the continued loss of huge sums of money from the exploitation of its abundant gas resources in Bonny, the Senate has unfolded plans to review the regime of incentives the Bonny Liquefied Natural Gas (LNG) has been enjoying for the past nine years.

Some of the incentives being enjoyed by LNG following the 1990 Act (decree) setting up LNG include tax freedom and free trade zone.

The Senate also plans to amend the 1990 Act setting up the company.

The Senate, through its Committee on Gas, said it was interested in knowing exactly how much the operators of the gas plant have raked in since they began operation and threatened that that it would not support the construction of the seventh train (cooling system) if proper accounts were not rendered to the Nigeria National Petroleum Corporation (NNPC).

Speaking with Senate correspondents at the weekend in Abuja, Chairman of the Committee on Gas, Senator Osita Izunaso, said: “The Act (the decree) setting it up in 1990 gave them these incentives, namely tax freedom, free trade zone and so many things.

“They (the operators) know the issues, that because of these incentives, they have not been able to pay certain royalties, certain taxes that should come to the country and if you quantify them, it comes to a lot of money; and, again, part of the incentives is to sell the gas to them at a give-away price.”

Izunaso said the LNGs in Nigeria today were the highest exports of gas to America, Europe and other places.

“But, at the moment, there is only one functional LNG in Nigeria, which is the Bonny LNG; and, unarguably, it is the largest LNG in the World. It is an LNG that is less than 10 years that is moving to train seven now. They have perfected train six and they are moving to train seven.

“Other countries can boast of one train or two trains within a period of ten years. But this (Bonny LNG) is very, very lucrative. That is why they have moved up to train six and they are now planning to move to train seven. But we are seriously worried about the amount generated from train one, train two up to train six. Where is the money? How much have they got and where is the money?

“How are we feeling the impact of this money from LNG as a nation before they move to train seven?

So, the Senate will not support train seven of Bonny LNG. We will not support it until a proper account

of trains one to six is given to the Nigerian people. So, we advise them to render proper account to the NNPC,” Izunaso said.

He said the Senate committee had raised the issue with the NNPC in the past, adding that the committee expected that the rendering of the accounts should be done before operators of Bonny LNG could contemplate embarking on train seven.

On the incentives enjoyed by the Bonny LNG, he said the incentives would be reviewed as part of deliberate steps to halt further loss of the funds meant for the nation through unregulated gas exploitation.

According to him, “There are certain aspects of the Act setting up the LNG that have to be amended. When this thing was done ten years ago, they were given all manner of incentives so that they could come into the business.

“But today, those incentives can no longer stand the test of time. Much as they have ten years to run, we will like to find out whether those incentives are supposed to cover trains one or two.

“They have carried on up to where they are today; and, these incentives, if you open them up critically, are like dashing these people this gas and getting no money out of it for a country that is greatly blessed in gas resources like Nigeria. So, with respect to Nigeria LNG in Bonny, the Act must be amended to reflect the current global realities.”

On the Olokola LNG, Izunaso disclosed that the committee had raised certain fundamental issues with the NNPC, stressing that, “we expect them (NNPC) to brief the Senate now on the economic viability of Olokola LNG.”

He said the Senate had also observed the very high cost of the Olokola LNG, adding that, “We will work round to reduce the cost of that plant.”

According to him, “I have observed that the current cost of that plant will not stand the test of time and there is an agreement currently to reduce that plant by 30 per cent. That has not been done and it has to be done.”

He said it was unbelievable that the Olokola LNG was conceptualised from the beginning as a free trade zone, even as he queried the rationale for that.

“Why will it be a free trade zone? And what are their plans assuming that the Federal Government does not grant the free trade zone?” he asked.

Izunaso said the Brass LNG was still under consideration, adding that there were still some subsisting issues about local content.

“We are still dealing with the matter of Brass LNG and there are still some very major issues about local content, involving the indigenes in what they are doing. The place that they are building the Brass LNG today does not have a link road. There is no link road from Yenagoa to Brass. So, how do we connect to

the people?

“So there are certain issues about Brass and we are yet to look at their Final Investment Decisions (FIDs). We’ve not seen their FIDs; we’ve not seen their Gas Sales Agreement (GSA) because for an NLG to take off, you must sell the gas ahead of time.

“We sold this gas 29 years ahead of time; so we must see the Gas Sales Agreement because it is something you are selling 20 years ahead of time; so, if you don’t get it right now, it means that you have injured yourself for the next 20 years.”

He continued: “It is not after sometime now we will start having the same problem we are having with this LNG to say that we will give them incentives for 10 years; so we shouldn’t amend it.

“Therefore, we need to know what they are going. In fact, we are going to reject –let me put it bluntly; we are going to reject any further incentives to any of the emerging LNGs.

“It is funny that some of these new LNGs coming up are now saying ‘why don’t you treat us like Bonny?’ knowing full well that it not the same. With Bonny, we just lured them in with those incentives, which we are saying that they (incentives) are too much for now because we are losing so much money.

“These other ones are saying treat us like you treat the other people. We will reject any further incentives to the new emerging NLGs be it Olokola LNG, be it Brass LNG or any other LNG that is coming up; there shouldn’t be any of such incentives given to Bonny LNG.”