

## **Government targets N1.2trn yearly gas earnings**

03 March, 2008 12:00:00 OLUSOLA BELLO & EJIOFOR ALIKE

Nigeria Liquefied Natural Gas (NLNG) plant

**When eventually government's gas policy comes on stream, Nigeria may earn an average of \$10-billion (N1.2-trillion) yearly in earnings from gas, given the combination of various project portfolios and initiatives that will gulp \$20-billion (N2.5-trillion) in the sector.**

Business Day's investigations show that in order to realize this aspiration, government plans to develop a more standardized gas agreement and mechanism for securing revenues for gas supplied to consumers.

This measure is part of incentives to woo actual and potential investors, who are concerned over lack of revenue securitization in the gas sector.

BusinessDay gathered that the domestic gas sector has been characterized by agreements that cannot be enforced, and this has created a history of non-payment by major buyers.

Potential investors are worried that the power sector, for instance, consumes over 70 percent of domestic gas supply, but cannot pay \$0.4 (N50) per metric cubic feet of gas, while other industries that consume less than 30 percent can pay as high as \$3 (N375) per metric cubic feet.

Investigations also show that the Power Holding Company of Nigeria (PHCN) owes gas suppliers N13 billion for gas supplied.

Gas investors insist that a vibrant domestic gas market should be developed to ensure good returns on investment.

Government is therefore developing a more enforceable gas agreement in view of the anticipated increase in new investors in the gas sector, as well as the huge investment to be made.

On the international front, the international oil companies (IOCs) have embraced the export of liquefied gas, due to the rising gas price in international markets.

The country's efforts in Liquefied Natural Gas (LNG), which started in 1999, have now positioned the country to be the fastest growing LNG capacity in the world.

Government's desire to boost revenue in gas export is further buoyed by European Union's recent assurance that it had a market for gas from a proposed Trans-

Saharan pipeline as the governments of Nigeria, Niger and Algeria seek investors to make the project a reality.

The Trans-Saharan Gas Pipeline, planned as a joint venture between Algeria's Sonatrach and the Nigerian National Petroleum Company (NNPC), is designed to allow Nigeria to export huge natural gas reserves more easily to European markets.

EU energy commissioner, Andris Piebalgs, was quoted as saying that the gas-hungry 27-nation bloc would be a stable source of demand in the years to come.

According to him, EU can guarantee security of demand as 85 percent of EU demand for natural gas would likely have to be covered by imports in 2030.

The gas pipeline project, which will commence in 2015, is estimated to cost about \$10-billion (N1.2 trillion) and would pipe between 20 billion to 30-billion cubic metres a year of gas to Europe through a 4, 128 km ( about 2, 580 mile) pipeline.

Emmanuel Odusina, minister of state for energy (gas), said that through the project, the country hopes to capture the satellite markets through to North Africa, in addition to positioning for growth in Europe.

According to him, with Equatorial Guinea supply, the country broadens its value capture in the global LNG trade.

It is envisaged that the liberalisation of gas and electricity markets in the EU would ensure that more interconnections are created so that gas from the pipeline could reach other countries aside from Italy and Spain

### **Comments (1 posted):**

**Issi Moyosore** on 03 March, 2008 11:39:42

As we are getting ready to supply the hungry european markets with gas for the huge revenue, I hope someone remember the need for gas for our power sector, industry development and so on.

The european markets can buy everything we produce for the next 20-30 years and beyond dont wait for them to remind us that we need some for our development, we have to keep some for us and not have to wait until they are well taken care of.

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