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OPTIONS FOR FINANCING ENERGY RESOURCES IN NIGERIA

Nigeria is among the leading oil and gas producing countries in the world. The Banking reforms and other innovative economic policies adopted by the Federal Government consolidation and the assignment of a new credit rating to Nigeria, have positioned the country as one of the most preferred destination for investors in Africa.

There are various sources of funding which has evolved over the years. Notable amongst these sources include;

1. Commercial Banks:

They are major contributors to the funding of Oil and Gas Sector. They provide term loan funding for construction and expansions of Oil and Gas projects both on an uncovered basis and under the umbrella of protection (in form of guarantee and insurance policies) provided by export credit Agencies and Multilateral Agencies.

2. Export Credit Agencies

An ECA is a private or quasi-governmental institution that acts as an intermediary between national governments and exporters to issue export financing. The financing can take the form of credits (financial support) or credit insurance and guarantee (pure cover) or both, depending on the mandate the ECA has been given by its government. ECAs can also offer credit or cover on their own account. They are Agencies that seek to facilitate the Financing of a project in order to further the commercial interests of its nation in line with the policies of the Government of that Country. The major ECAs include, the US Ex- Im Bank and Overseas Credit Investment Corporation (OPIC) in the United States, the Export Credits Guarantee Department (ECGD) in the UK and the Multilateral Investment Guarantee Agency (MIGA)

3. Multilateral Agencies

They are made up of members from a multiplicity of participating countries and have a constitutional goal of encouraging investment in developing countries in line with certain policy criteria. The MLAs include World Bank, the International Finance Corporation (IFC) an affiliate of the World Bank, the European International Bank and African Development Bank (ADB). They add value to the financing in areas where the private commercial sector is unable to do so.

4. Capital Markets

This involves raising finance through the global markets or local markets. This may be termed as Equity Funding. It involves raising finance from internally generated cash flows; in this context, the lender looks to the shareholder's funds for repayment as opposed to the exploration project.

Alternatively, funds can be raised through Equity Financing from the public through offers for subscription and other related stock market devices. Also Private Placement of the Securities of unlisted Companies could be pursued in raising equity Finance.

5. Government Grants:

The Government of any Oil producing country is always heavily involved in the petroleum Sector of such a nation to ensure better control of the reserves and as a result, funding of the sector come mainly from the Government.

This above list is by no means exhaustive of the possible ways of financing energy resources. The use of derivatives is gradually evolving as a financing option.

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