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HOW DOES THE PROPOSED PETROLEUM INDUSTRY BILL (PIB) AFFECT THE IMPLEMENTATION OF NIGERIA'S GAS MASTER PLAN AND THE ONGOING POWER SECTOR REFORM?

What Is Nigeria's Gas Master Plan (GMP)?

The GMP is a guide for the commercial exploitation and management of Nigeria's gas sector. The key components of the GMP are:

- 1) Domestic Gas Supply(DGS) Obligation Regulations which mandate all oil and gas producers in Nigeria to set aside a pre-determined amount of gas for utilisation in the domestic market as a precondition for export and;
- 2) A gas infrastructure blueprint that will guide future infrastructure investments in gas to enable capacity increase in gas supply to the domestic market.

How Does The PIB Affect The Implementation Of The GMP?

The current version of the PIB seeks to reinforce the GMP by mandating that all gas producers meet DGS obligations as specified by the Inspectorate (the successor to the Department of Petroleum Resources under the PIB) from time to time. The Inspectorate can call for lessees producing gas to carry out all such works necessary to increase production, in order to dedicate specific amounts of gas produced towards the requirements of the domestic gas market. Failure to comply with any DGS obligation may result in the lessee being prohibited from supplying gas to any export operations, except where the lessee can show that such failure was as a result of force majeure, or that it had made reasonable commercial efforts to meet the said DGS obligations. Penalties and fines may also be imposed.

The PIB also prohibits the flaring of natural gas after a flare-out date to be determined by the Minister and also provides that anyone who flares gas without the permission of the minister shall be liable to a fine not less than the cost of the gas flared. The PIB also provides for third party access to gas pipelines and licensing issues which have the potential of generally improving the efficiency and availability of gas supply and transportation in the domestic gas market.

How Does This Shape the On-Going Power Sector Reform?

Gas supply is a critical element in the value chain of power production and supply. Many power plants are presently running below capacity because of the non-availability of gas. The provisions of the PIB regarding gas and the DGS obligations in particular have the propensity to increase the volume of gas available for domestic use and consequently improve power production and supply.

In conclusion, the provisions of the PIB on DGS obligations will aid the implementation of the GMP and consequently; help meet the level of gas supply required for the on-going power sector reforms. However, full liquidity in the gas sector (easy transportation of gas from source to power plant) is also essential for success of the current power sector privatisation. It is, therefore, imperative that the fiscal terms of the PIB be favourable enough to encourage infrastructure investments in gas so the supply challenge posed by inadequate infrastructure can be overcome fully.