

# Setting a new legal framework in Nigeria



INTERVIEW WITH DIEZANI ALISON-MADUEKE  
MINISTER OF PETROLEUM RESOURCES, NIGERIA



**New foreign oil investment in Nigeria appears to be on hold until the Petroleum Industry Bill is passed. Why is it so important and what are the chances of the National Assembly passing it by the end of this year?**

Looking at the situation from a cursory perspective one might be tempted to say that new foreign oil investment in Nigeria, as you put it, "appears to be on hold until the Petroleum Industry Bill is passed." While it is true that the PIB is introducing far-reaching reforms, it will not have any adverse effect on investment. I would emphasise that the PIB is not a punitive law.

The Nigerian oil and gas industry is still witnessing a flurry of investments. The reality is that I do receive a lot of requests and proposals for participation in the Nigerian oil and gas industry by a host of reputable foreign firms especially in the gas sub-sector where we are currently negotiating various new investments valued at over US\$5 bn.

Only in March, this year, the government signed upstream and infrastructure MOUs with reputable companies to establish gas based industries to jump-start manufacturing activities in Nigeria. That investment alone is worth over US\$10 bn. In spite of the delay in the passage of the Petroleum Industry Bill (PIB), the oil companies operating in Nigeria as well as new entrants into the business continue to make investments in the industry.

Going by the speech of the Senate President during the inauguration of the various committees, the current National Assembly considers the PIB as key legislation to be passed in order to support the President's transformation agenda. I am very optimistic that sooner rather than later, the bill would be passed and that will certainly increase investor confidence.

**Is the Bill so important?**

The PIB is an omnibus legislation that establishes clear rules, regulations, procedures and institutions for the efficient administration of the petroleum industry in Nigeria. It will establish the legal and regulatory framework, institutions and regulatory authorities for the Nigerian petroleum industry. It also stipulates guidelines for operations in the upstream, midstream and downstream sectors and for purposes connected with the same. Given the high expectations of the PIB, I would say that the bill is very important. Its significance of course reflects the importance of the petroleum industry in Nigeria, which accounts for a very high

percentage of foreign exchange earnings and accounts for more than a quarter of GDP.

**At present, most petroleum products are sold below the cost of production, which discourages refining inside Nigeria and encourages imports. How difficult is it to raise prices to market levels?**

It is true that our downstream sector still bears the heavy weight of regulation which tends to discourage investment. What I can confirm to you is that the present administration of President Goodluck Jonathan is committed to deregulating the sector and allowing market dynamics to come into play. This will definitely create a level playing field that will encourage more investment in the sector.

The government is considering ways of effecting realistic liberalisation of petroleum product pump prices that will at the same time minimise unintended adverse impacts on the more vulnerable citizens. We would like to carry along a vast majority of our people and the critical segment of the society to enable them to see the imperative of effecting realistic pricing of petroleum products in the country. To achieve this, a robust safety net that will provide relief for the citizens is being worked out by the government prior to the implementation of liberalisation of the downstream sector.

**What are the prospects for deepwater exploration and production in the Nigerian waters?**

Our deep offshore remains prolific, judging by the successes recorded in the area. Many mega fields such as Bonga, Erha, Agbami, Akpo and Abo, have come into production, thereby contributing about 30 per cent of the nation's total daily crude oil production. We expect Usan field with 180,000 barrels per day installed capacity to come on stream by the first quarter of 2012.

Further studies and evaluations of existing vintage data indicate new play opportunities for further exploration activities. The identifiable prospective areas have been coordinated into open blocks for offer by the government. International companies are encouraged to participate when the bid rounds commence.

**How well is the Local Content Law working in the Nigerian Oil and Gas Industry?**

In spite of the short period of the existence of the Nigerian Content Act, it is pertinent to note that a



great deal of activity has taken place with the Nigerian Content Development and Management Board (NCDMB) acting as facilitator.

The drive to have an appropriate percentage of the oil and gas industry's projected US\$20 bn annual expenditure spent in Nigeria has started yielding the desired results. So far, the Act's implementation has laid the foundation for the creation of over 30,000 direct employment and training opportunities in the next three years.

The sheer volume of industry work-load previously performed abroad that now has to be done in-country is driving investments in capacity development. Over US\$2 bn investment is needed to establish critical facilities and infrastructure required to support the Nigerian Content scope in the Act, and plans are already afoot for a healthy proportion of these investments to upgrade existing plants and establish new ones in the country.

Specifically, within the last year, compliance with the Act has guaranteed the utilisation of the only pipe mill in Nigeria, the SCC Pipe mill in Abuja which was recently upgraded to produce line pipes for the oil and gas sector. Already, pipes produced by the SCC Pipe Mill are being utilised in the operations of some oil and gas companies.

In the area of capacity development, the NCDMB has been collaborating with the Petroleum Technology Development Fund (PTDF) and major operators to train over 10,000 young graduates and technicians in entry level skills. To ensure that the funds available for training are optimised, training providers in the industry have been brought together under the Oil and Gas Trainers Association of Nigeria (OGTAN) to standardise the requirements for the industry and ensure that local training results in internationally recognised certification. Similarly, the Nigerian Institute of Welding (NIW) has been empowered by the Board to play their traditional role in the training and certification of welding practice in the country. In summary, the Nigerian Content programme has huge potential for the development of the Nigerian economy.

**A United Nations Environment Programme report has said more should be done to clean up the oil spills in the Niger Delta. What more do you think can be done?**

For us the issue of health, safety and the environment is a major focus, not only in the oil and gas industry

which I supervise but also for the entire machinery of the Federal Government of Nigeria. Before the UNEP report, the Nigerian Government had put in place the Ministry of the Environment which is saddled with the responsibility of formulating and enforcing environmental policies.

The Department of Petroleum Resources (DPR), the government's regulatory agency for the oil and gas sector, has also launched "The Environmental Guidelines and Standards for the Petroleum Industry in Nigeria" (EGASPIN) to regulate safety and environmental activities in the oil and gas industry. Operators in the oil and gas sector are expected to fully comply with this provision to reduce incidences of crude oil spillage.

When the UNEP Report was released, the government immediately set up a Presidential Committee of which I am the Chairperson to study the report and recommend appropriate implementation plans. The Committee has since commenced work and will soon present an actionable plan with timelines for the restoration of Ogoni land.

**A lot of Nigerian gas is still being flared. Do expensive gas export pipeline projects, like the Trans-Saharan Pipeline to take Nigerian gas to Europe, make sense while this gas is still being flared?**

Nigerian gas reserves of about 187 trillion cubic feet include associated and non-associated gas. However, in the course of crude oil production, some associated gas that is also produced is flared.

The current plan is to harness and utilise both the associated and the non-associated gas resources to the benefit of Nigeria.

The plan is encapsulated in the Nigerian Gas Master Plan (NGMP) which is a robust infrastructure blue print that accommodates all the flared and stranded gas for both domestic and export market.

The Trans-Saharan Gas Pipeline Project is just one of the new export projects being considered alongside the Brass LNG and OKLNG projects. Other existing gas projects are the Bonny LNG and the newly completed West African Gas Pipeline.

Already the proportion of gas flared has decreased from 70 per cent in 1999 to 40 per cent today. The Nigerian Gas Master Plan when fully operational will eliminate gas flaring, commercialise the gas and improve the environment. ■