

Key Note Speech by His Excellency, Vice President of the Federal Republic of Nigeria. Unlocking the Opportunities in the Domestic LPG Value Chain.

Background:

Given Nigeria's enormous natural gas reserves, its huge human capital and population demography, it is obvious that creating an enabling environment is the missing ingredient for the realization of the nation's full potentials to becoming energy sufficient. Gas has the potential to revolutionize domestic fuel consumption, transportation, industrialization and power generation and Nigeria has an enormous reserve of Natural Gas, ranking 9th among all nations of the world. This administration realises the myriads of opportunities in harnessing the nation's gas resources and is focused on unlocking the opportunities for utilization of gas as a catalyst for sustainable nation building. The Gas Policy which aims at gas-based Industrialization for our nation is therefore being developed. A stakeholder's workshop on the Gas Policy was held in this same venue on the 16th and 17th of November 2016 clearly demonstrating this administration's commitment to creating the right environment for the sustainable socio-economic growth of our nation. In the Gas Policy, Liquefied Petroleum Gas (LPG) has been identified as a viable source of stimulation for this socio-economic growth our nation must experience in the short, medium and long term.

Historically, Nigeria's LPG consumption had been declining until Nigeria LNG limited intervened in 2007 by guaranteeing domestic supply. Since then, our nation's total domestic LPG consumption has grown from just below 50,000 metric tons per annum to approximately 400,000 metric tons per annum in 2015. Though this signifies some improvement in the domestic consumption of LPG, it translates to a per capita consumption of only less than 2.5kg, which is extremely low compared to the per capita consumption in selected African countries like South Africa at 7.28kg, Ghana at 9.45kg, and Morocco at 66.27kg.

This level of consumption is yet significantly lower than the 1.5 million tons per annum potential consumption estimated by the World Bank in 2002 and the 3.8 million tons per annum projected consumption estimated in the Nigeria LNG Domestic LPG Study of 2016. Most of the LPG produced in our nation today is exported, and although our consumption level is pretty low, over 40% of our domestic consumption in 2015 was imported. This impacts on our foreign exchange burden and limits domestic supply of LPG.

Notwithstanding the superior health, environmental and energy cost equivalence of LPG over other competing fuels like kerosene, firewood and coal, the low level of LPG consumption in Nigeria has resulted in heavy dependence on Kerosene and firewood as primary domestic cooking fuel in majority of approximately 36 million Nigerian households. This reliance on Kerosene and Firewood has substantial economic effect. Government has been undertaking huge subsidies, with over US\$1 Billion spent in 2015 on Kerosene subsidy. A significantly high rate of deforestation continues to be recorded as over 95.76 million metric tons of firewood was used in 2015.

LPG has considerable benefits:

1. It is a more cost effective fuel as it has higher energy content than unsubsidized Kerosene and firewood.
2. It provides better health benefits than firewood and kerosene both of which have been identified as the source of more than 50% of the over 93,000 deaths recorded due to indoor air pollution annually.
3. LPG is an alternative to petrol for automotive transportation and can also power industries and small power plants.
4. LPG is easier to handle (in cylinders) and can be transported in bulk on trucks and via rail to every part of our nation, especially to areas where pipeline gas would not easily get to.

The low LPG penetration in Nigeria has been due to a number of factors limiting the availability, accessibility, affordability and acceptability of LPG in comparison with its competing fuels. These factors include:

1. Inadequate and inefficient LPG Supply Infrastructure, which includes coastal and inland receiving and storage facilities, transportation/logistics, bottling/retail network etc.
2. Lack of awareness of the benefits of LPG as domestic fuel and its economic advantage over competing fuels,
3. High LPG hardware and start-up equipment costs for the low income earners (these hardware include cylinders, gas burners, valves, hoses and other accessories).
4. Limiting fiscal and regulatory policies including subsidies on competing fuels, duties and taxes on both product and equipment.

Recent DLPG Expansion Initiatives

Over the years, there have been numerous initiatives aimed at growing the Domestic LPG sector. Notable of which are:

1. Local LPG Cylinder Manufacturing Initiative - led by The Nigerian Content Development & Monitoring Board (NCDMB)
2. Kerosene/ Firewood to LPG Switch in Nigeria Initiative – led by NNPC (PPMC)
3. Inter-Ministerial Committee on Kerosene to LPG Initiative – led by The National Planning Commission (NPC)
4. Deforestation initiative – led by The Ministry of Environment, and
5. LPG Market Development Initiative – led by The Ministry of Petroleum Resources (MPR)

In 2015, NLNG commissioned an in-depth study of the Nigerian LPG industry which highlighted that with deliberate intervention across the Domestic LPG

supply and demand value chain, underpinned by the provision of an enabling fiscal and regulatory environment by the government, there is significant potential to achieve a market growth in excess of 3.8 million tons per annum within a 10-year period. The report also proposed the harmonization of disparate efforts and initiatives by interest groups as noted above to ensure market growth and guarantee its stability.

The proposed interventions include:

1. Improvement of existing and development of new infrastructure to ensure product availability.
2. Provision of targeted incentives to stimulate investments across the value chain.
3. Harmonization of relevant fiscal regimes.
4. Institution of a regulatory compliance framework.
5. Stimulation of inland LPG production.

These interventions would among others, result in significant reduction in rate of deforestation and create millions of direct and indirect employment opportunities for Nigerians success. Success of the interventions would however require the collective efforts of the public and private sectors.

Conclusion

To this end, in further demonstration of this administration's commitment to the growth of the Domestic LPG Industry, I have set up, and I am the chairman of an inter-ministerial committee on the Expansion of Domestic LPG in Nigeria. This committee would oversee the implementation of identified interventions under the Domestic LPG Expansion Framework starting with the conversion of an initial 4 million households to LPG use as cooking fuel within 2 years, progressing to 10 million households over 5 Years, and eventually converting an additional 21 million households over 15 years by addressing the challenges inhibiting market penetration. This committee would be supported by a

Program Management Office which would function in collaboration with respective stake holding Ministries, Departments and Parastatals.

This administration will create the right environment for a competitive and sustainable LPG industry in which the private sector would be the main driver, consumer's rights would be protected, and safety standards would not be compromised. William Arthur once said that opportunities are like sunrises, if you wait far too long, you can miss them. In the same vein I invite you as stakeholders in the domestic LPG industry to take full advantage of the opportunities in the value chain because the current economic climate in our nation makes this our finest moment and we must take deliberate steps to revitalize and sustain our economy. I urge you to support and partner with the government to grow this industry to its full potential and build a sustainable Nigerian economy.

Thank you very much and may God bless you all.