



NMDPRA

REGULATORY DIRECTION FOR LPG IN THE NEWLY CREATED NMDPRA

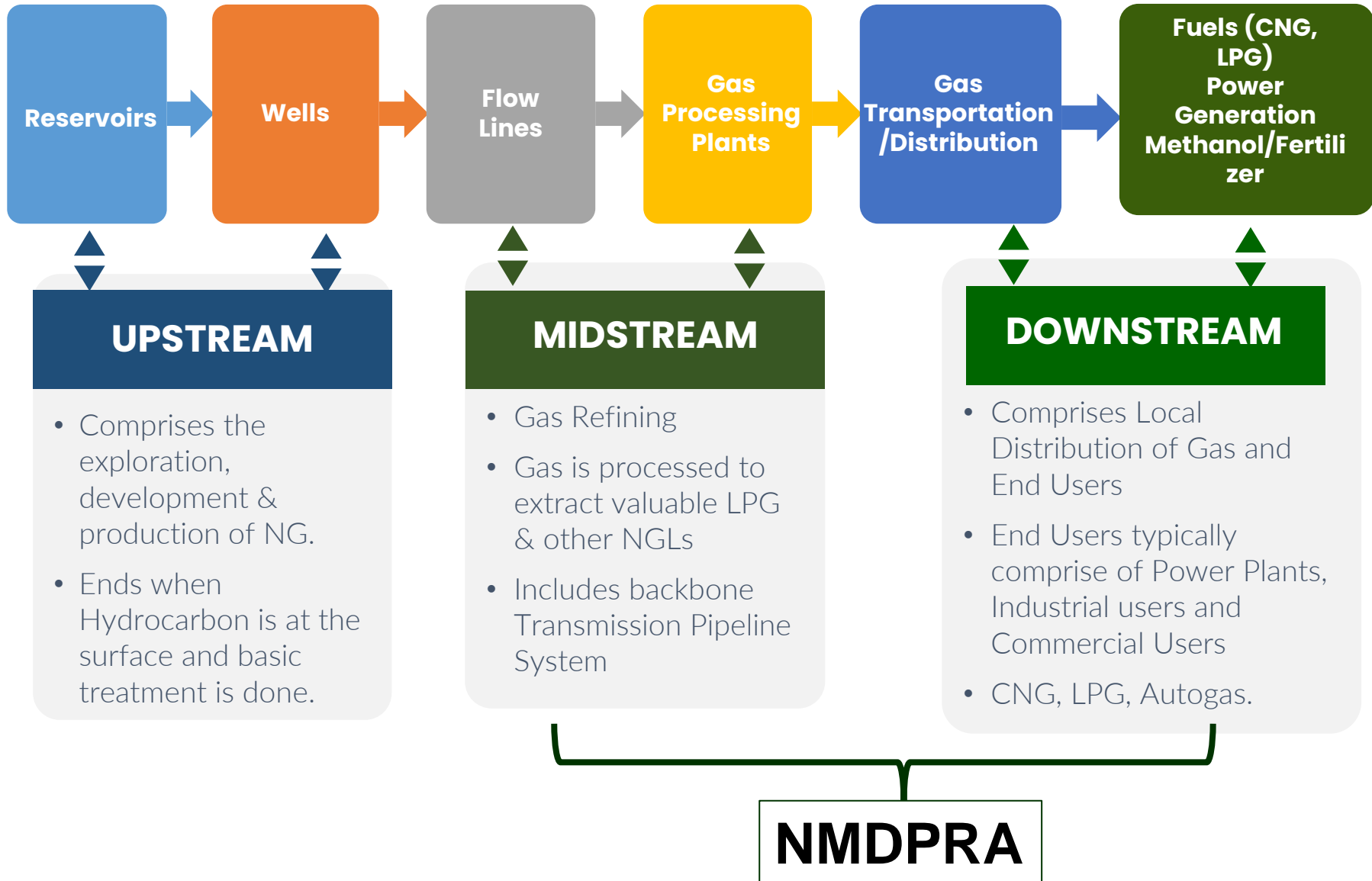
**PRESENTED AT THE 11TH NLPGA INTERNATIONAL CONFERENCE
NOVEMBER 2021**

Introduction



- ✓ The Petroleum Industry Act was signed into law on 16th of August 2021 and ushered in a new legal and fiscal regime for the Nigerian Oil and Gas industry.
- ✓ The NMDPRA is to oversee the Midstream and Downstream Segments of the value chain.
- ✓ The PIA delineated the Midstream from the Upstream and Downstream sectors
- ✓ The Act further explains the growth strategies for the Midstream, with Gas as the indisputable chosen catalyst for the attainment of this aspiration.
- ✓ Implementation of the Act will be carefully orchestrated to ensure that the letter and spirit of key objectives are realized by the NMDPRA.

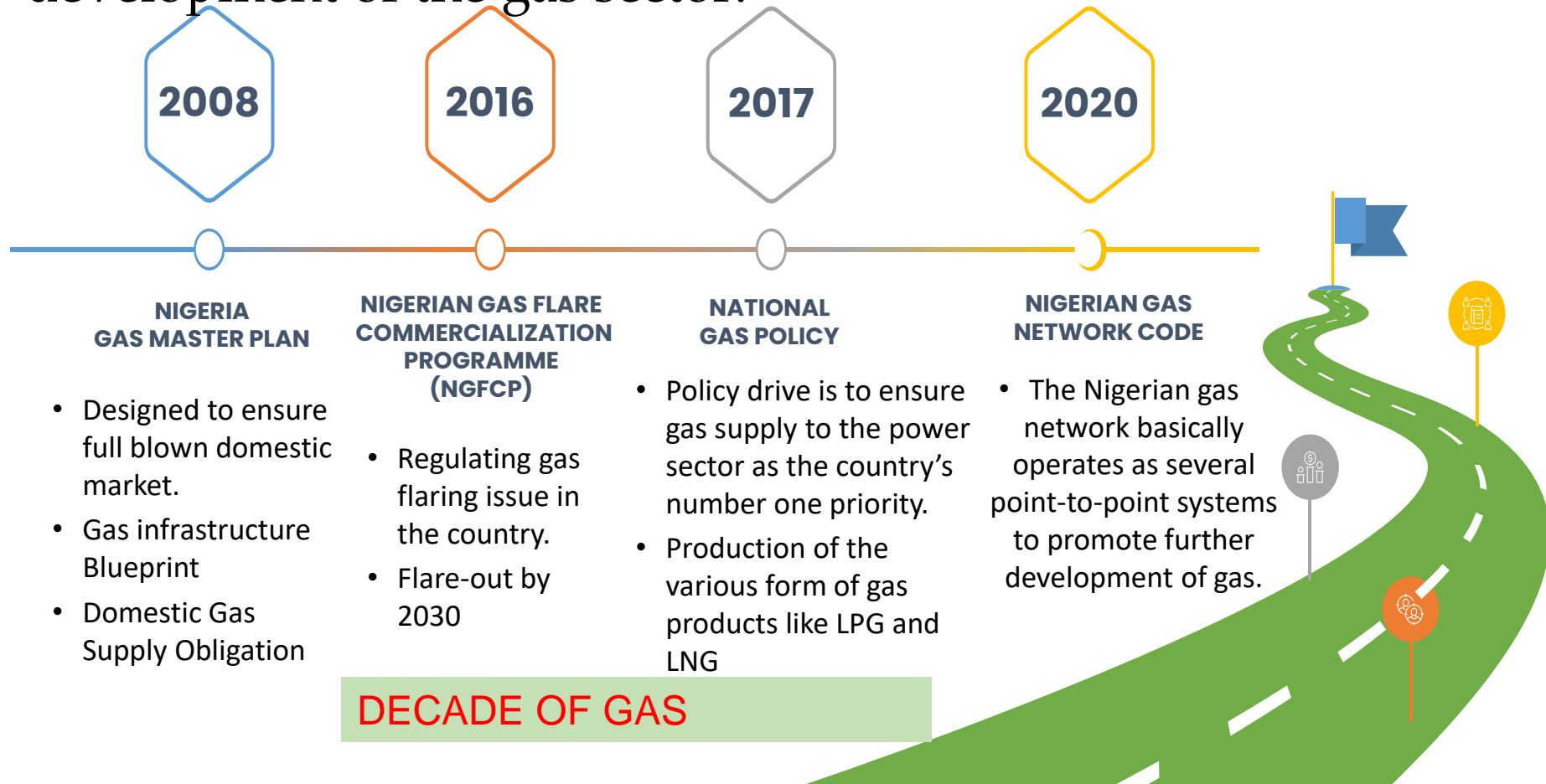
Natural Gas Value Chain & NMDPRA



The Previous Gas Policies to the PIA



❖ Some of the frameworks developed by the Federal Government in order to deepen and accelerate the growth and development of the gas sector.



The PIA in the Decade of Gas



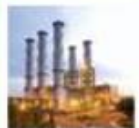
❖ Aims to address the following key areas to promote growth.

Areas

Importance

Potential solutions

1
Developing
adequate
infra-
structure



- Infrastructure remains inadequate along the value chain:
 - Pipelines to deliver gas to off-takers
 - Power generation capacity and other gas off-takers

2
Ensuring
sufficient
funding



- JV funding issues limit gas development and production
- Due to the persistent shortfall in funding viable new projects cannot progress

3
Repaying
outstanding
gas invoice
arrears



- Without assurance of repaying gas invoice arrears, investors are reluctant to commit additional investments to grow domestic gas production

4
Providing
enabling
commercial
and fiscal
terms



- Gas prices and fiscals must be competitive to appropriately cover development, production and transportation costs and make commercial returns possible

5
Ensuring a
conductive
business
environment



- A conducive business environment is essential to attract investments and have reliable operations

- Attract investment in infrastructure development
 - Complete critical National Integrated Power Project (NIPP) transmission lines
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- Implement sustainable solutions which will fully fund the JV budgets including gas
-
- Settle outstanding debts
 - Establish bankable credit support facilities for future gas sales
-
- Promote willing-buyer / willing-seller marketplace
 - Ensure a power tariff level that provides a commercial return
 - Set globally competitive fiscals for gas
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- Have efficient and effective regulatory bodies
 - Maintain stable laws and policies
 - Maintain Nigeria's reputation for honoring contracts
 - Eliminate structural factors that increase operating and capital costs
 - Ensure security of life and property

PIA Provisions for Regulatory Direction



- ❖ The **Petroleum Industry Act** introduces many changes which will affect the gas sector.

Governance and Institutions

- ✓ The NUPRC (Commission) regulates the upstream operations while the NMDPRA (Authority) regulates the midstream and downstream operations.
- ✓ Establishment of the NNPC Limited to assume the assets, liabilities and responsibilities of NNPC in relation to gas assets.
- ✓ Establishment of a progressive cost reflective pricing framework with a structure for market intervention through Domestic Gas Supply Obligations and a wholesale natural gas market scheme.

PIA Provisions for Regulatory Direction



Promote Investment In The Sector

- ✓ The establishment of the Midstream and Downstream Gas Infrastructure Fund (MDGIF) to promote equity investments in midstream and downstream gas infrastructure.
- ✓ Introduction of the Incorporated Joint Venture for existing Joint Venture Agreements to promote efficiency in the management of gas assets.
- ✓ Alignment of the Act with the existing Nigeria Gas Transportation Network Code, existing domestic gas supply obligations and long-term export gas supply arrangements.

PIA Provisions for Regulatory Direction



Fiscal Environment

- ✓ A royalty rate of 5% will apply for natural gas and natural gas liquids production. This is reduced to **2.5%** where the natural gas is produced and utilised in Nigeria.
- ✓ For royalty purposes, condensates will be treated as crude oil and natural gas liquids as natural gas.
- Tax incentives for midstream petroleum operations, downstream gas and large-scale industries including **ten (10) years tax holiday** for investment in the gas



TOOLS FOR ENABLING INVESTMENTS IN THE PIA

Licensing of the Midstream and Downstream Gas Operations

Establishment, construction or operation of a facility for the processing of natural gas;

Establishment, construction or operation of a facility for the storage of natural gas

Establishment, construction or operation of a gas transportation pipeline or transportation network

Engagement in bulk transportation of natural gas by rail, barge or other means of transportation;

Establishment, construction or operation of a terminal, jetty, or other facility for the export or importation of natural gas;

Engagement in wholesale gas supply or engagement in the construction or operation of petrochemical or fertilizer plants.

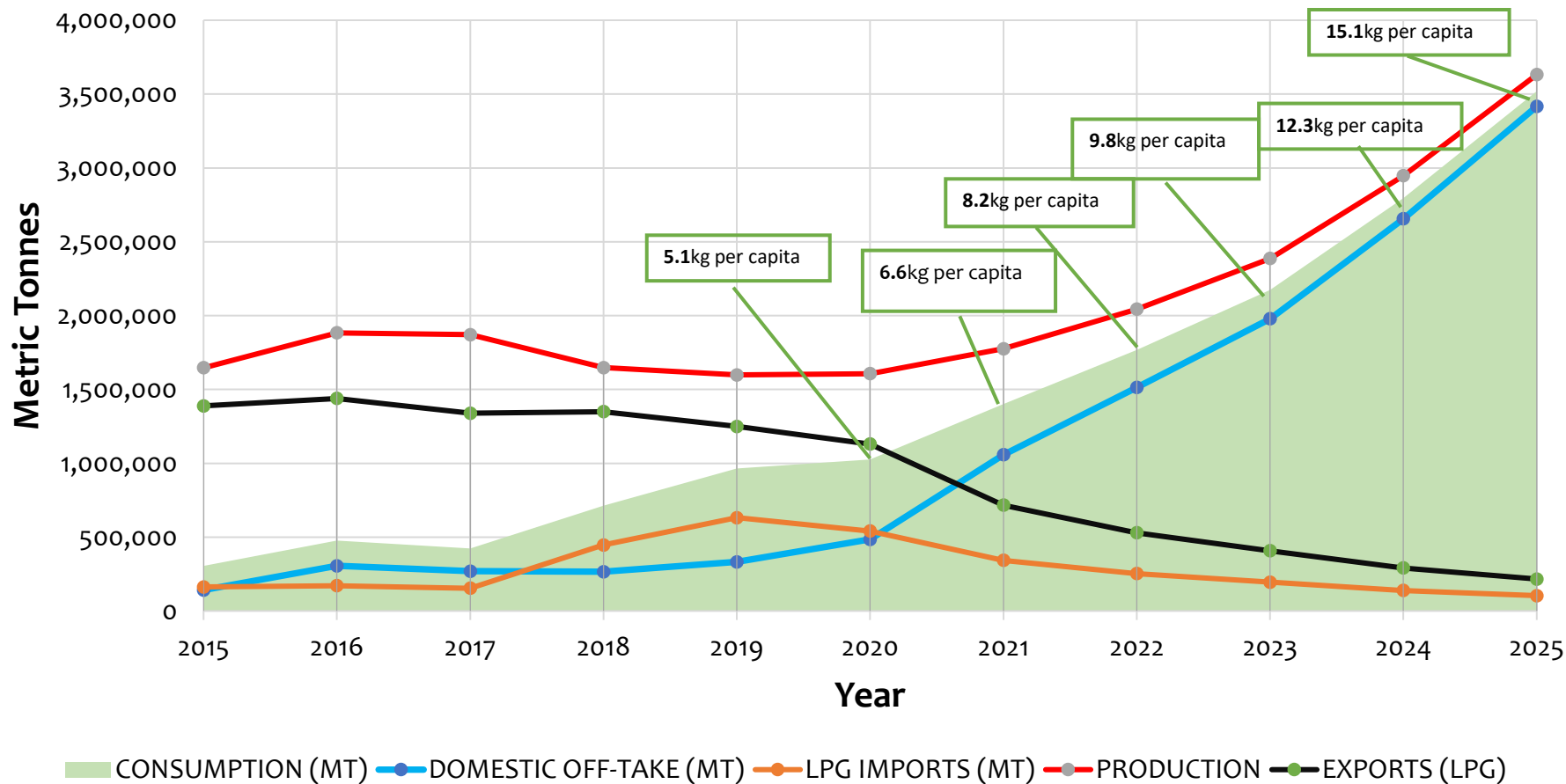
Establishment, construction or operation of a gas distribution network

Establishment, construction or operation of a facility for the supply or trading of natural gas

LPG TRENDS AND FORECAST IN NIGERIA



HALF DECADE LPG TREND

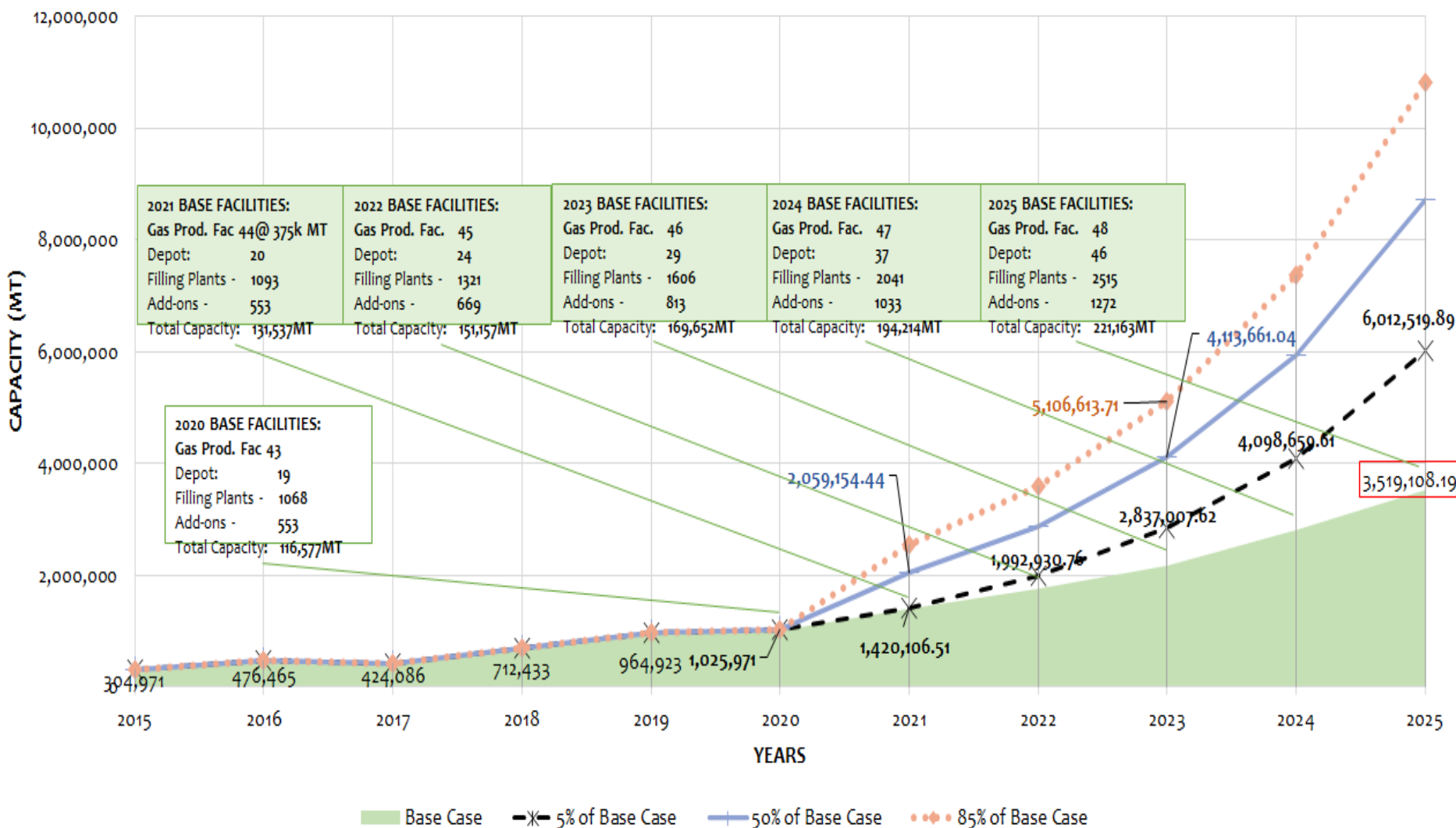


- 2015 to 2020 is actual 5 year trend in LPG Consumption, Production, Import and Export. Basis for 3-year moving average **BASE CASE** forecast
- 2021 to 2025 projection trend key focus is on improving domestic offtake, strategic reduction in export and redirection to domestic Market
- Ongoing projects estimated to account for approximately **1.5MMT** production in the next 3 years if completed.



LPG INFRASTRUCTURE FORECAST TO MEET CONSUMPTION

SECURITY OF SUPPLY: TREND & FORECAST ANALYSIS (2) OF LPG CONSUMPTION (MT) & BASE FACILITIES



CONCLUSION



- Huge opportunities still exist in the Nigerian LPG sector. Government and private sector have distinct but interdependent roles and each must play their part towards realisation of the full potentials of the sector.



***NIGERIAN MIDSTREAM AND
DOWNSTREAM PETROLEUM REGULATORY
AUTHORITY
(NMDPRA)***



THANK YOU FOR LISTENING...