

An offshore oil rig is shown against a sunset sky. The rig's complex structure of pipes, ladders, and cranes is silhouetted against the bright orange and yellow sun. A large red crane is prominent on the right side of the rig. The sea is visible in the foreground, reflecting the light from the sun.

# FEDERAL MINISTRY OF PETROLEUM RESOURCES

## NATIONAL GAS POLICY 2017

Simplified Summary

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### **EXECUTIVE SUMMARY**

The National Gas Policy (NGP) was developed to replace the pre-existing 2008 Nigeria Gas Masterplan (GMP), and was designed to address the shortcomings and failures of the previous legislation, such as the dearth of gas infrastructure. The current energy landscape of Nigeria is largely dominated by the oil industry, which has left the country's economy highly vulnerable to fluctuations in the highly volatile oil markets. Furthermore, the insufficient amount of available and efficient oil infrastructure has resulted in Nigeria's current energy crisis that has also had a significant impact on the national economy. The NGP is intended to transition Nigeria from an oil dependent and export-based economy to an oil and gas-based industrial economy. The NGP outlines the policy goals, strategies, and implementation plan of the Federal Government of Nigeria to capitalise on its vast gas reserves, galvanise its gas sector, and reposition Nigeria as gas-led economy through the prioritization of local gas demand requirements.

### **CONTEXT**

Despite Nigeria possessing a natural abundance of gas and being described as a gas province due to its higher gas reserves than oil reserves – it has reserves of approximately 188 trillion cubic feet (Tscf) of gas, making it the 9th largest gas reserves holder worldwide – minimal efforts have been made by the Federal Government to prioritise the exploitation of gas and the development of critical gas infrastructure. Several decades after the discovery of gas, the legal landscape is still being framed by the dated Petroleum Act which focuses more on oil. The Petroleum Act has very lean provisions on the commercialization of gas as an independent hydrocarbon and lacks a framework for the development of the gas midstream- downstream value chain.

### **RESULTS FROM THE GAS MASTER PLAN 2008**

Although the gas market has experienced growth over the last decade, its growth rate has been sluggish at 3.1 percent per annum, which is only slightly above the national population growth rate of 2.8 percent per annum. The lack of appreciable change in the amount of gas supply per capita has meant that it has been insufficient to meet Nigeria's economic growth needs, which is especially challenging with Nigeria currently in the middle of a severe energy crisis. Therefore, it was imperative to introduce a new policy that is more effective and better adjusted for the much harsher international business environment for gas in order to propel institutional reforms and the regulatory changes needed to attract investment.

### **LEGAL FOUNDATION**

The National Gas Policy was approved by the Federal Executive Council (FEC) and seeks to create a governance framework that will focus on gas as a 'stand-alone commodity' independent from oil and will address all the legal, regulatory, institutional, commercial, and fiscal issues concerning gas.

### **OBJECTIVES**

The National Gas Policy (NGP) articulates government's policy thrust and agenda for promoting investment in gas as an alternative means for generating revenue and driving economic growth. The aim is to gradually reduce Nigeria's dependence on imported gasoline, reduce environmental pollution while simultaneously creating a commercially viable and thriving fuel ethanol industry utilizing agricultural products that can precipitate sustainable domestic jobs as a means of improving the quality of automotive fossil-based fuels in Nigeria. The NGP details the aspirations of the new gas policy to overcome shortcomings of the previous with respect to a coherent regulatory



framework. It also sets the goals, strategies, and an implementation plan for establishing a framework that will drive the institutional, legal, regulatory, and commercial reforms necessary for attracting investment into the gas sector.

### **STRATEGIC OBJECTIVES**

- Communicate the vision and the gas policy internally and externally;
- Identify new gas resources, grow reserves and diversify gas supplies, from:
  - Niger Delta;
  - Offshore;
  - Inland basins;
- Gas flareout;
- Establish a clear policy, institutional, legal and regulatory framework:
  - Gas policy;
  - Gas legislation;
  - Regulatory authority;
  - Secondary legislation (regulation);
- Enable a conducive environment for investors and for market growth:
  - Clear, consistent and investor friendly legal and regulatory framework;
  - Investment promotion;
  - Support for the development of supporting infrastructure;
  - Fiscal environment that supports investment and domestic growth;
  - Willing investors provided with accelerated access to gas resources;
- Discourage wasteful projects whilst encouraging optimisation amongst resource owners; for example, through joint development of gas discoveries and infrastructure among several licensees if such developments would yield an economic project;
- Seek value addition through:
  - Linkages to the power, industrial, agriculture, transportation and other strategic sectors;
  - Gas based industrialisation;
  - Downstream high value export markets;
- Develop Nigerian human resources in the petroleum sector:
  - International training;
  - Improved national petroleum education;
  - Development of competency through education and practical experience, such as apprenticeship schemes;
  - Graduate training;
  - Technical, Vocational, Educational Training (TVET);



- Implement international best practice in operations, particularly in maintenance, health and safety;
- Implement good governance throughout the industry;
- Cluster development of gas infrastructure.

### STRATEGIC ELEMENT

The strategic elements of the NGP are described under the following broad headings:

- Governance (establishment of requisite legal, regulatory and institutional framework). This covers the following areas:
  - Strategic Objectives of the Legal and Regulatory Framework, such as:
    - Emphasis on gas as a fuel in its own right, rather than a by-product of oil production
    - Separation of upstream from the midstream;
    - Greater focus on the development of the midstream and downstream segments;
    - Separation of gas infrastructure ownership and operations from gas trading;
    - Pricing;
    - Competition regulation;
    - Fiscal regime;
    - Licensing of different activities in the gas chain
  - Institutional framework: The aim of the policy is to introduce institutional reforms capable of translating aspirations into results. The policy making and surveillance capability of the Ministry of Petroleum Resources will be strengthened, new technical resources will be introduced, existing departments will be restructured, and additional mandates would be assigned.
  - Commercial Framework: The gas market development will be policy driven and project led, with the objective of achieving an integrated national gas network.
  - Fiscal Framework
    - Currently, AG and NAG costs can be recovered from oil income as is stipulated by the Associated Gas Framework Agreement (AGFA) (codified in section 11, Petroleum Profits Tax Act). This has caused multiple issues such as:
      - Discrimination against companies who do not have oil operations
      - It incentivises oil companies to build gas infrastructure for fiscal reasons, which is ultimately paid for by the Nigerian government
      - This has meant that only gas infrastructure not built for fiscal reasons is paid for by the government
      - When the price of oil drops, the capacity to collect tax on profits from the sale of oil is reduced.





- Therefore, the fiscal framework of the gas policy is needed to set fiscal rules that are clear, transparent, globally competitive and designed to incentivise all participants. The government will not create economic distortions that work to the advantage of any particular party.
- Industry Structure: The gas policy envisions an industry founded on partnership between the public and private sectors, albeit with a clear separation of roles between the government and the private sector. This includes provisions in respect to the roles of government-owned corporations, export gas ownership and tolling arrangements, wholesale domestic market, separation of transport and trading, domestic gas supply obligations, review of the gas aggregation policy (“GAP”)
- Development of Gas Resources to diversify supply, identify low cost gas resources, address gas flaring, and review future gas exploration licenses
- Infrastructure (development of a gas infrastructure blueprint & strategy necessary for the improvement of the whole supply chain)
- Building Gas Markets (strategies for financing and developing gas markets, LNG, Liquefied Petroleum Gas (“LPG”) and pipeline projects domestically, regionally and internationally)
- Developing National Human Resources (for achieving local content and building in-country capacity)
- Communications (specifying models for internal & external communication within the MPR and government entities as well as consultations with industry stakeholders; necessary to properly explain the policy and changing attitudes)

Roadmap and Action Plan (setting timeline for the gas policy roadmap).

#### **PRINCIPLES**

- Separation of the roles and responsibilities of government and the private sector, as it relates to the gas sector;
- Implementation of full legal separation of the upstream from the midstream;
- Implementation of full legal separation of gas infrastructure ownership and operations from gas trading;
- Establishment of a single independent petroleum regulatory authority;
- Optimisation of Liquefied Natural Gas (“LNG”) international downstream value;
- Pursuit of a project-based approach rather than a centrally-planned model for domestic gas development;
- Identification of new gas resources from the Niger Delta, offshore, inland basins and at the same time, aiming to achieve a reduction in gas flaring;
- Creation of a conducive environment for investors through the introduction of an appropriate institutional, legal, regulatory and commercial framework for the gas sector;
- Establishment of strong linkages of the gas sector with the electric power, agriculture, transport and industrial sectors;

Ensuring compliance with the requirements of the Nigerian Content Act.

#### **GAS VALUE CHAIN**

For the purposes of the NGP, the parts of the Gas Value Chain have been identified as follows:



**UPSTREAM:**

This includes activities related to:

- Exploration for, development and production of gas;
- Drilling and operation of gas producing wells;
- Construction and operation of gas gathering pipelines/facilities;
- Gas separation and treatment facilities and operations;
- Transportation of personnel and equipment to and from upstream gas locations and facilities.

**MIDSTREAM:**

This means activities related to:

- Construction and operation of gas transportation pipelines, in general after the flow station;
- Gas gathering and processing facilities;
- Natural gas liquefaction plants;
- Gas bulk storage facilities;
- Shipping of gas and related products;
- Other bulk transport methods, such as rail, barge and trucks for transporting gas and related products on a wholesale basis.

**DOWNSTREAM:**

This includes activities pertaining to:

- Construction and operation of facilities for distribution of gas to end-users;
- Retail stations for Compressed Natural Gas ("CNG");
- City gate reception terminals;
- Distribution of gas;
- Wholesale marketing of gas and gas products;
- Marketing, retailing and sale of gas.

**IMPLEMENTATION PLAN**

Below are the details of the roadmap and action plan for the Federal Government's implementation

<b>Short-term (up to one year)</b>	<b>Medium-term (one to two years)</b>	<b>Long-term (more than two years)</b>
These are the activities that can commence and be completed in less than a year. The short-term activities which the Ministry of Petroleum Resources can start immediately are those it directly controls, such as the institutional activities within the Ministry of	These refer to activities that are largely, but not entirely within the ambit of the Ministry's control. These will ordinarily take a bit longer than short-term activities to complete, and are mainly legislative and regulatory focused activities, which set the	Once the legislative, regulatory, institutional, and commercial frameworks are in place, the gas industry will need to implement the policy in terms of infrastructure projects and growing the Nigerian domestic and export gas



<p>Petroleum Resources and NNPC. They include</p> <ul style="list-style-type: none"> <li>● Gas policy approval</li> <li>● Communications strategy</li> <li>● Legislation (drafting)</li> <li>● Downstream gas regulations (drafting network code, DSO)</li> <li>● Developing &amp; finalizing PSC Gas Terms</li> <li>● Studies and policies</li> <li>● Gas flare commercialization programme</li> <li>● Institutional restructuring</li> </ul> <p>Key parties involved in these activities include:</p> <ul style="list-style-type: none"> <li>● DPR</li> <li>● Gas Aggregation Company of Nigeria (GACN)</li> <li>● MPR</li> <li>● NNPC</li> <li>● Petroleum Technology Development Fund (PTDF)</li> </ul>	<p>framework for the growth of the gas industry and market. They include:</p> <ul style="list-style-type: none"> <li>● International reviews</li> <li>● Legislation (enactment of the petroleum industry legislation)</li> <li>● Regulation (petroleum regulator, technical codes &amp; standards, cost benchmarking and tariff modelling etc.)</li> <li>● Fiscal policy</li> <li>● Studies and policies (implementation of LPG pilot projects etc.)</li> <li>● Institutional reforms (establishment of a national petroleum policy directorate within the MPR and establishment of an independent petroleum regulatory authority etc.)</li> <li>● Gas flare commercialization programme</li> <li>● Industry restructuring</li> <li>● Upstream (implementation of a gas resource management plan and updating the gas infrastructure blueprint etc.)</li> <li>● Infrastructure (complete and commission OB3 pipeline link, make progress on the AKK pipeline project, and advance the Assa North &amp; Ohaji South gas development plan)</li> </ul>	<p>market. These will be necessary after two years from the date the NGP is approved and becomes operational. They include:</p> <ul style="list-style-type: none"> <li>● Communications strategy (identification of potential strategic partners)</li> <li>● Upstream (bring on new gas from dedicated gas fields from inland and offshore basins)</li> <li>● Implement LNG downstream strategy</li> <li>● Infrastructure (complete and commission AKK pipeline &amp; build gas transmission backbone infrastructure)</li> <li>● Complete establishment of wholesale gas market</li> <li>● Institutional capacity building and training.</li> </ul> <p>Key parties involved in these activities include:</p> <ul style="list-style-type: none"> <li>● DPR</li> <li>● Petroleum Training Institute (PTI)</li> <li>● MPR</li> <li>● NNPC</li> <li>● Petroleum Technology Development Fund (PTDF)</li> </ul>
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	<p>Key parties involved in these activities include:</p> <ul style="list-style-type: none"> <li>● MPR</li> <li>● MPR Gas Policy Team</li> <li>● The Nigeria Liquefied Petroleum Gas Association (NLPGA)</li> <li>● National Assembly</li> <li>● NNPC</li> </ul>	
<b>KEY STAKEHOLDERS</b>		
<p>Federal Government of Nigeria          Ministry of Petroleum Resources          Nigerian National Petroleum Corporation (NNPC)          Nigerian Gas Marketing Company (NGMC)          Nigerian Gas Processing &amp; Transportation Company (NGPTC)          Nigerian Petroleum Development Company Limited (NPDC)          Nigerian Petroleum Investment Management Services Limited (NAPIMS)          Petroleum Technology Development Fund</p>		
<b>RELATED REGULATORY AND POLICY DOCUMENTS</b>		
<p>National Gas Policy 2017          National Petroleum Fiscal Policy 2017          Petroleum Industry Act 2021</p>		
<b>IMPLEMENTATION STATUS</b>		
<ul style="list-style-type: none"> <li>● The completion of the Obiafru-Obrikom to Oben (OB3) gas pipeline had been repeatedly pushed back since the inception of its construction in 2013. Issues have ranged from rain and flooding delaying construction to failure to build the portion of the pipeline running under the Niger River to the COVID-19 pandemic. It is now expected to be completed by the first quarter of 2023.</li> <li>● The Ajaokuta–Kaduna–Kano (AKK) pipeline developed by the NNPC to transport natural gas from Southern Nigeria to Central Nigeria is also on course for completion by 2023 according to the Federal Government. The NNPC claims that it is at 73% completion. However, it has faced significant setbacks due to landowners whose lands were to be acquired by the Federal Government claiming fraud in payment of their compensation, as well as poor communication regarding the</li> </ul>		





valuation of their land. Further development in the completion of the pipeline have seemingly stalled, and it remains to be seen whether it will be completed by 2023.

- The NNPC announced in 2019 that an expansion of the Escravos-Lagos Pipeline System (ELPS), referred to as the ELPS II, would be built to double the pipeline's existing capacity to 2.2 billion ft<sup>3</sup> per day. The 36-inch ELPS is a natural gas pipeline built in 1989 to supply gas from the Escravos region in the Niger Delta to various consumption utilization areas. This project was completed in 2021.