

**EXPECTATIONS AND REALITIES**  
**- THE NIGERIAN OIL & GAS PERSPECTIVE**  
**BY**

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**SYNOPSIS FOR ROUND TABLE DISCUSSION**

**AT THE**

**FORUM FOR STAKEHOLDERS IN OIL & GAS**  
**SECTOR FROM THE UNITED STATES AND**  
**AFRICA, AT MARYLAND, USA**

**NOV. 29 – DEC. 1, 2006**

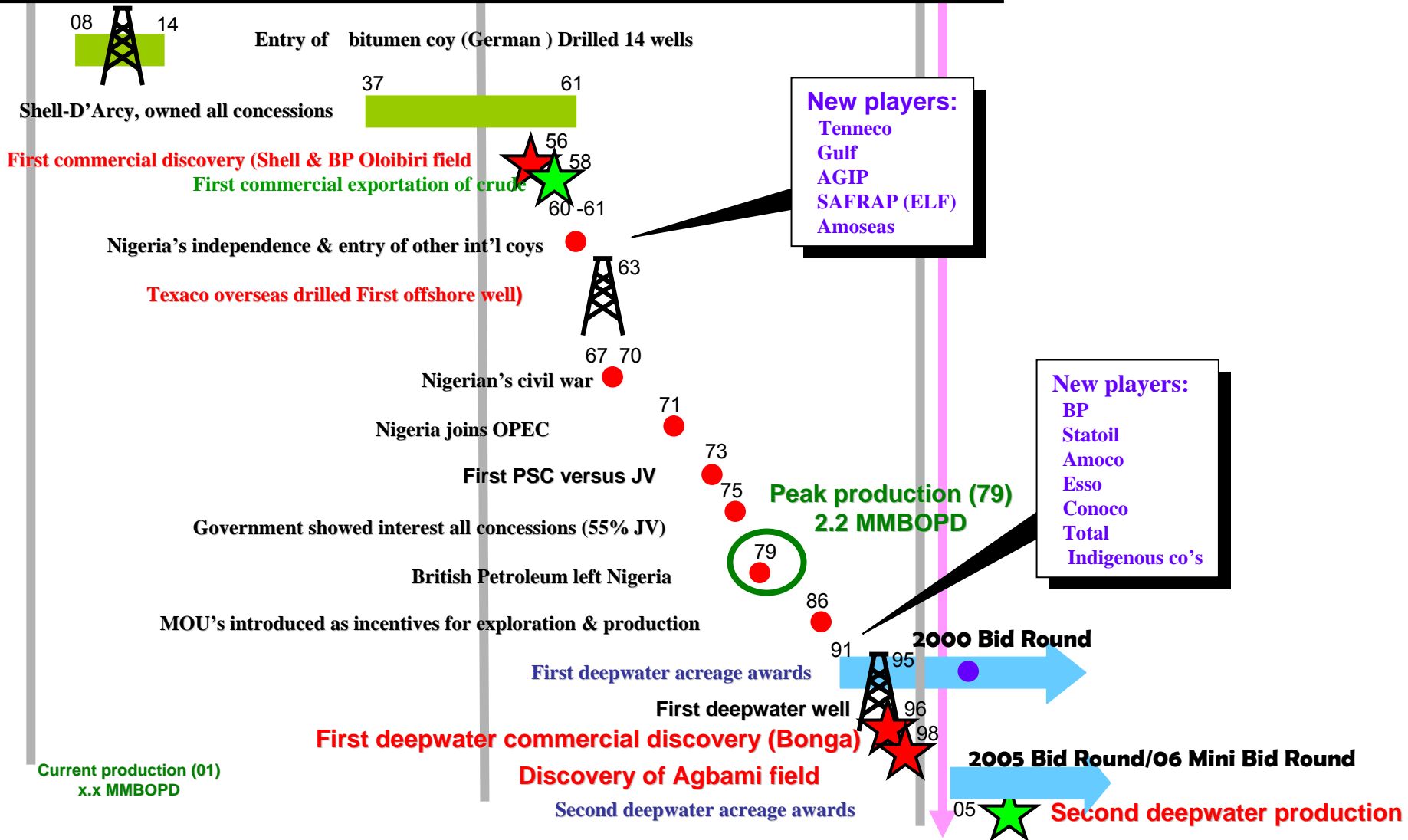


# HISTORICAL BACKGROUND OF NIGERIA'S PETROLEUM DEVELOPMENT – THE PAST

1900

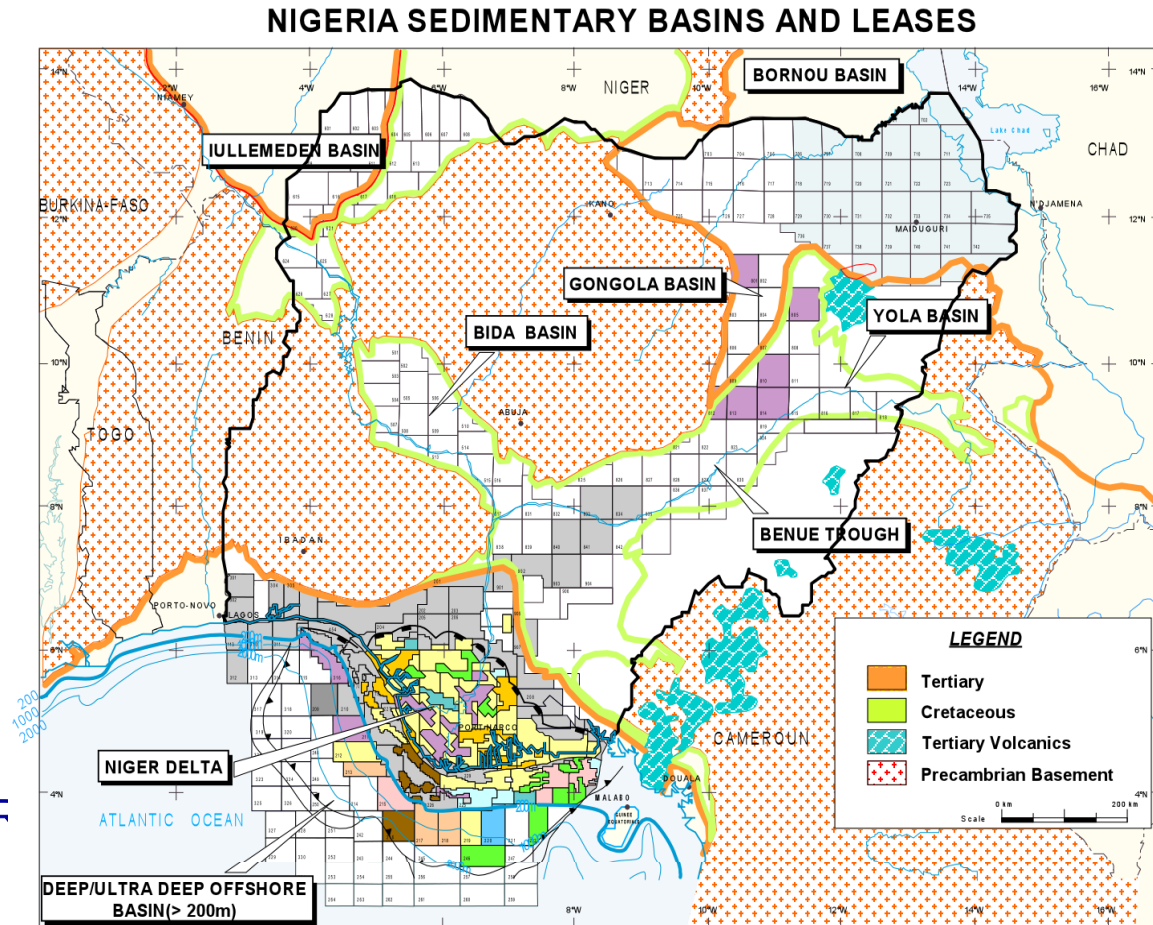
1950

2000



# NIGERIA'S SEDIMENTARY BASINS ARE AMONGST THE MOST PROLIFIC IN THE WORLD

- ANAMBRA BASIN
- BENUE BASIN
- BIDA BASIN
- CHAD BASIN
- DAHOMEY EMBAYMENT /BENIN BASIN
- SOKOTO BASIN
- NIGER DELTA
- DEEP/ULTRA DEEP WATER

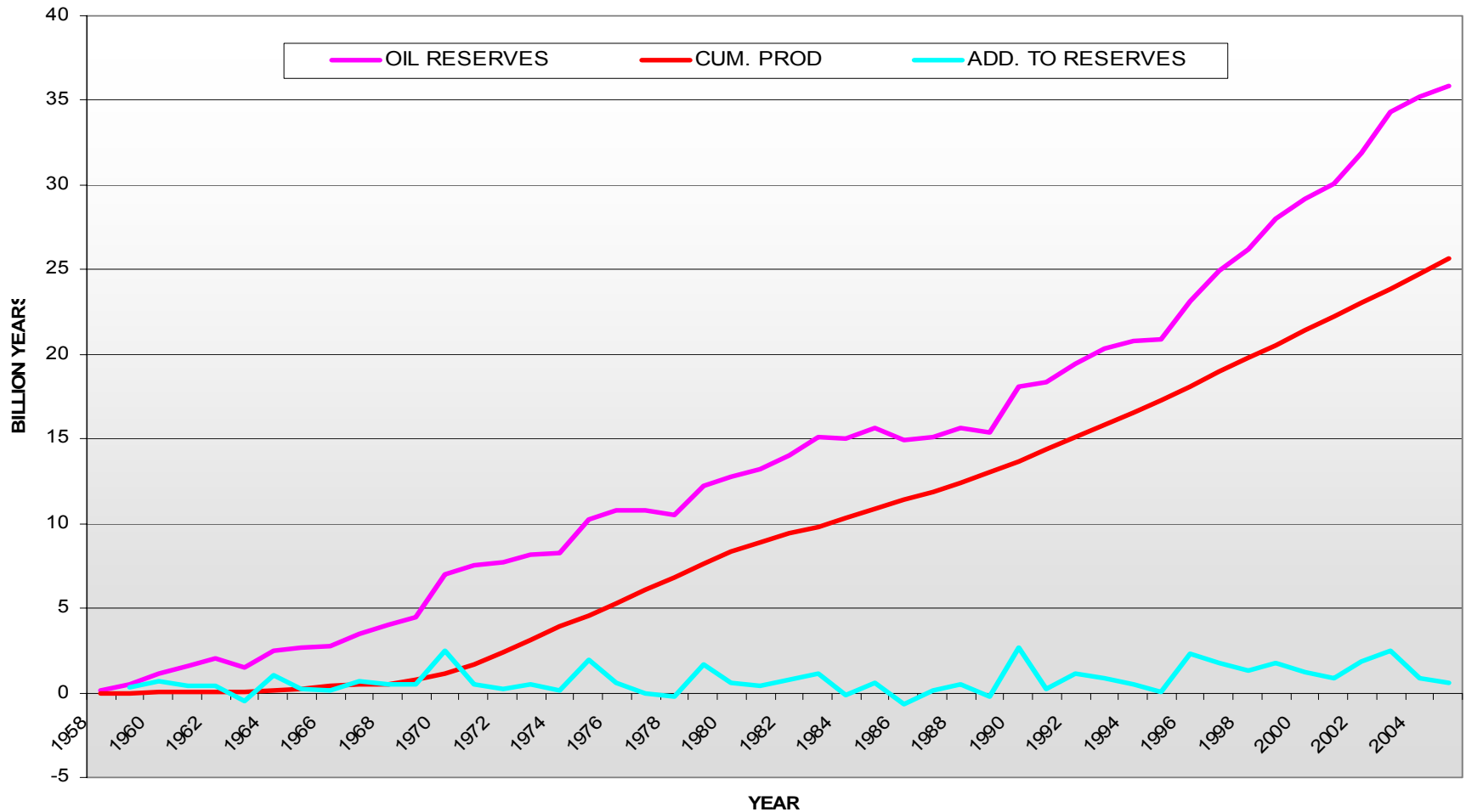


Several open acreages exist in the Niger Delta Basin, equally, significant potential still exists across other basins creating a strong basis for future licensing rounds



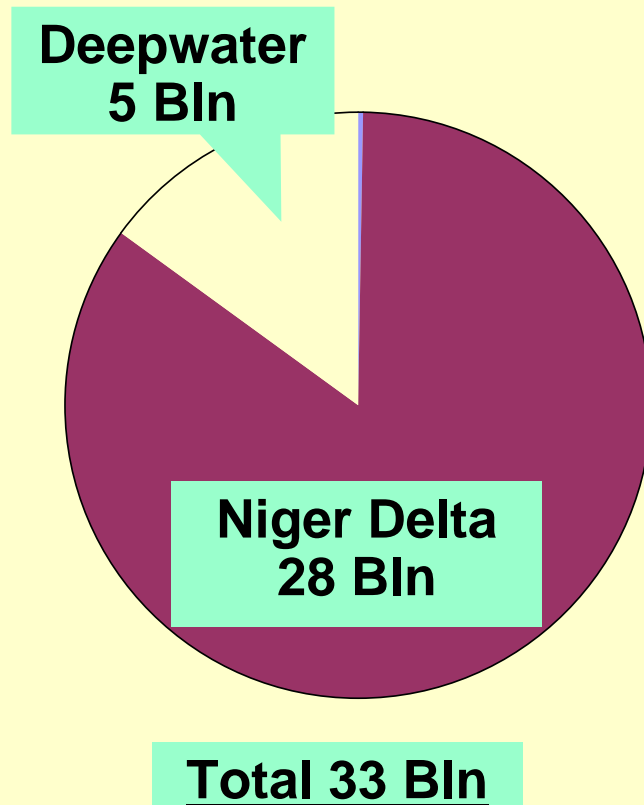


# OIL RESERVES, CUM. PRODUCTION AND ADDITION TO RESERVES (1958 - 2006)

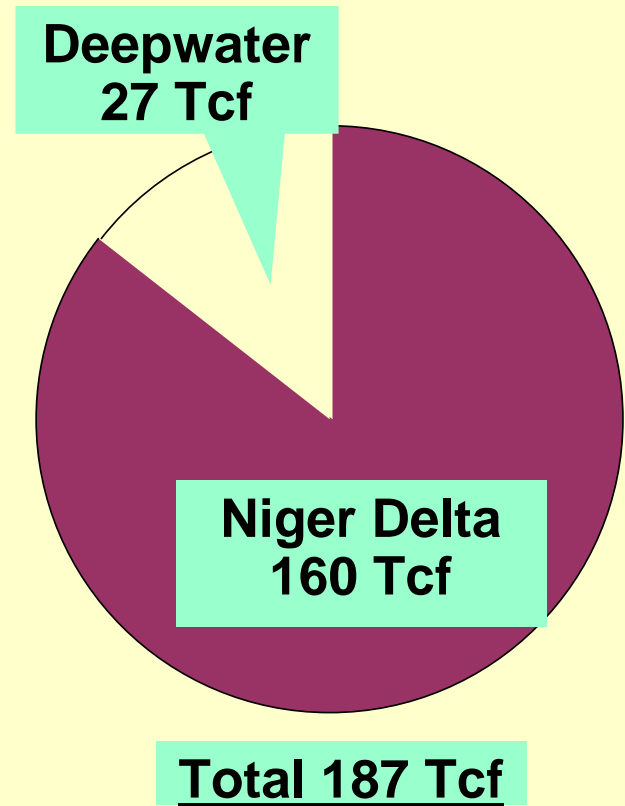


**THE SUCCESSES IN THE DEEPWATER COUPLED WITH THE NIGER DELTA HAS SIGNIFICANTLY ENHANCED NIGERIA'S POSITION AS A MAJOR OIL AND GAS PLAYER.**

### Oil Reserves (Barrels)



### Gas Reserves (Tcf)





## DEEP AND ULTRA DEEP WATERS OF NIGER DELTA BASIN

- **COVERS AN AREA OF: 115,891.09 SQ. KM**
- **ACREAGE HOLDINGS ARE BY 44 OPERATORS**
- **TOTAL NO OF ACREAGE HOLDINGS: 122**
- **SEISMIC DATA: 18,990.00 KM. OF 2D**  
**31,332.34SQ.KM. OF 3D**
- **TOTAL NO OF EXPLORATION WELLS: 51**  
• **78% SUCCESS RATIO**
- **RESERVES DISCOVERED TO DATE: >7 Billion Bbls**
- **NO OF WELLS THAT FOUND COMMERCIAL HYDROCARBON: 40**
- **MORE THAN US\$ 9.0 BILLION ALREADY INVESTED**



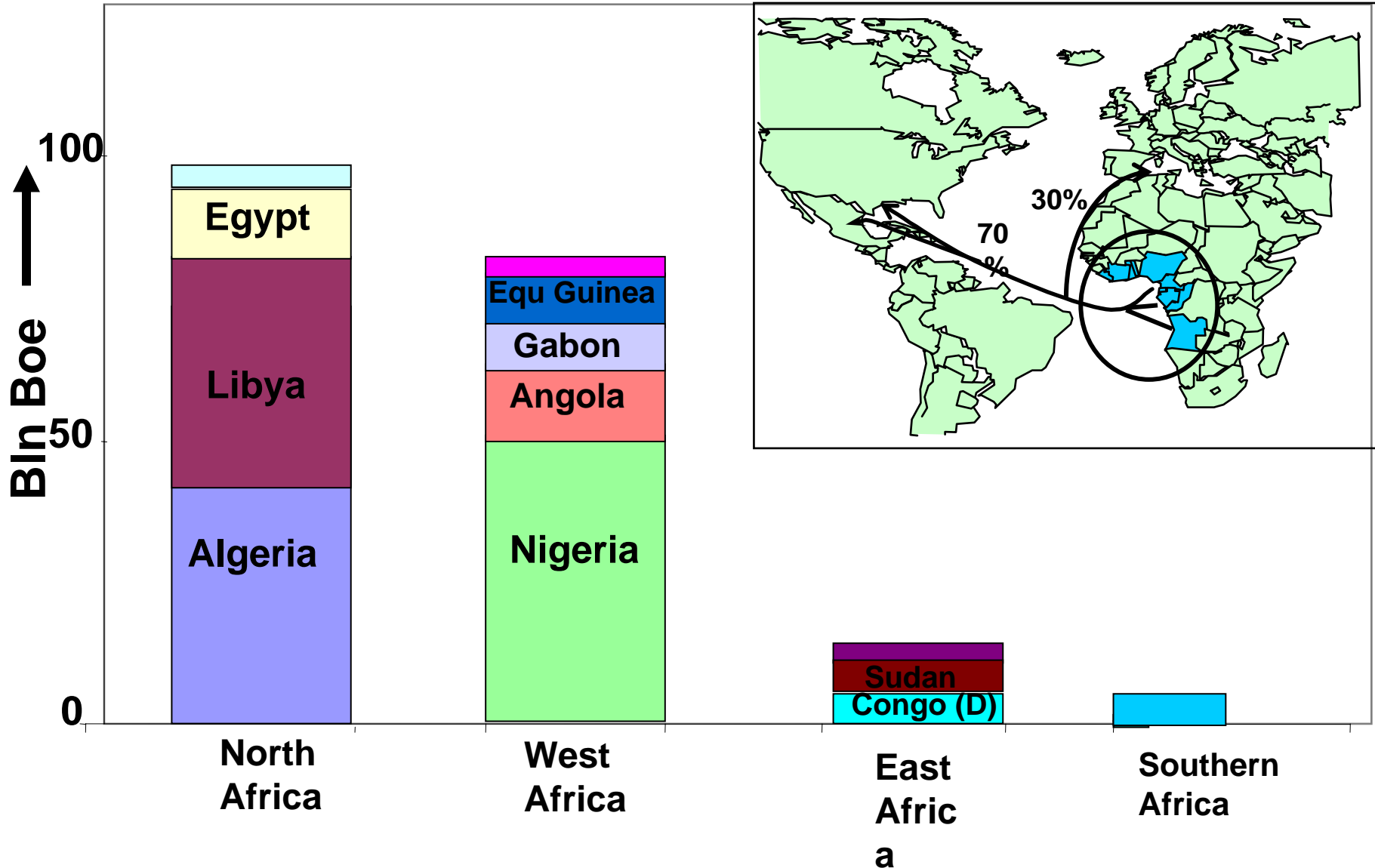


## DEEP AND ULTRA DEEP WATERS OF NIGER DELTA BASIN

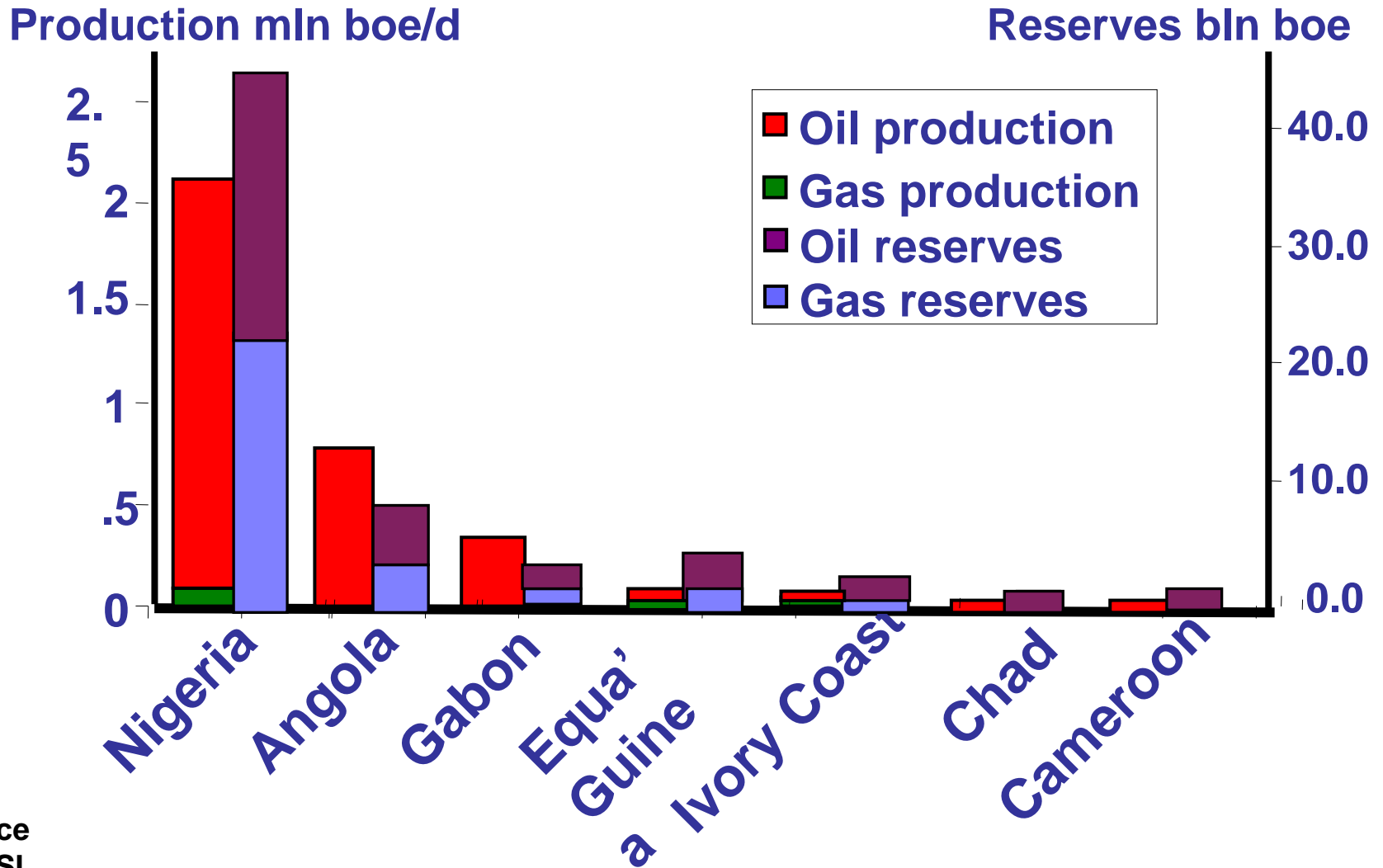
- **WORLD CLASS GIANT OIL AND GAS FIELDS HAVE BEEN FOUND IN THE BASIN; SNEPCO'S BONGA, CHEVRON'S AGBAMI,**
- **PRODUCTION STARTED IN APRIL 2003 IN ABO OPERATED BY NIGERIA AGIP EXPLORATION**
- **CURRENT ESTIMATED POTENTIAL OF BASIN: 180.0 BILLION BOE**
- **MANY OPEN BLOCKS ARE STILL AVAILABLE TO INTERESTED INVESTORS**
- **2005 ROUND OF COMPETITIVE BIDDING EXERCISE JUST CONCLUDED**



# THE REGION HOLDS SUBSTANTIAL HYDROCARBON RESERVES AND THE GULF OF GUINEA IS WELL POSITIONED IN RESPECT OF THE MARKETS



# NIGERIA AND ANGOLA HAVE COMMANDING RESERVES POSITION IN THE GULF OF GUINEA



# GOVERNMENT ASPIRATION



## 1999 – 2003 OBJECTIVES

- 30 BILLION BBL RESERVES
- 3.0 MILLION BBL/D PROD.

## VISION 2010

- 40 BILLION BBL RESERVES
- 4.0 MILLION BBL/D PROD.
- ZERO FLARING BY 2008

## CURRENT STATUS

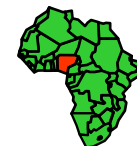
- 35.88 BILLION BBL RESERVES
- 2.8 MILLION BBL/D PROD.

## STRATEGY

- ENCOURAGE CAPITAL INFLOW THROUGH:
  - ENABLING ENVIRONMENT
  - ATTRACTIVE INCENTIVES
- PROMOTE PRIVATE INVESTMENT
  - OIL AND GAS DEVELOPMENT
  - GAS UTILISATION INITIATIVES
- CONTINUE PERIODIC LICENSING ROUNDS TO CONSOLIDATE ON GAINS FROM 2005 BID ROUND
- TACKLE JV FUNDING
- ESTABLISH NEW REFINERIES TO IMPROVE REFINING CAPACITIES
- ENCOURAGE SECTOR LINKAGE TO INFRASTRUCTURE DEVELOPMENT

***STRUCTURED DEVELOPMENT OF NON-ASSOCIATED GAS AND GENERATE MORE REVENUE FROM GAS THAN OIL BY 2015 AND BEYOND***





# GOVERNMENT ASPIRATION DRIVERS / INITIATIVES

## DRIVERS

- EXPANDING ECONOMIES OF CHINA AND ASIA COUPLED WITH RAPID GROWING GLOBAL ENERGY DEMAND
- DWINDLING RESERVES OF EUROPE AND USA
- SEARCH FOR ALTERNATIVE SOURCES OF OIL & GAS OUTSIDE THE MIDDLE EAST.
- NIGERIA'S RESOURCE POTENTIAL AND GEOGRAPHICAL LOCATION TO MARKETS IN EU AND USA.
- RECOGNITION OF GAS AS ENERGY OF THE FUTURE.

## INITIATIVES

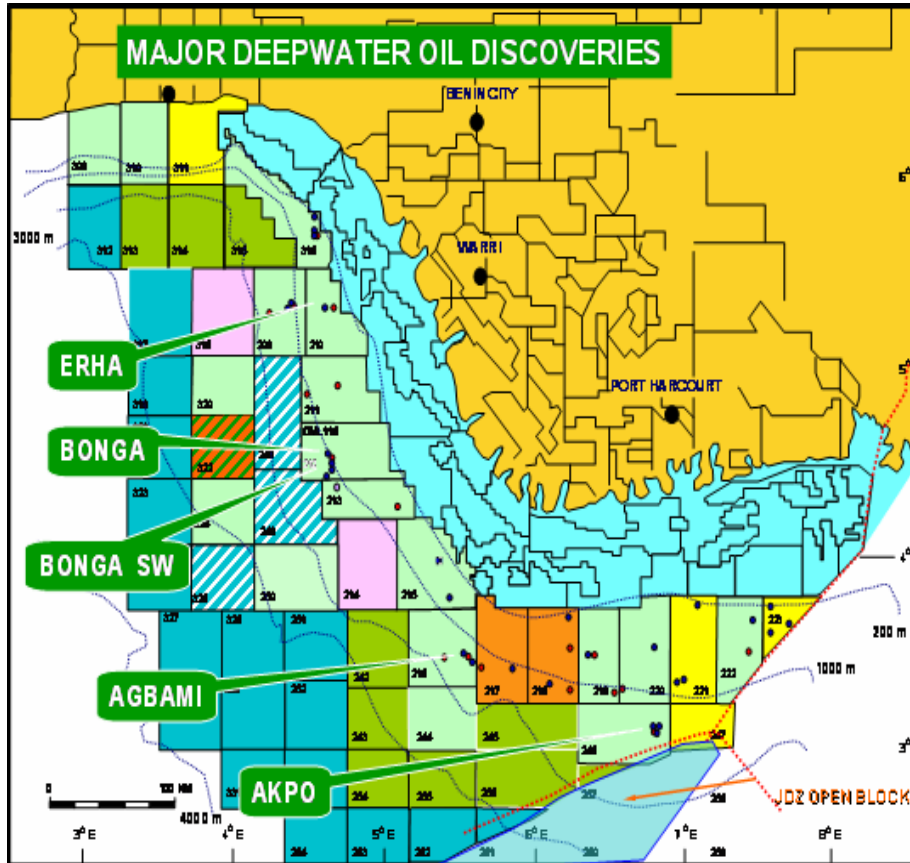
- PRUDENT MANAGEMENT OF EXISTING OIL AND GAS RESOURCES
- OPEN UP NEW OIL AND GAS ASSETS TO EXPLORATION AND EXPLOITATION
- AGGRESSIVE PURSUIT OF NATURAL GAS DEVELOPMENT.
- ATTRACTIVE GAS FISCAL TERMS

## IMPERATIVES

- ACCESS TO FINANCE AND INVESTMENT
- LOCAL CAPACITY BUILDING (INDUSTRIES, INFRASTRUCTURE & PERSONNEL)



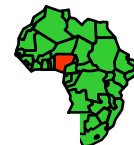
# NIGERIA'S SUPPLY POTENTIAL RESERVE POTENTIAL - RECENT DEEPWATER DISCOVERIES



	FIELD	DATE	WATER DEPTH (M)	RESERVES MILLION Bbls
OIL	BONGA	1996	1000	1000
	NGOLO	1997	800	51
	ABO	1997	600	250
	ABO NORTH	1998	625	-
	CHOTA	1998	1050	400
	UKOT	1998	700	300
	AGBAMI	1999	1450	894
	ERHA	1999	1200	630
	USANG/UKOT	1999	750	400
	DORO	1999	1300	49.3
	AKPO	2000	1350	700
	BONGA S.W.	2001	1250	501
	APARO	2001	1250	223
	BOLIA	2001	1000	132
	USAN	2002	700	620
	IFO (Bonga In-field opportunity)	2002	1250	78
	NSIKO	2003	1729	170
EGINA	2003	1600	300	
PREOWEI	2003	1150	140	
BONGA W/N	2004	1141	191	
USAN WEST	2004	700	75	
<b>TOTAL</b>				<b>7104.3</b>
	<b>FIELD</b>	<b>DATE</b>	<b>WATER DEPTH (M)</b>	<b>TCF</b>
GAS	BOSI	1996/97	1450	7
	NGOLO	1997	795	0.853
	NNWA/DORO	1999	1200	12
	BOLIA	2001	1300	-
<b>TOTAL</b>				<b>19.853</b>

**7bn bbls of oil and 19TCF of gas have been discovered in Nigeria's deepwater since 1996 making Nigeria a country with a high probability of deepwater giant discoveries**





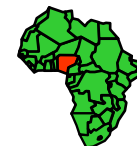
# ASPECT OF INITIATIVE - 2005 BID ROUND (ACREAGE IS IN SIX ZONES)

## ZONATION NIGERIA 2005 BID ROUND

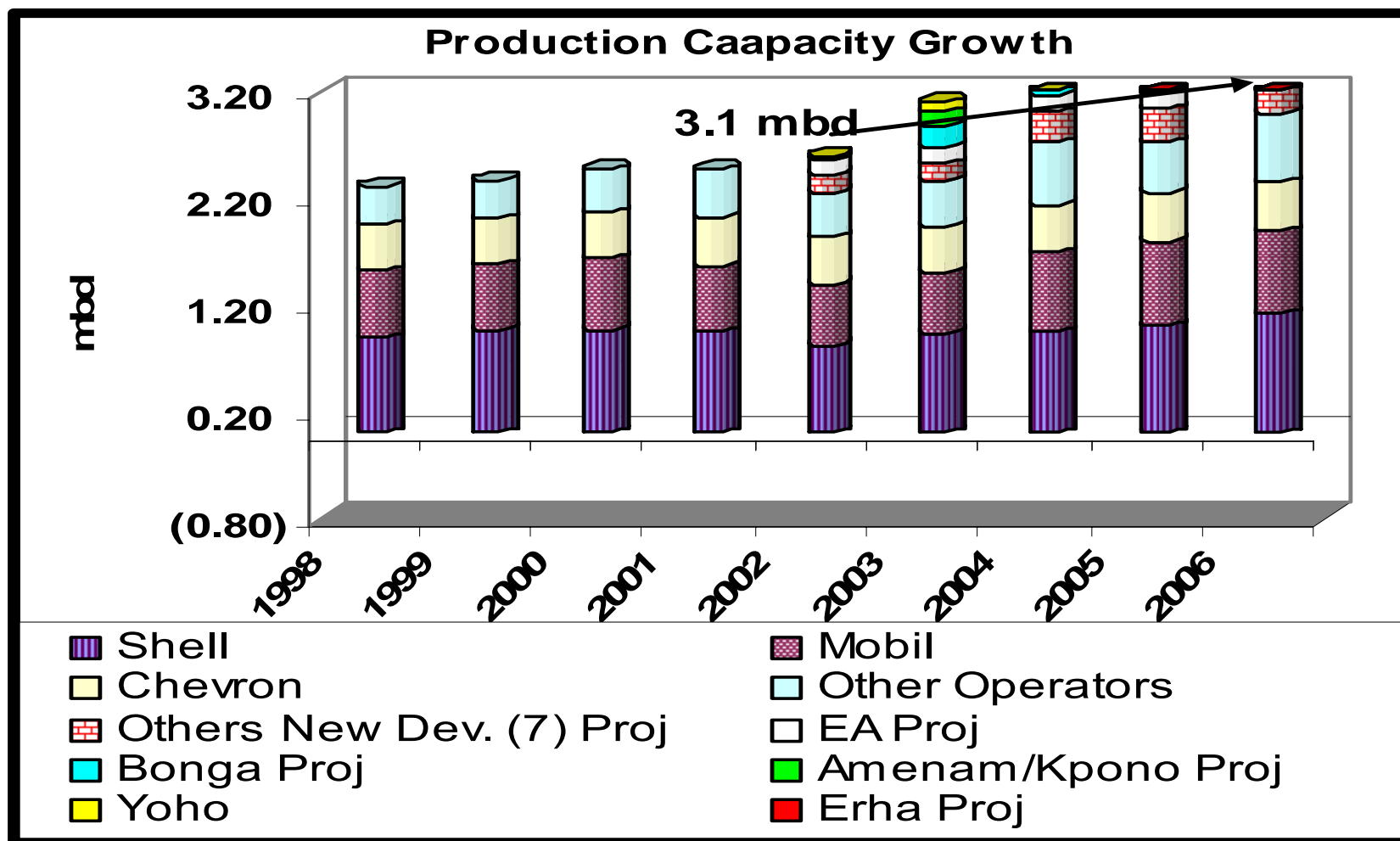
Zones	Number of Blocks	Prospectivity	Participation				
			Local Content	Downstream Projects	Indigenous Operators	Independents	Majors
Deep Offshore	14	High	X			X	X
Continental Shelf	12	High - Moderate	X	X	X	X	
Onshore	13	High - Moderate	X	X	X	X	
Anambra	9	Moderate - Low	X	X	X	X	X
Benue	16	Low				X	X
Chad	13	Low				X	X

77



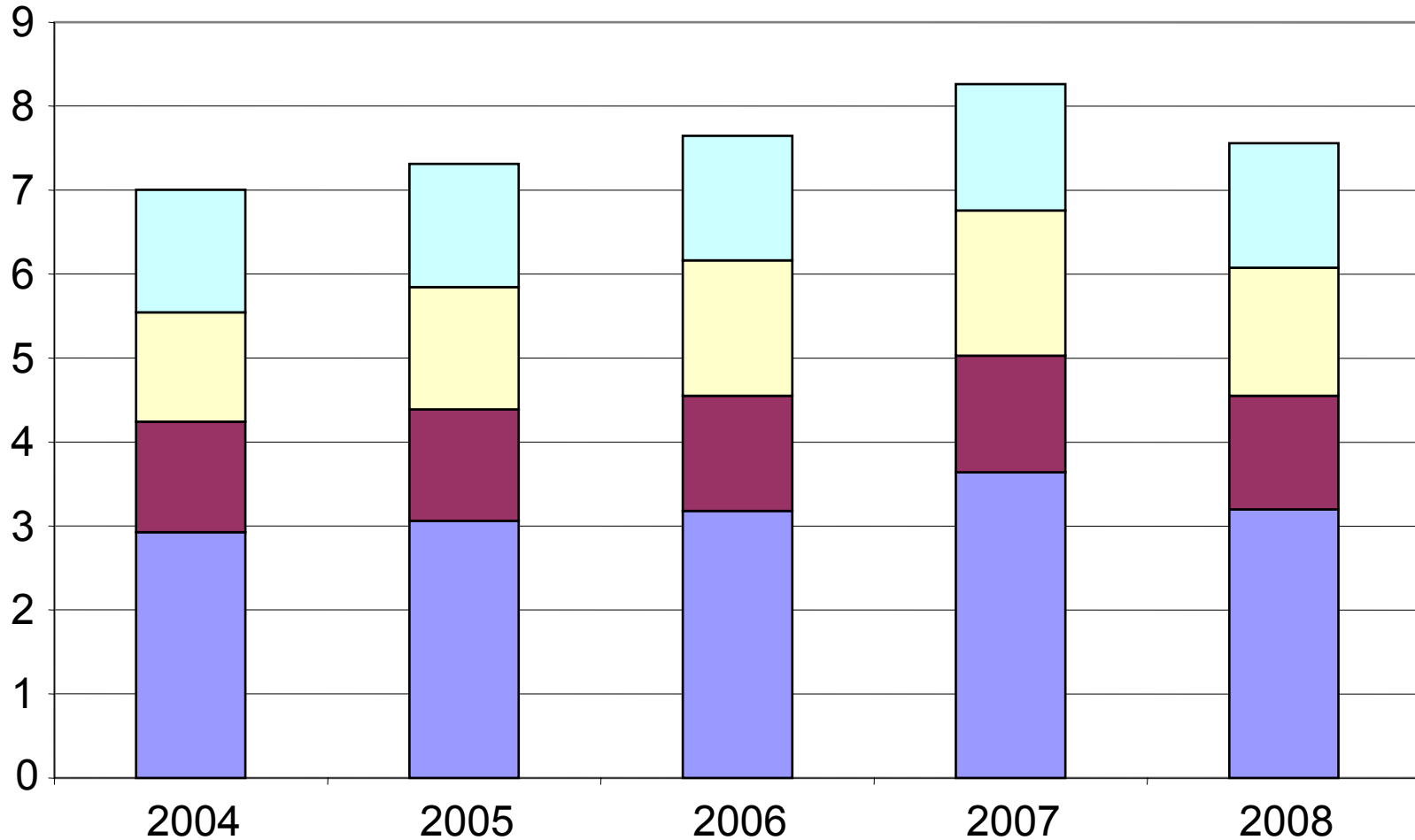


# EXPECTATIONS FOR PRODUCTION CAPACITY GROWTH

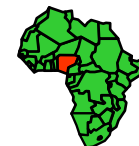


**UPSTREAM OIL AND GAS SECTOR IS ATTRACTING  
EXPENDITURE PROFILE OF US\$ 7 – 8 BLN ANNUALLY.**

**Expenditure Bln US\$**



Onshore Opex   Offshore Opex   Onshore Capex   Offshore Capex



# PROJECTIONS FOR INVESTMENT LEVELS

## 2005-2008 Investment Level

Oil	Onshore	\$6.4 bn
	Offshore	\$28bn
	Total Oil	\$34.4bn
Natural Gas	Upstream	\$12.4bn
	Downstream	\$20.3bn
	Total Gas	\$32.7bn

About \$67bn to be spent by 2008 in the Nigerian Oil and Gas industry

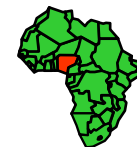




# OPPORTUNITIES FOR INVESTMENT

- **OVER \$0.5 BN/YR TO EARMARKED FOR ENGINEERING DESIGN**
  - **POTENTIAL FOR 2000 SKILLED DESIGN ENGINEERS WITHIN 15 YEARS.**
- **OVER \$8 BN/YR EARMARKED FOR FABRICATION IN THE UPSTREAM**
  - **POTENTIAL FOR 10,000 NEW JOBS OVER NEXT 3 YEARS.**
  - **OPPORTUNITIES FOR EXPANSION AND NEW FABRICATION YARDS**
- **ABOUT \$25 BN FOR MATERIALS & MANUFACTURE**
  - **OPPORTUNITIES FOR NEW ASSEMBLING PLANTS AND LOCAL INDUSTRY EXPANSION**
- **OPPORTUNITIES IN THE AREAS OF BANKING & INSURANCE.**
  - **FINANCING OF LOW RISK OIL/GAS PROJECT**
  - **PARTNERING LOCAL INSURANCE FIRMS AND REINSURANCE OF SMALL OIL/GAS PROJECTS**



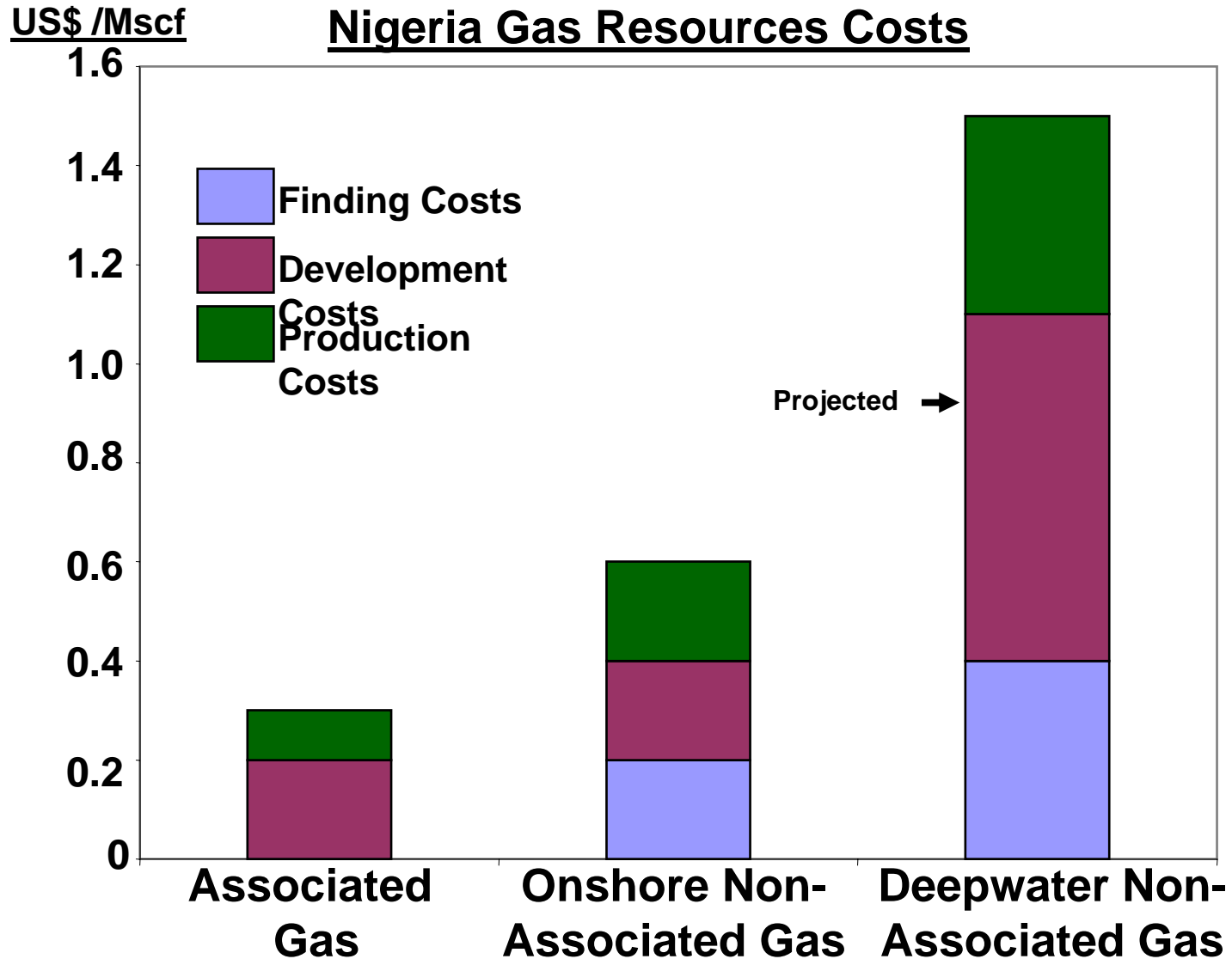


# OPPORTUNITIES FOR INVESTMENT

- **PARTNERING WITH NIGERIAN SHIPPING COMPANIES TO UNLOCK OVER \$600 MILLION ANNUAL SPENT ON INTERNATIONAL TRANSPORT OF CRUDE.**
- **PRIVATISATION OF DOWNSTREAM SECTOR ALLOWS FOR INVESTMENTS.**
- **DOMESTIC AND EXPORT GAS DEVELOPMENT PROJECT.**
- **FUTURE LICENSING FOR EXPLORATION AND DEVELOPMENT.**



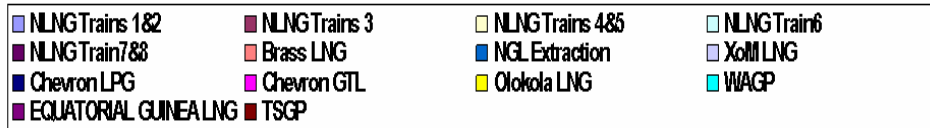
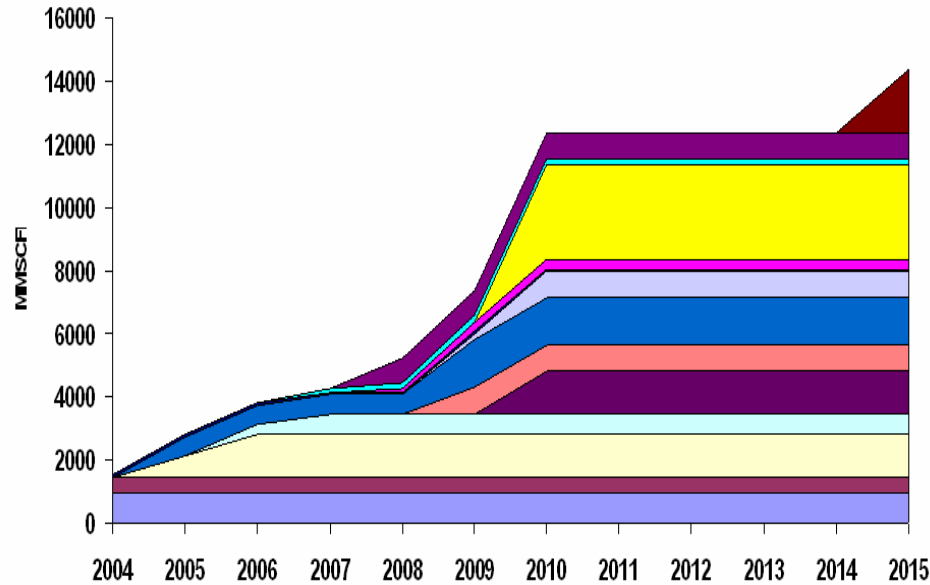
# FINDING, DEVELOPMENT AND PRODUCTION COSTS ARE MOST FAVOURABLE



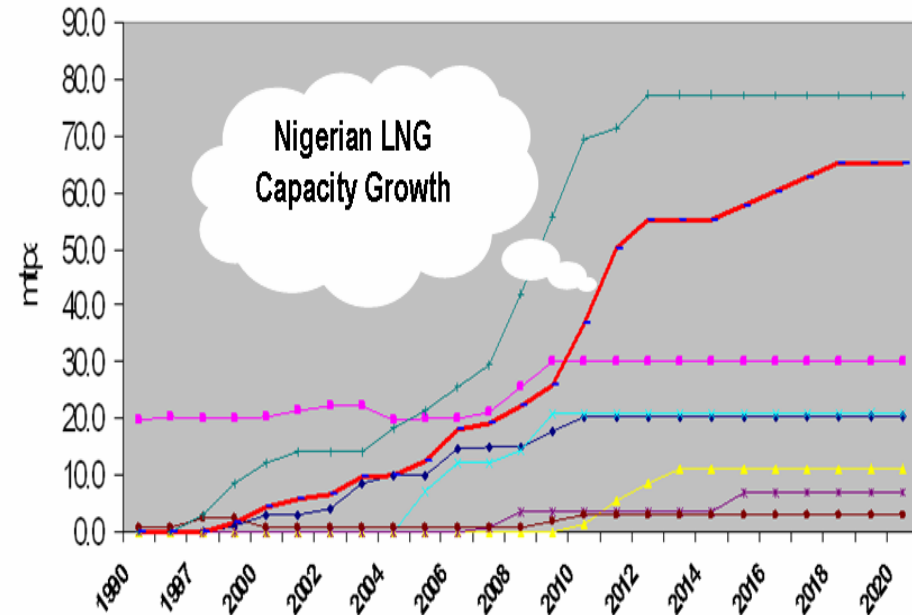
# GAS MONETISATION OPPORTUNITIES



Export Gas Demand



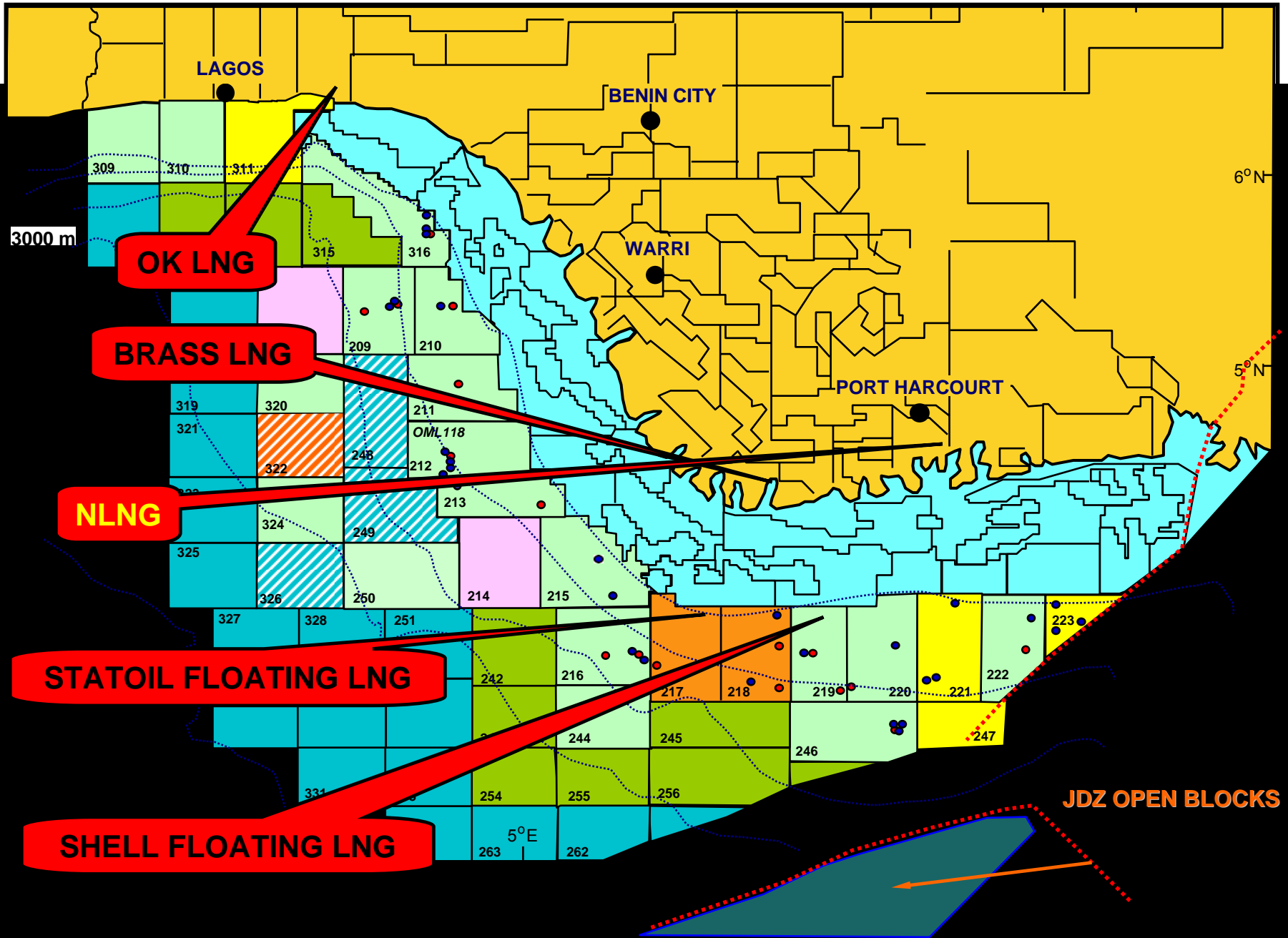
Global LNG Capacity Growth Comparison

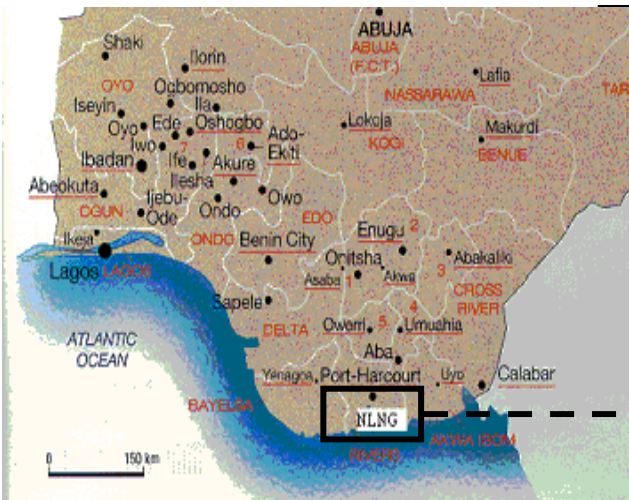


Ongoing/planned gas programmes would entail commercialisation of over 14 Bcfd of gas by 2011 (80% for LNG)

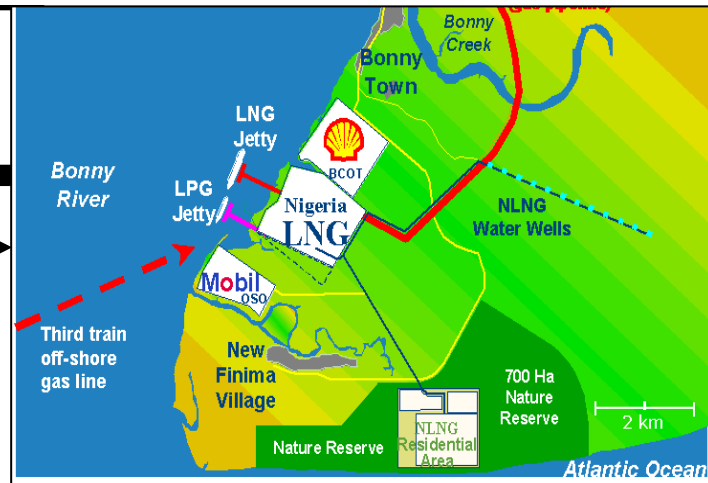


# NIGERIA: EXISTING LNG AND PROPOSALS





# NIGERIA LNG



	Investment	Feed Gas	Production (Liquids)	BGT
	USD Bln	mmscf/d	mmtpa	USD Bln
<b>NLNG Base Project</b>	<b>3.3</b>	<b>940</b>	<b>6.2</b>	<b>0.3</b>
<b>NLNG Expansion</b>	<b>1.4</b>	<b>545</b>	<b>5</b>	<b>0.4</b>
<b>NLNG Plus</b>	<b>2</b>	<b>1334</b>	<b>9.4</b>	<b>1.4</b>
<b>Total</b>	<b>6.7</b>	<b>2819</b>	<b>20.6</b>	<b>2.1</b>

# **REFORMS BY GOVERNMENT TO REMOVE IDENTIFIED BARRIERS TO ATTRACT MORE INVESTMENTS**

## **■ REGULATION**

- **NNPC POSITION AS BOTH REGULATOR AND OPERATOR.**
- **NGC MONOPOLY POSITION IN TRANSPORTATION**
- **THIRD PARTY ACCESS TO THE TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE DISCRIMINATORY.**

## **■ PRICING**

- **NON COMPETITIVE AND DISCRIMINATORY PRICING.**

## **■ FISCAL**

- **FISCAL REGIME FOR DOWNSTREAM INVESTMENT FAVOURABLE TO EXISTING UPSTREAM INVESTORS AND ACT AS A BARRIER TO MOST NON-OIL INVESTORS**
- **ABUSE OF AGFA AND PROJECT BY PROJECT NEGOTIATION OF OTHER FISCAL TERMS.**
- **GAS PROJECTS ESSENTIALLY FUNDED FROM FGN SHARE OF ECONOMIC RENT FROM OIL PROJECTS**

# SUMMARY OF CURRENT AND PROPOSED FISCAL TERMS FOR GAS



TERMS	CURRENT	PROPOSED JV GAS	PROPOSED PSC GAS
ROYALTY	0%	2%	2%
TAX RATE	30%	20% – 75%	15% – 65%
TAX HOLIDAY	NONE	NONE	NONE
TREATMENT OF INTEREST	DEDUCTABLE	DEDUCTABLE	DEDUCTABLE
CAPITAL ALLOWANCE	4YRS @ 20%; 5YRS @ 19%	4YRS @ 25%	4YRS @ 25%
TAX CREDIT ALLOWANCE	5% OF CAPITAL ALLOWANCE	NONE	NONE
CONSOLIDATION	CAP AS OIL COST	CAP AS GAS COST	CAP AS GAS COST
VAT	5% (DOM. ONLY)	0%	0%
IMPORT DUTIES	2.5% (IMPORTS)	0%	0%
NDDC	3% OF BUDGET	3% OF BUDGET	3% OF BUDGET
DIVIDEND WITHOLDING TAX	0%	0%	0%
EDUCATION TAX	2%	2%	2%

**NB. FOR ROYALTY - AGFA IS 5% OFFSHORE & 7% ONSHORE**



# **ONGOING DOWNSTREAM PRIVATISATION OFFERS UNIQUE INVESTMENT OPPORTUNITIES**

## **• DOWNSTREAM OIL**

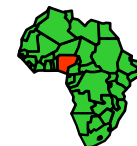
- DIVESTMENT OF EXISTING REFINERIES (51% PRIVATE)**
- LICENCES FOR CONSTRUCTION OF NEW REFINERIES (18)**
- LIBERALISATION OF PETROLEUM PRODUCTS SUPPLY**
- DEREGULATION OF DEPOTS AND COMMON ACCESS TO DISTRIBUTION INFRASTRUCTURE.**
- REFINING INTEGRATED VALUE CHAIN PROJECTS (FULL CYCLE)**

## **• GAS DEVELOPMENT**

- INDEPENDENT POWER PROJECTS**
- GTL AND OTHER PETROCHEMICAL PROJECTS**
- DOMESTIC GAS DISTRIBUTION INCLUDING CNG**

## **• ONGOING GAS MONETISATION OPPORTUNITIES**

- PIPE GAS (WAGP, TSGP, KADUNA & ABEOKUTA DEVELOPMENT CORRIDORS)**
- GTL (EGP3, MOBILE GTL) CNG, LPG/NGL**
- IPPS (AGIP, ABUJA, KADUNA ETC.)**
- INDUSTRIAL (METHANOL, ALUMINIUM, STEEL, PETROCHEMICALS)**



# INDUSTRY CHALLENGES

- **COMMUNITY AND ENVIRONMENTAL ISSUES**
- **INFRASTRUCTURE DEVELOPMENT / CAPACITY EXPANSION**
- **PRODUCTION QUOTA RESTRICTION**
- **LOCAL CONTENT – TO INCREASE INDIGENOUS PARTICIPATION IN INDUSTRY SERVICES**





# COMMUNITY ASSOCIATED PROBLEMS

- GOVERNMENTS EFFORTS
  - COMPANIES CONDUCT THEIR OPERATIONS ACCORDING TO GOOD INDUSTRY STANDARDS.
  - HARMONY IN THE PETROLEUM INDUSTRY
  - NIGER DELTA DEVELOPMENT COMMISSION
  - ENVIRONMENTAL IMPACT OF OIL OPERATIONS.
    - ENVIRONMENTAL AWARENESS AND CONSCIOUSNESS.
    - 1% ECOLOGICAL PROBLEMS FUND
    - OIL SPILL CONTINGENCY PLANNING
    - FEPA
    - PAYMENT OF OIL POLLUTION COMPENSATION





# COMMUNITY ASSOCIATED PROBLEMS

- COMPANY'S EFFORTS
  - COMMUNITY RELATED PROJECTS.
    - ROAD CONSTRUCTION
    - BUILDING OF HEALTH CENTERS/HOSPITALS
    - BUILDING/EQUIPPING OF SCHOOLS.
    - TRAINING AND EDUCATIONAL PROGRAMS.

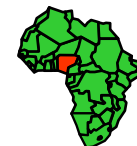


# CONCLUSION



- **NIGERIA SEEKS TRUE PARTNERSHIP ACROSS THE HYDROCARBON VALUE CHAIN**
- **PARTNERS WILLING TO INVEST CAPITAL, KNOW-HOW AND TECHNOLOGY.**
- **PARTNERS COMMITTED TO TRUE LOCAL CONTENT I.E. LOCAL VALUE ADDED THROUGH GOODS AND SERVICES MANUFACTURED IN NIGERIA.**
- **PARTNERS COMMITTED TO THE ASPIRATION TO MAKE NIGERIA A HUB FOR THE GULF OF GUINEA OIL AND GAS DEVELOPMENT.**
- **GOVERNMENT IS PROVIDING REQUIRED CONDUCIVE INVESTMENT CLIMATE INCLUDING APPROPRIATE FISCAL AND REGULATORY FRAMEWORK.**
- **EDUCATED WORKFORCE IS AVAILABLE LOCALLY**
- **ONGOING PRIVATIZATION OF THE DOWNSTREAM OFFERS SUBSTANTIAL OPPORTUNITY.**





## CONCLUSION.....Cont'd

- **NEW POLITICAL ENVIRONMENT WITH COMMITTED AND INSPIRING LEADERSHIP THAT FOCUSES ON SOCIAL INFRASTRUCTURE.**
- **TRANSPARENCY IN BUSINESS THAT ENCOURAGES NEW INSTITUTIONS AND INITIATIVES (JQS, E-MARKETPLACE).**
- **OPEN AND COMPETITIVE BLOCKS ALLOCATION TO EXPLORE AND EXPLOIT WORLD-CLASS FIELD POTENTIALS..**
- **UPGRADING FACILITIES IN THE CONVENTIONAL TERRAIN AND EXPANDING NUMBER OF OIL AND GAS FREE ZONES.**
- **FAVOURABLE AND ATTRACTIVE FISCAL TERMS**
  - **MOU – FLEXIBLE WITH DOWNSIDE PROTECTION**
  - **DEEP WATER – COMPETITIVE LOW ROYALTY FOR WATER DEPTH > 1000m**
  - **STABILITY OF AGREEMENTS.**





# Thank You

