Current Developments in the Nigerian Energy Sector

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The Nigerian energy sector is in the midst of significant transformation, with wide-ranging activities across oil, gas, electricity, and renewable energy. Key drivers of this shift include regulatory reforms, international divestments, gas sector investments, and efforts to modernize the electricity market. International Oil Companies (IOCs) are divesting from Nigerian onshore assets, creating new opportunities for local and regional players. Simultaneously, Nigeria's gas sector is seeing increased investment through major infrastructure projects. The country's electricity market is undergoing reforms to address energy deficits and promote private sector involvement, while Nigeria continues to make strides toward its ambitious energy transition goals, positioning itself as a key player in the global energy market. Despite challenges like regulatory delays and financing gaps, Nigeria is creating an increasingly attractive environment for both domestic and international investors.

We have provided snapshots of these developments below for a clearer understanding of the dynamic shifts in the sector.

Bid Rounds and Investor Landscape

The 2024 Licensing Round, which follows the suspended 2022/2023 Mini Bid Rounds, runs from 8 July to 29 November 2024. Investors are submitting technical and commercial bids, but challenges remain. During the Offshore Technology Conference (OTC) in May 2024, Nigeria's Petroleum Minister suggested linking signature bonuses to exploration activities rather than upfront payments. However, the 2024 guidelines maintain these payments.

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) has taken several steps in recent months to attract interest from investors, these include:

- Adding 17 new oil blocks to the current Licensing Round, making a total of 24 oil blocks available to pre-qualified bidders..
- Reopening the 2022/2023 Mini Bid Round to new applicants. The resumed bid round was initially only open for the applicants who were pre-qualified prior to its suspension..
- Capping signature bonuses to $10 million (deepwater) and $7 million (shallow/onshore).
- Standardizing bid criteria to promote transparency and ensure fairness.
- Waiving security clearance requirements for pre-qualification.

Despite these moves, investor caution persists, stemming from concerns like NNPC's back-in rights, unclear deepwater fiscal terms, and broader issues around security, regulatory instability, high production costs, and ESG considerations surrounding recent IOC divestments.

IOC Divestments

International Oil Companies (IOCs) are continuing to divest from onshore assets. Significant deals include:

- Shell's sale of its Nigerian subsidiary to Renaissance Africa Energy for up to $2.4 billion.
- Exxon Mobil's offshore asset sale to Seplat Energy Plc for $1.28 billion.
- ENI NAOC's divestment of OML 60 to Oando
- Equinor's exit from the Agbami field to Chappal Energies.

These transactions have faced delays due partly to regulatory procedures, litigation, and unclear environmental responsibilities. However, the President recently confirmed that the ExxonMobil/Seplat deal is close to final approval.

Gas Sector Development

Nigeria's gas sector is gaining momentum under the government's "Decade of Gas" initiative, with major projects including:

- NLNG Train 7 ($10 billion).
- The Ubeta upstream gas project ($550 million).
- The Ajaokuta-Kaduna-Kano (AKK) pipeline ($2.8 billion).
- The Nigeria-Morocco Gas Pipeline Project (6,000 km).

These investments aim to maximize Nigeria's vast gas reserves and strengthen its position in the global gas market. Several private investors are also developing other gas infrastructure and alternative evacuation facilities.

Refining and Domestic Capacity

Nigeria's refining sector, long marked by inefficiencies, is set for a major transformation with the completion of the Dangote Refinery and new modular refineries. These projects aim to reduce reliance on fuel imports and boost domestic refining capacity.

Electricity Market Reforms

Key reforms in Nigeria's electricity market include privatization, constitutional amendments moving the sector to the concurrent list, and initiatives promoting metering, rural electrification, and off-grid solutions. These efforts are part of a broader push to address energy deficits and modernize Nigeria's power infrastructure.

Energy Transition

Nigeria is making strides toward energy transition with its Energy Transition Plan (ETP), targeting net-zero emissions by 2060. However, financing remains a significant challenge, requiring both domestic and international investment to scale renewable energy projects and improve grid infrastructure. The private sector is playing a key role, particularly in solar energy projects, while new financing models are being explored to bridge gaps in traditional funding sources.

Mining Sector Opportunities

Nigeria's mining sector is rich in untapped resources, including gold, lithium, and coal. Although the sector faces infrastructure and regulatory challenges, public-private partnerships and improved security measures offer potential for substantial growth.

Dispute Resolution

To streamline industry operations, the NUPRC has established an adjudication team focused on resolving disputes between operators and stakeholders. This aims to provide transparency and reduce reliance on lengthy litigation, boosting investor confidence.

Want to Know More?

If you're interested in exploring investment opportunities in Nigeria's energy sector or wish to discuss any of these developments further, our team would be happy to assist. Please contact our Oghogho Makinde or Reginald Udom via email or Linkedin to arrange a meeting at the Africa Oil Week in Capetown this October.

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