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TEMPLARS Transcript: Energy and Natural Resources Digest

Oil and Gas

- **FEED Work Set to Start on Nigeria's first FLNG Project**

UTM FLNG Limited has executed agreements with two technical partners, Japan Gas Corporation and Technip Energies of France, for the commencement of the Front End Engineering Design (FEED) for Nigeria's first Floating Liquefied Natural Gas (FLNG) facility.

The FEED contract entails the partners conducting various studies for UTM to evaluate technical considerations and provide estimates of investment outlay which will be the basis of the bidding for the Engineering, Procurement and Construction (EPC) contract.

The FLNG facility, a new build vessel with a 1.2 million tons per annum production capacity, targets the processing of associated gas currently flared to cut carbon emissions and monetise additional reserves for the domestic and global markets. This target aligns with the Nigerian government's gas flare commercialisation programme.

The TEMPLARS team on this transaction was led by **Yemisi Awonuga** and **Dayo Okusami**, Partners and Co-Heads, Energy and Natural Resources and supported by Associates, **Ifure Udofa**, **Uba Emole**, and **Zeenah Alolade**.

- **President Buhari Flags off First Oil Drilling Project in Northern Nigeria**

The President of the Federal Republic of Nigeria recently flagged-off the Kolmani Integrated Development Project of Oil Prospecting Licences (OPLs) 809 and 810 at the Kolmani field site, which straddles Bauchi & Gombe States. The Kolmani

Integrated Development Project will be the first oil drilling in Northern Nigeria after oil discovery in commercial volume was announced nearly two years ago. The first phase of the project is expected to include an in-situ oil refinery with a capacity of up to 120,000 barrels per day, a gas processing plant with a capacity of up to 500 million standard cubic feet per day, a power plant with a capacity of up to 300MW, and a fertiliser plant with a capacity of 2,500 tons per day. The commencement of this project is expected to create an opportunity to monetize over one billion barrels of crude oil deposits and over 500 billion standard cubic feet of gas, with the possibility of higher volumes, while also creating investment and job opportunities, easing product distribution, and increasing fiscal earnings for the government.

- ***Bonga FPSO set to increase Nigeria's oil production output by 225,000 bpd***

Shell Nigeria Exploration and Production Company Limited has confirmed that it has completed the turnaround maintenance of the 225,000 barrels per day capacity Bonga Floating Production Storage and Offloading (FPSO) vessel which had been shut down since October 18, 2022. Start-up activities are in progress and it is expected that production will commence in the coming days. The restart of production by the Bonga FPSO is a welcome development for the country which has been experiencing a downturn, recording production levels of 938,000 barrels per day in October 2022.

Power

- ***NCP Okays Framework For \$3bn PPP Hydropower Plant in Benue State***

The National Council on Privatization ("NCP") has approved a governance framework for the development of a \$3 billion hydropower plant in Makurdi, Benue state. This was one of the highlights of the meeting of the NCP chaired by the Vice President, Professor Yemi Osinbajo, on 15th November 2022, at the Presidential Villa.

The project will be carried out by way of an unsolicited proposal and would proceed through the Public Private Partnership arrangement subject to compliance with applicable laws including the Public Procurement Act. The novel project would be the first of its kind in the country and is expected to provide 1,650 megawatts of power.

- ***FGN to privatise the 700MW Zungeru Hydroelectric Power Plant***

The Federal Government of Nigeria invites interested parties to submit their Request for Qualification ("RfQ") for the 700MW Zungeru Hydroelectric Power Plant in Niger state ("Zungeru Plant"). The ZHPP seeks to meet the demand for increasing energy generation from a variety of sources, particularly from the abundant hydroelectric potential in Niger State. The ultimate goal of this is to choose a concessionaire who will use professional and effective management techniques to run, maintain, and manage the Zungeru Plant for at least thirty (30) years. The Federal Government of Nigeria is carrying out the concession

through the Bureau of Public Enterprises which will be through a competitive bidding process in accordance with extant laws.

- ***NCP Nigeria targets 7000 megawatts on new Siemens equipment***

The Federal Government of Nigerian plans to raise electricity supply in the country to a minimum of 7,000 megawatts with the supply of new power equipment by Siemens. The first set of the equipment, which arrived in Nigeria, and has been unveiled in Lagos. The second set will be unveiled in Abuja at a later time.

The Nigerian government in 2019 signed the Electricity Road Map agreement with the German-based Siemens with the aim of modernising the country's national grid, and achieving 7,000 megawatts by 2021, 11,000 megawatts by 2023 and 25,000 megawatts by 2025.

- ***Federal Government restructures and takes-over 5 DisCos***

The Federal Government has restructured and taken over 5 electricity distribution companies (DisCos) across the country by some banks in a move that might be connected with their inability to meet up with the repayment of its debt obligations. This follows the activation of the call on the collateralized shares of Kano, Benin and Kaduna DisCos by Fidelity Bank with the initiation of action to take-over the boards of these DisCos and exercise rights on the shares. This process was supervised by the Executive Chairman of the Nigerian Electricity Regulatory Commission (NERC), Sanusi Garba, and the Director-General of the Bureau of Public Enterprises (BPE), Alex Okoh.

Infrastructure

- ***FG announces Preferred and Reserve Bidders for Nigerian Airports Concession***

Further to the Federal Government's decision to privatise three international airports in Nigeria which includes Nnamdi Azikiwe International Airport, Abuja FCT ("**Abuja Airport**"), Mallam Aminu Kano International Airport, Kano (the "**Kano Airport**") and the Port Harcourt International Airport, Rivers (the "**Port Harcourt Airport**"). The Honourable Minister for Aviation, Mr. Hadi Sirika recently unveiled the preferred bidders for the concession.

The preferred bidder for Abuja Airport is Corporacion America Airports Consortium for Abuja Airport and ENL Consortium as the reserve bidder. Corporacion America Airports Consortium is also the preferred bidder for Kano Airport. There are currently no reserve bidders for the Kano Airport.

As of the Request for Proposal deadline, the Port Harcourt Airport did not received a proposal; nevertheless, the Ministry of Aviation is in discussions with the Infrastructure Concession Regulatory Commission and other stakeholders to attract bids.

- **Lagos Gets Approval for Lekki Airport**

The Lagos State Government has received the Federal Government's instrument authorising it to commence the Lekki airport project. According to a statement from the Lagos State Government through the Special Adviser on public-private partnerships, Mr. Ope George, work on a new airport in the Lekki-Epe neighbourhood would start in 2023. The new airport would be built on 3,500 hectares of property in the Lekki-Epe region. Upon completion, would cater for about five million air travelling passengers around Lekki, Ajah, and Epe axis of Lagos State annually.

- **FG to partially commercialise the National Park Service on the concession of Eco-Tourism activities in three selected National Parks as pilot projects.**

For the seven national parks, notably Cross River, Old Oyo National Park, and Gashaka Gumti, to be partially commercialized as pilot projects, the Federal Government of Nigeria (FGN) engaged the Financial Modelling Expert.

In order to protect, improve, and manage the vegetation and wildlife in the National Parks, the Nigeria National Park Service was created by the Nigeria National Park Service Act 46 of 1999. Additionally, it is to continuously monitor all actions related to the Federal Government's National Parks policy, among other things.

- **FGN Approves the Construction of \$2.5bn Badagry Sea Port**

The Federal Government of Nigeria has given the Lagos State Government permission to proceed with plans to build the \$2.5bn Badagry deep seaport. The permission gives the concession of the Badagry Deep Seaport the essential legal groundwork. This comes following the issue of the comprehensive business case certificate by the Infrastructure Concession Regulatory Commission, last year.

The Lagos State Governor has signed a Memorandum of Understanding ("MOU") with Siemens Energy Limited and the German-owned Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to establish an Energy Training Centre of Excellence at the Government Technical College in Ikorodu after receiving the approval at the recently concluded Ehingbeti Economic Summit in Victoria Island, Lagos. The Director-General of the Nigerian Maritime Administration and Safety Agency (NIMASA), Dr Bashir Jamoh, affirms that the Deep Seaport project is a crucial step in making Nigeria a major maritime hub.

Energy Transition and Climate Change

- ***World Bank Group approves \$2.7 billion dollars Renewable Energy Plan for Nigeria, and others***

A creative \$2.7 billion plan to quicken the speed of renewable electrification in Nigeria and other Sub-Saharan African nations by 2030 was unveiled by the World Bank Group ("**WBG**") on November 9th, 2022.

The path to addressing important issues that afflict the African continent, such as food, insecurity, gender equality, climate resilience, and health, is commonly recognized to involve electricity. This has led the World Bank to focus its \$2.7 billion active portfolio for distributed renewable energy on electrifying around 40 million people. To swiftly and effectively electrify specified areas, development organizations like the World Bank Group (WBG), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA) will encourage private investment in DRE systems.

Governments, commercial investors, and development organizations are urged to work together through the Distributed Access through Renewable Energy Scale-Up Platform (DARES) to address Africa's challenges while creating DRE solutions that can be used all over the world. According to projections, only 8 countries in Sub-Saharan Africa will be fully electrified by the target date of 2030 if the pace of electrification is not tripled, and some may take as long as 100 years. This is due to the current rate of electrification, which is expected to leave over half a billion people in Sub-Saharan Africa without electricity.

The WBG is well-positioned to take the lead in scaling the DRE sector in Sub-Saharan Africa, using a different strategy from traditional infrastructure investments to incentivize private financing commitment. DARES will leverage the positive momentum of 20% of new electric connections in Sub-Saharan Africa being through the DRE systems and now attracting private sector financing to work with governments and the private sector to expand DRE investment.

- ***African Carbon Markets Initiative (ACMI) Launches at COP27***

The recently concluded COP27 climate change summit in Egypt saw the launch of the Africa Carbon Markets Initiative (ACMI), which aims to promote the expansion of carbon credit production, generate employment and protect biodiversity in Africa.

The ACMI is led by a 13-member steering committee of African leaders, Chief Executive Officers (CEOs), and carbon credit experts, aiming to mobilise US\$6 billion in capital by 2030, and US\$120-200 billion by 2050, by providing a roadmap to scale voluntary carbon markets across Africa.

Carbon trading is a program designed to reduce greenhouse gas emissions by granting firms or countries the right to emit carbon dioxide at an agreed-upon

price per tonne. Rates vary across jurisdictions, and most governments have yet to reach an agreement on trading rules. Each carbon credit is linked to an emissions reduction project and represents a specific amount of carbon removed from the atmosphere.

According to ACMI's projections, Nigeria has the potential to produce up to 30 million carbon credits per year by 2030, which at US\$20 per credit would earn Nigeria more than US\$500 million annually.

Nigeria and other African countries expressed their willingness to work with the ACMI to achieve this goal, and it is expected that the Nigerian government will put in place a framework for the implementation of a carbon credit system in Nigeria. We note that the development is in line with the provisions of the Climate Change Act, which mandates the National Council on Climate Change to collaborate with the Federal Ministry responsible for Environment and the Federal Ministry responsible for Trade to develop and implement a mechanism for carbon emission trading in Nigeria.¹

- **COP27: Loss and Damage fund approved for Developing Countries**

The recently concluded 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) in Egypt resulted in a historic decision to establish a loss and damage fund to compensate developing countries impacted by extreme weather events caused by climate change.

The agreement has been widely praised as a triumph for responding to the already devastating impact of global warming on vulnerable countries. Despite bearing the least responsibility for the problem, Africa is currently experiencing more severe effects of climate change than the majority of the rest of the world. This year, severe flooding hit several Nigerian states, claiming lives, displacing thousands, and disrupting businesses. The loss and damage fund is expected to help mitigate the impact of some of these disasters.

The fund has the potential of opening new investment opportunities in Africa for clean energy investments and development of infrastructure critical for addressing energy poverty and mitigating the effect of climate change on the continent. The details on how much money should be paid, who should pay, and how the money should be spent by the most vulnerable countries will be decided at the COP28 meeting in Dubai next year.

While the agreement on the loss and damage fund was a positive step forward, it appears that little progress was made on the other critical issues raised at COP27. A popular school of thought is that the commitments to limit global warming to 1.5 degrees Celsius represented no progress from the Cop26 conference in Glasgow last year, and that the language on phasing out fossil fuels was inadequate.

¹ Section 4 (i) of the Climate Change Act 2021

Legislative Watch

- ***The Nigerian Electricity Regulatory Commission (NERC) has commenced the review of the 2016 Mini-grids regulations.***

The proposed amendments in the consultation paper issued by the NERC include the definition of Portfolio of Interconnected Mini-grids, and Portfolio of Isolated Mini-grids. It also includes clarification that Mini-grid permit shall be issued for both Isolated and Interconnected Mini-grids, provision for allowing submission of a single tariff application for a portfolio of Interconnected or Isolated Mini-grids. There are also proposals for allowing submission of combined report for the portfolio of Mini-grids, update to the Exclusivity and Tripartite Agreement templates, and inclusion and enforcement of the Monitoring and Evaluation (M&E) mandate, including sample templates for feasibility studies and M&E reporting during operations amongst others.

Following the issuance of the consultation paper, the NERC is currently conducting stakeholders' engagement to receive feedback on the proposed amendments ahead of finalisation.

- ***The Bill for an Act to repeal the Electric Power Sector Reform Act 2005 and enact the Electricity Act 2021 (the "Electricity Bill" or "Bill") passes its third reading.***

The Nigerian Senate recently announced that the Bill for an Act to repeal the Electric Power Sector Reform Act 2005 and enact the Electricity Act 2021 (the "**Electricity Bill**" or "**Bill**") has passed its third reading.

The Bill seeks to consolidate the laws relating to the Nigerian Electricity Supply Industry such as to provide a comprehensive legal and institutional framework for the post-privatization phase of the power sector in Nigeria, ensure stable power supply of electricity to all areas of Nigeria, stimulate the contribution of renewable energy to Nigeria's energy mix, and strengthen existing as well as establish regulatory agencies such as the Nigerian Electricity Regulatory Commission, the Rural Electrification and Renewable Energy Agency, Nigeria Electricity Management Services Agency and the Electricity Disputes Appeal Tribunal to promote prompt resolution of disputes in the electricity industry.