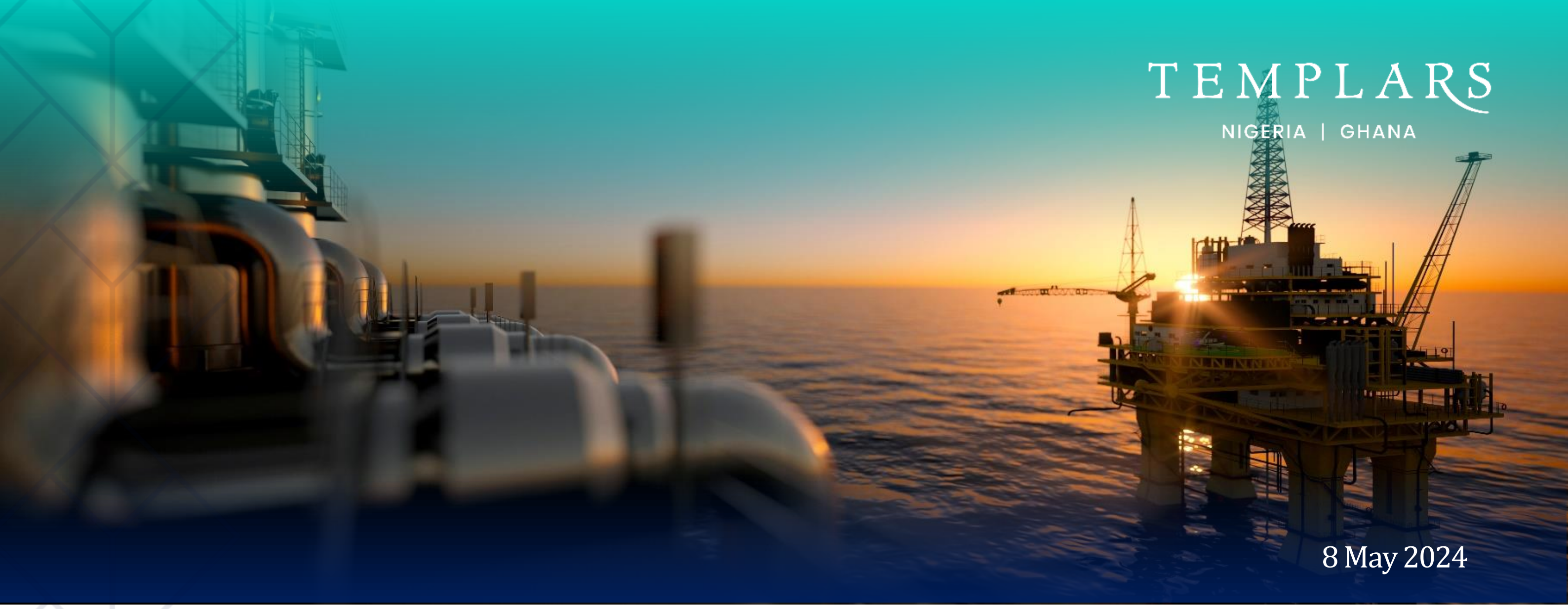

TEMPLARS Transcripts: Energy & Natural Resources Digest

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Nigeria

Oil and Gas

- **NUPRC Commences Fresh Oilfields Bid Rounds**

  The Nigerian Upstream Petroleum Regulatory Commission ("**NUPRC**") has initiated the 2024 oilfield bid rounds, which encompass twelve (12) oil blocks consisting of six (6) on the continental shelf, four (4) deep offshore blocks, and two (2) onshore blocks in the Niger Delta. The NUPRC has announced that the bidding process will be completed by January 2025.

  The NUPRC has assured that the licensing round will be conducted through a fair and competitive bidding process without discrimination, highlighting that the criteria for acquiring the blocks include technical competence, financial capacity, and overall viability.

  The licensing round is designed to provide quality data sets and is expected to be conducted in accordance with Sections 73 and 74 of the Petroleum Industry Act, 2021 ("**PIA**"). We expect the NUPRC to issue the clear guidelines and criteria for the process in the coming weeks.

- **NUPRC Unveils New Template for Domestic Crude Oil Supply**

  The NUPRC has introduced a new framework aimed at enhancing the supply of crude oil within Nigeria. This initiative seeks to stimulate the operations of local refineries while ensuring a consistent availability of petroleum products.

  In adherence to the provisions outlined in Section 109(2) of the PIA, the NUPRC has formulated a comprehensive template delineating the processes for the domestic crude oil supply obligation ("**DCSO**"). The template seeks to establish the procedures for implementing domestic crude oil supply obligations, including the reporting of shortages or inadequate supply conditions. In relation to payment modalities, transactions may be undertaken in either United States Dollars, Naira, or both, subject to terms agreed upon in the sales and purchase agreement between producers and refiners.

The template also highlights the guidelines for the allocation and utilization of DCSO cargoes, emphasizing their exclusive use for domestic processing by designated refineries. Any deviation from this guidance without prior approval from the NUPRC may incur penalties, including suspension from DCSO allocation and financial fines. Additionally, failure to meet payment obligations or adhere to scheduled delivery windows results in further penalties and potential suspension from DCSO allocation. The framework aims to streamline domestic crude oil supply, promote local refining capacity, and ensure compliance through stringent enforcement measures.

- **Nigeria to Launch Crude Oil Trading on the Lagos Commodities and Future Exchange**

  The Lagos Commodities and Futures Exchange ("**LCFE**") is set to introduce crude oil and gas trading, aiming to enhance financing access for Nigeria's oil industry. The Chief Executive Officer of the LCFE, revealed plans to collaborate with the Securities and Exchange Commission to fulfill trading requirements. The initiative seeks to allocate ten percent (10%) to twenty percent (20%) of Nigeria's crude oil production for trading on the exchange, marking the first time such trading will occur in Africa's largest oil-producing nation.

  The LCFE's introduction of oil and gas trading is expected to facilitate market connections, mitigate default risks, enhance product availability, and attract investments, with projections estimating trading volumes of approximately 50 million barrels annually, valued at $4 billion.

- **The NMDPRA Announced the Establishment of the Year 2024 Domestic Base Price and Applicable Wholesale Price of Natural Gas for the Strategic Sectors**

  The Nigerian Midstream and Downstream Petroleum Regulatory Authority ("**NMDPRA**") has announced the 2024 Domestic Base Price ("**DBP**"). The NMDPRA established the Year 2024 Domestic Base Price at $2.42/MMBTU and wholesale prices for natural gas across strategic sectors. The NMDPRA set the base price for gas-to-power at $2.42/MMBTU) and $2.92/MMBTU for the commercial sector. This announcement aligns with the regulatory framework outlined in the PIA, empowering the NMDPRA to set market-based pricing for the domestic gas market. It is anticipated that the pricing structure would incentivize upstream producers to supply natural gas to the domestic market voluntarily, while remaining competitive with international benchmarks and reflecting the lowest cost of supply.

- **Nigeria's President to Commission Three Gas Infrastructure Projects**

  The Special Adviser to the Nigeria's President on media and publicity has announced that the President is set to inaugurate three (3) key gas infrastructure projects, reinforcing his commitment to harnessing gas for economic growth. These projects are developed by the Nigerian National Petroleum Company Limited ("**NNPC**") and its partners.

The projects slated for commissioning are:

1. ANOH Gas Processing Plant (AGPC) – 300MMscf/d – This facility, located at the Assa North-Ohaji South field in Imo State, has a capacity of 300 MMscf/d of non-associated gas. It is developed by ANOH Gas Processing Company, a joint venture between NNPC and Seplat Energy Plc. – **TEMPLARS advised the Lenders on the US$320 million dual currency secured project financing for this project.**

2. ANOH-OB3 CTMS Gas Pipeline Project - This project involves designing, procuring, and constructing a 36-inch diameter, 23.3 km pipeline to transport gas from ANOH to the OB3 pipeline. It is expected to produce approximately 600 million standard cubic feet of gas per day from two independent processing trains, each with a capacity of 300 million standard cubic feet per day. The pipeline is operated by ANOH Gas Processing Company and the Shell Petroleum Development Company Joint Venture (SPDC JV).

3. The AHL Gas Processing Plant (GPP) - This expansion project, located in Kwale, adds to the existing Kwale Gas Processing Plant (GPP-1) with a capacity of approximately 130 million standard cubic feet per day. It is designed to handle 200 million standard cubic feet per day of gas and transport lean gas through the OB3 Gas Pipeline. This initiative is led by AHL Limited, a joint venture between NNPCL and Sterling Exploration & Energy Production Company (SEEPCO).

Upon completion, these projects are projected to boost domestic gas supply by about 500 million standard cubic feet per day, creating a conducive environment for investment and contributing to economic development over time.

- **The Presidential Compressed Natural Gas Initiative (PCNGI) secures Concessionary Pricing for Mobility CNG from the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)**

  The Presidential Compressed Natural Gas Initiative ("**PCNGI**") announced that it has secured concessionary pricing for mobility Compressed Natural Gas ("**CNG**") from the NMDPRA. This initiative, aimed at fostering the adoption of CNG-fueled vehicles in Nigeria's transportation market, has received support from the NMDPRA.

  Under this arrangement, mobility CNG is granted a special status within the Gas-to-Commercial (GTC) framework, qualifying it for Gas-Based Industry ("**GBI**") pricing in for an initial five-year period, extendable for five years.

  The designation of mobility CNG under GBI pricing, set at $1.57/MMBTU, which is lower than $2.42/MMBTU and $2.92/MMBTU for power and commercial buyers respectively, reflects a strategic move to incentivize investment and commercial activity in the emerging CNG market. This initiative is intended to mitigate inflationary pressures and position CNG as a cleaner, cheaper, and more reliable energy source.

Power and Infrastructure

- **The Nigerian Electricity Regulatory Commission (NERC) Delegates Regulatory Oversight of Electricity Markets in Ondo, Enugu, and Ekiti**

  The Nigerian Electricity Regulatory Commission ("**NERC**") has delegated regulatory oversight of electricity markets in Ondo, Enugu, and Ekiti states to their respective state regulatory bodies, in line with constitutional amendments and the Electricity Act, 2023. This transfer aligns with NERC's role as the central regulator for inter-state and international electricity operations, while enabling state regulators to govern intrastate markets. NERC's decision to empower state regulatory bodies, such as the Ondo State Electricity Regulatory Bureau, the Enugu State Electricity Regulatory Commission, and the Ekiti State Electricity Regulatory Bureau, underscores a shift towards decentralization in Nigeria's electricity sector.

This delegation of regulatory authority signifies a significant step in Nigeria's transition from a centralized to a decentralized electricity market structure, empowering states to legislate and manage electricity generation, transmission, and distribution within their respective jurisdictions. With these changes, NERC continues to play a pivotal role as the apex regulator, ensuring coherence and coordination across inter-state operations while empowering states to manage electricity affairs within their boundaries.

TEMPLARS published a report highlighting the constitutional amendments granting legislative autonomy over electricity markets to the federating states. Read here: Nigeria Amends Constitution to Enable Electricity Decentralisation: Key Highlights for Investors and Stakeholders.

- **NERC Deregulates Electricity Market for Meter Asset Providers**

NERC has officially deregulated meter prices under the Meter Asset Providers ("**MAP**") scheme for end user customers, emphasizing that competitive market forces will now determine meter prices effective May 1, 2024. This decision, outlined in an order signed by NERC's Chairman Sanusi Garba and Commissioner Dafe Akpeneye, increases prices for single-phase and three-phase meters.

Under the new MAP framework, meter prices will be determined by a competitive bidding process, providing customers with a choice of authorized vendors. Discos are mandated to integrate smart meters seamlessly, provide technical specifications online for prospective MAPs, and ensure thorough testing of proposed meters. Despite the deregulation, pricing remains subject to transparent competition among MAP permit holders, with participation eligibility contingent on minimum stock availability. Additionally, Discos must report monthly meter supply and installation performance to NERC, with the order not altering existing obligations to current MAPs.

- **FG Hands National Grid to New Company**

NERC has ordered the establishment of the Nigerian Independent System Operator of Nigeria Limited ("**NISO**"), resulting in a split of the Transmission Company of Nigeria ("**TCN**"). NISO is to be established as private company limited by shares under the Companies and Allied Matters Act 2020 by 31 May 2024.

Under NERC's directive, TCN must identify and map the assets and liabilities related to its system and market operations and submit them to the NERC and the Bureau of Public Enterprises ("**BPE**") no later than 30 June 2024. The BPE, through the National Council on Privatisation, will then transfer all market and system operation assets and liabilities from TCN to NISO.

NISO, the newly created system operator, will oversee the national grid and related market contracts, previously managed by TCN from Osogbo. As a result, NERC has withdrawn one of TCN's two operating licenses, which allowed it to function as both a Transmission Service Provider and an Independent System Operator.

NISO is expected to handle all market and system operation-related contractual rights and obligations transferred from TCN, as well as negotiate and enter into contracts for ancillary services with independent power producers and other generation licensees, among other tasks. It would also carry out market and system operations functions as specified under the Electricity Act, 2023 and the terms of its license in the interest of market participants and system users.

Ghana

- **Ghana's President Inaugurates the Kumasi One Thermal Power Plant**

  President Nana Addo Dankwa Akufo-Addo recently inaugurated the first phase of the 150MW Kumasi One Thermal Power Plant and the Genser Energy Kumasi Pipeline, located at Anwomaso in the Greater Kumasi Metropolitan Area. This is a significant milestone in the energy infrastructure of Ghana, particularly the Ashanti Region, demonstrating a commitment to meeting the growing demand for power as the country's population and economic activities expand.

  This project not only has the potential to address the immediate needs for electricity but also signifies a long-term strategy to improve the supply of sustainable electricity to the regions. Additionally, the prospect of enhanced electricity supply presents increased potential for economic growth, especially for small and medium-scale businesses in the Ashanti Region, as well as the creation of more job opportunities for the populace.

- **Tullow and Joint Venture Partners Establish Decommissioning Fund for the Jubilee Field**

  Tullow Ghana, the Unit Operator of the Jubilee Field, and its partners – Ghana National Petroleum Corporation, Kosmos Energy, Kosmos Energy Ghana Investment, PetroSA, and GNPC Explorco – have signed an agreement to create a decommissioning fund for the Jubilee Field, as required under Ghanian law. With an estimated cost of US$704 million, this proactive move towards environmental sustainability and responsible resource management is aimed at facilitating the safe shutdown of the Jubilee Field and restoration of the field at the end of its production life. The Bank of Ghana has been appointed as the trustee for the decommissioning fund.

  The decommissioning of the Jubilee Field will involve dismantling and removing essential infrastructure, including the Floating Production Storage and Offloading (FPSO), seabed flowlines, and wellheads, in accordance with global standards and industry best practices. The Minister of Energy also reaffirmed the government's commitment to restore affected lands and assets following the conclusion of the field's production cycle.

  This landmark decommissioning fund sets a precedent for future decommissioning efforts in Ghana. By proactively planning for decommissioning and restoration of the Jubilee Field, Ghana is demonstrating leadership and environmental stewardship in the energy sector.