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TEMPLARS Transcripts: Energy & Natural Resources Digest

Nigeria

Oil and Gas

- **TotalEnergies EP Nigeria Limited sells its interest in SPDC JV, retaining interest in gas supply to Nigeria LNG**

  TotalEnergies EP Nigeria Limited ("**TEPNG**"), a subsidiary of TotalEnergies SE, announced it has executed a sale and purchase agreement ("**SPA**") with Chappal Energies for the divestment of its 10% participating interest in eighteen (18) oil mining leases ("**OMLs**") owned by the SPDC JV across the Niger Delta area of Nigeria.

  The SPDC JV is an unincorporated joint venture between the Nigerian National Petroleum Corporation Limited (with 55% participating interest), Shell Petroleum Development Company of Nigeria Limited (with 30% participating interest and doubling as the operator of the joint venture), TEPNG (with 10% participating interest), and Nigerian Agip Oil Company Limited (with 5% participating interest).

  TEPNG will sell to Chappal Energies its 10% participating interest and all its rights and obligations in 15 of the 18 OMLs, which are primarily oil producing assets. TEPNG will also transfer to Chappal Energies its 10% participating interest in the remaining 3 OMLs (OML 23, OML 28 and OML 77) which are primarily gas producing assets. However, TEPNG will retain the full economic interest in these gas producing assets which currently account for 40% (forty percent) of TEPNG's supply obligations to Nigeria LNG.

  The transaction was concluded for a firm consideration of US$ 860 million and is subject to obtaining the requisite regulatory approvals.

  TEMPLARS advised TotalEnergies EP Nigeria Limited and TotalEnergies SE on this transaction.

- **NNPC Set to Build 3 LNG Stations, 100 CNG Sites in Nigeria**

  The Nigerian National Petroleum Corporation Ltd ("**NNPC**") has announced that in addition to the massive deployment of Compressed Natural Gas (**CNG**) stations nationwide, it would in collaboration with its partners build three (3) Liquefied Natural Gas (**LNG**) stations in Ajaokuta.

  NNPC further revealed that within the coming year, the NNPC Retail would have launched over 100 CNG sites, including 16 NNPC Gas Marketing and NIPCO Gas JV sites.

  Following the removal of fuel subsidy and the declaration of the Presidential CNG initiatives, the NNPC has taken the lead in the deployment of Auto-CNG Stations across Nigeria. Presently, the NNPC Gas Marketing Limited, a subsidiary of NNPC, has developed an Auto-CNG rollout plan for construction of thirty-five (35) CNG stations across the various geographical zones of Nigeria. This is being done in collaboration with the NIPCO Gas Limited.

- **NMDPRA Issues an Updated Nigerian Gas Transportation Network Code**

  The Nigerian Midstream and Downstream Petroleum Regulatory Authority ("**NMDPRA**"**)** on 30 July 2024 released an update to the Nigerian Gas Transportation Network Code (the "**Network Code**") for immediate implementation. The Network Code seeks to replace the previous code issued in 2020.

  The Network Code is a crucial regulatory framework designed to ensure the safe, reliable, transparent, and economically viable access to natural gas across Nigeria. It establishes a unified set of rules that guarantees non-discriminatory access to a gas pipeline network, enabling the efficient delivery of commercial volumes of natural gas from upstream producers and wholesale suppliers to downstream customers. These customers include power generation companies, gas-based industries, and energy-intensive industries that depend on natural gas.

  With the code set for immediate implementation, the NMDPRA is actively overseeing all the necessary operational activities outlined in the code. This includes the onboarding and licensing of entities involved in the network—such as transporters, shippers, and agents—as well as facilitating the development of network connection agreements between shippers and the licensed network operator.

  The Network Code currently governs three strategic gas supply pipeline systems, including the Escravos-Lagos Pipeline System, OB-3 and Oben-Ajaokuta pipeline systems located in the Western, Eastern and North-central areas, where natural gas is being utilized for strategic socio-economic activities. The NMDPRA has confirmed that the network will be expanded to cover all other regions of the country in the medium to long term.

- **NMDPRA Issues Circular on Remittance of Wholesale Levies Due to the Midstream and Downstream Gas Infrastructure Fund for Natural Gas**

  On 16 July 2024, the NMDPRA issued a circular to all suppliers of natural gas (the "**Suppliers**") pursuant to Section 52 (8) of the Petroleum Industry Act 2021 ("**PIA**"), which empowers the NMDPRA to ensure that wholesale levies paid on natural gas sold in Nigeria, be remitted to the Midstream and Downstream Gas Infrastructure Fund ("**MDGIF**").

  In line with section 52(7) of the PIA, 0.5% of the wholesale price of natural gas sold in Nigeria shall be collected as wholesale levy from wholesale customers and paid to the MDGIF. Thus, the NMDPRA directed all Suppliers to commence the remittance of the wholesale levies due to the MDGIF for natural gas purchased by wholesale customers from 21 August 2021 to 30 June 2024 to the MDGIF account details. This remittance is to be paid to either the Naira or Dollar accounts provided in the circular, within 60 days from the date of receipt of the circular.

  In line with the gas infrastructure development objectives of the Federal Government, the levies will be used as funds for investment in critical infrastructure that will foster the growth of the Nigerian Midstream and Downstream gas sector.

Power and Infrastructure

- **NERC Issues Order on the Transition to Bilateral Electricity Trading in the Nigerian Electricity Supply Industry ("NESI")**

  On 25 July 2024, the Nigerian Electricity Regulatory Commission ("**NERC**" or the "**Commission**") issued an Order on the Transition to Bilateral Trading in the Nigerian Electricity Supply Industry (the **"Order"**). The Order which became effective on 25 July 2024, was issued by the NERC in line with its powers under the Electricity Act, 2023[1] and creates a bilateral electricity market thereby terminating the involvement of the Nigerian Bulk Electricity Trading Company Plc (**NBET**) in the electricity purchase transaction between power generation companies (**GenCos**) and power distribution companies (**DisCos**).

  NBET was licensed in 2011, for an initial 10-year period as a bulk-electricity trader to solve certain deficiencies in the electricity market, including the provision of payment assurance to GenCos and electricity supply assurance to DisCos. In 2021, NBET's license was renewed for a further period of 3 (three) years to expire in November 2024. However, NERC has now terminated NBET's trading license flagging issues such as financial instability of NBET and the market participants' interests in a competitive bilateral electricity market, as some of the reasons for this termination.

  Under the Order, NBET is to cease entering into any new power purchase agreements (**PPAs**) and any PPA entered into in contravention of the Order will not be approved by NERC. All GenCos with existing PPAs with NBET are to, within 60 days, from 25 July 2024 novate such PPAs with DisCos on a bilateral basis. In the interim, NBET is to continue to administer the PPAs of five (5) GenCos namely Azura

[1] See section 7(2)(d) of the Electricity Act, which gives the NERC powers to, at such time when it considers the market ripe for long-term competitive bilateral trading, direct the termination of NBET's involvement in bulk electricity trading activities between GenCos and DisCos.

Power West Africa Ltd., Omotosho Power Plc., Olorunsogo Power Plc., Nigerian Agip Oil. Company Ltd., and the Shell Petroleum Development Company of Nigeria Ltd.

The Order marks a significant moment in the electricity trading market and we await further directives from NERC in relation to the implementation of the Order.[2]

- **NERC issues an Order to Transfer Regulatory Oversight of the Electricity Market in Imo State to the Imo State Electricity Regulatory Commission**

  The NERC has issued an Order of Transfer of Regulatory Oversight of the Electricity Market in Imo State from Nigerian Electricity Regulatory Commission to the Imo State Electricity Regulatory Commission ("**ISERC**") ("**the Order**"). This is pursuant to the NERC's role as the apex sectoral regulator in accordance with powers conferred by the Electricity Act 2023 (the "**EA**").

  The objectives of the Order are to: commence the process of the transfer of regulatory oversight for the intrastate electricity market in Imo State from the NERC to ISERC; provide a transition plan for the transfer of regulatory oversight for the intrastate electricity market in Imo State from the NERC to ISERC; and address ensuing transitional matters arising from of regulatory oversight.

  Pursuant to the Order, the Enugu Electricity Distribution Company ("**EEDC**") is required to incorporate a subsidiary ("**EEDC SubCo**") under the Companies and Allied Mailers Act ("**CAMA**") to assume responsibility for intrastate supply and distribution of electricity in Imo

  State. EEDC SubCo is required to apply for and obtain a distribution license for this purpose from the ISERC.

  The Order grants ISERC the exclusive responsibility for determining and adopting an end-user tariff methodology within its regulatory oversight area. The final end-user tariffs approved by ISERC will be the only tariffs applicable in Imo State, and the Imo State Government will be responsible for all tariff policy support for end-use customers in the state. However, for electricity received by EEDC SubCo from grid-connected plants, the contracts and tariffs for generation and transmission services must be approved by NERC. This marks a series of steps towards decentralization of the power sector as contemplated in the EA. Previously, NERC had transferred regulatory oversight in Ondo and Enugu States to their respective electricity regulatory authorities.

Ghana

- **Eni – Vitol Receive Positive Decision from International Arbitral Tribunal**

  Eni Ghana Exploration and Production and Vitol Upstream Ghana ("**ENI - Vitol**") have secured a favourable ruling from an international arbitral tribunal, under the auspices of the Stockholm Chamber of Commerce. The dispute centred on the Republic of Ghana's unitisation directives for the Sankofa oil field.

  The tribunal upheld ENI-Vitol's long-standing position that the Ghanaian Ministry of Energy's proposed unitisation of the producing Sankofa oil field in the Offshore Cape Three Point (**OCTP**) with the adjacent unapprised Afina discovery in Block 2

[2] Watch out for our Client Alert on the Order for more details.

of West Cape Three Point area was not in compliance with applicable laws and industry standards.

The Republic of Ghana's mandate to combine these fields was deemed unlawful by the tribunal, constituting a breach of Ghanaian law and the terms of the OCTP Petroleum Agreement. Thus, ENI-Vitol retains the right to pursue damages should these directives be enforced without resorting to the applicable laws and industry standards.

- **Tullow Ghana Partners with Banks to Boost Local Supplier Financing**

Tullow Ghana has announced a groundbreaking initiative to support local businesses in the energy sector. The company has partnered with 12 leading Ghanaian businesses to facilitate access to finance for its local supplier community.

Given the capital-intensive nature of the energy industry, securing financing can be a significant challenge for local companies. To address this, Tullow has launched the "***Tullow Supplier Access to Finance***," programme, which aims to bridge the gap between local suppliers and financial institutions. Tullow will act as a key facilitator in these transactions, streamlining the process for both parties.

Since the start of the year, Tullow has demonstrated its commitment to supporting local businesses by awarding 72% of its contracts, totalling US$26.6 million, to indigenous Ghanaian companies. This new financing programme represents a further step in boosting indigenous business growth in the Ghanian energy sector.