TEMPLARS Transcripts: Energy & Natural Resources Digest

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Nigeria

Oil and Gas

- **Oando PLC Completes $783 Million Acquisition of Eni's Subsidiary, Nigerian Agip Oil Company (NAOC)**

  Oando PLC ("**Oando**"), one of Nigeria's leading energy solutions providers, has announced the successful completion of its acquisition of 100% of the shareholding interest in the Nigerian Agip Oil Company ("**NAOC**") from the Italian energy company Eni. The total consideration for this transaction was US$783 million (Seven Hundred and Eighty-Three Million United States Dollars). Earlier in 2023, Oando had disclosed that it had reached an agreement with Eni to acquire 100% of NAOC's shares.

  This transaction increases Oando's current participating interests in OMLs 60, 61, 62, and 63 from 20% to 40%. It also enhances Oando's ownership stake in all NEPL/NAOC/OOL Joint Venture assets and infrastructure. These assets include forty discovered oil and gas fields—twenty-four of which are currently producing—approximately forty identified prospects and leads, twelve production stations, about 1,490 km of pipelines, three gas processing plants, the Brass River Oil Terminal, the Kwale-Okpai phases 1 and 2 power plants with a total nameplate capacity of 960 MW, and associated infrastructure.

- **NUPRC proposes an Amendment to the Production Curtailment and Domestic Crude Oil Supply Obligations Regulations 2023**

  The Nigerian Upstream Petroleum Regulatory Commission (the **"NUPRC"**) has issued a notice (the "**Notice**"), calling for stakeholders' input and consultation regarding the proposed amendment to the Production Curtailment and Domestic Crude Oil Supply Obligations ("**DCSO"**) Regulations 2023 (the **"DCSO Regulations"**).

The Notice was issued on 8 August 2023 in line with Section 216(1) of the Petroleum Industry Act 2021 (the **"PIA"**) and was directed towards lessees, licensees, permit holders, host communities, and other stakeholders (the "**Stakeholders**") of the Nigerian upstream petroleum sector. Stakeholders are expected respond within twenty-one (21) days from the publication of the Notice.

The NUPRC proposes the following amendments to the DCSO Regulations:

i. **Expunging Sub-regulation 12(2)(c):** This sub-regulation, which currently dictates the price at which a licensee or lessee must supply crude oil in conditions of shortage or inadequacy, will be removed;

ii. **Substituting Administrative Penalties:** Foreign currency-denominated administrative penalties will be replaced with their Naira equivalents;

iii. **Terminating DCSO:** A provision will be introduced to establish the means for terminating the DCSO; and

iv. **Amending Regulation 17(1)(b):** The existing requirement for the NUPRC to ensure that the terms and conditions for the sale of allocated crude oil to refinery license holders are published to all refineries in Nigeria will be replaced with a new provision, which will require the NUPRC to periodically publish an allocation matrix for the supply of crude oil to domestic refineries.

- **NUPRC proposes an amendment to the National Data Repository Regulations 2020**

  The NUPRC has issued a notice (the "**Notice**"), calling for stakeholders' input and consultation on the proposed amendment to the National Data Repository Regulations 2020 (the **"NDR Regulations"**), and has invited stakeholders involved in upstream petroleum operations to provide their feedback on the proposed amendments.

  The proposed amendments to the NDR Regulations, amongst others, seek to enhance and reproduce high-quality, reliable exploration and production (**E&P**) data, facilitate efficient data sharing between the NUPRC, licensees, lessees, permit holders, government institutions, academia and other relevant parties, increase payable annual fees, and improve the NUPRC's ability to supervise and monitor E&P activities.

  While the current NDR Regulations are applicable to the entire oil and gas industry, the proposed amendment specifically applies to lessees, licensees, permit holders in upstream petroleum operations, and any other entities interested in accessing upstream industry data. As such, there is a question of whether the Nigerian Midstream and Downstream Petroleum Regulatory Authority (the **"NMDPRA"**) is to establish a separate National Data Repository for the midstream and downstream sector, or whether more integrated amendments will be done to accommodate the midstream and downstream sector. More clarify is expected from the NUPRC/NMDPRA as steps are taken towards finalizing the amendments.

- **NCDMB, NLNG Commission the Galvanizing Plant for Train 7 Project**

  The Nigerian Content Development and Monitoring Board (the **"NCDMB"**) recently inaugurated the 10,000 tons per annum galvanizing plant built by Daewoo Engineeering Nigeria Limited as part of the Nigeria LNG Limited ("**NLNG**") Train 7 Project.

  The NCDMB highlighted the significance of the galvanizing plant, in providing corrosion protection, extending the lifespan of steel materials, cost-effectiveness, and safety assurances. Also, the NLNG reaffirmed its commitment to achieving Nigerian Content objectives through the Train 7 Project, aiming to enhance operational efficiency and durability in the energy sector.

  Ultimately, the galvanizing plant seeks to address capacity development needs for the Train 7 project and to meet the requirements set by the NCDMB for local capacity development in the oil and gas sector. Effectively, this brings Nigeria's galvanizing capacity to over 180,000 tons/annum, benefitting the oil and gas industry, as well as the telecommunications, power, and transport sectors.

- **NNPC expands LNG exports to Japan and China**

  The Nigerian National Petroleum Company Limited ("**NNPC**") has expanded its global market reach by delivering Liquefied Natural Gas ("**LNG**") cargoes to Japan and China on a Delivered Ex-Ship ("**DES**") basis.[1] NNPC achieved this milestone through a collaboration between two of its subsidiaries, NNPC LNG Limited and NNPC Shipping Limited, which facilitated the first DES LNG cargo delivery to Futsu, Japan, on June 27, 2024. The shipment was made using the 174,000 cubic meter vessel, Grazyna Gesicka. Building on this success, NNPC extended its operations to China, delivering another LNG cargo under the same DES arrangement.

  According to NNPC, the DES arrangement is more complex but financially rewarding compared to the Free on Board ("**FOB**") system that NNPC previously used. Dapo Segun, NNPC's Vice President for Downstream Operations, stated that the DES system is more lucrative and allows NNPC to capture a larger market share while building capacity and ensuring global customers become more familiar with the NNPC brand. This expansion marks a significant development for NNPC.

Power and Infrastructure

- **NERC Directs the Transfer of Regulatory Oversight of the Electricity Market in Oyo and Edo States to the State's Electricity Regulatory Commission**

  The Nigerian Electricity Regulatory Commission (**"NERC"**) has issued an Order of Transfer of Regulatory Oversight of the Electricity Market in Oyo State from NERC to the Oyo State Electricity Regulatory Commission ("**OSERC**") (the "**Oyo Order**"), which took effect on 6 August 2024 and an Order of Transfer of Regulatory Oversight of the Electricity Market in Edo State from Nigerian Electricity Regulatory Commission to the Edo State Electricity Regulatory Commission ("**ESERC**") (the "**Edo Order**", which took effect on 21 August 2024, (both the "**Orders"**).

  The objectives of the Orders are to commence the process of the transfer of regulatory oversight for the intrastate electricity market in Oyo State and Edo State from the NERC to OSERC and ESERC, respectively, and provide a transition plan for

[1] The DES system is an international trade term which places the responsibility for shipping and insurance on the seller until the product reaches its destination.

the transfer of regulatory oversight for the intrastate electricity markets in Oyo State and Edo State from the NERC to OSERC and ESERC respectively.

Pursuant to the Oyo Order, amongst other things, the Ibadan Electricity Distribution PLC ("**IBEDC**") is required to incorporate a subsidiary ("**IBEDC SubCo**") and obtain a licence from OSERC, in order to assume responsibility for intrastate supply and distribution of electricity in Oyo State.

Also, under the Benin Electricity Distribution PLC ("**BEDC**") is required to incorporate a subsidiary ("**BEDC SubCo**") and obtain a licence from ESERC, in order to assume responsibility for intrastate supply and distribution of electricity in Edo State.

The Order grants OSERC and ESERC the exclusive powers in determining the required end-user tariff methodology within their respective regions while their respective state governments will be responsible for all tariff subsidies for end-users in their respective states. However, for electricity received by IBEDC SubCo and BEDC SubCo from grid-connected plants, the contracts and tariffs for generation and transmission services will be regulated by NERC. This continues the steps taken towards decentralization of the power sector as contemplated in the Electricity Act 2023.

Ghana

- ### Ghana Begins Construction of $12 Billion Petroleum Hub

The Government of Ghana has broken ground on the construction of a 300,000 barrel-per-day (bpd) oil refinery that the government hopes will turn the country into the region's petroleum hub.

Phase one of the project, which is estimated to cost US$12 billion, will be funded and constructed by a consortium of Touchstone Capital Group Holdings, UIC Energy Ghana, China Wuhan Engineering Co., and China Construction Third Engineering Bureau Co. The petroleum hub aims to supply enough refined and by-products to supply the region by 2036.

However, IMANI Africa, an Energy think-tank, has criticized the consortium and the project due to bankability issues including cost recovery concerns for lenders. Local residents, within the proposed 20,000-acre site for the project, have also protested the plans and have demanded that the project's footprint should be reduced to 5,000 acres. However, given the steps taken on the project, there seems to be no indication that the raised concerns are being considered to amend the project plans.

- ### The Bank of Ghana Maintains Ghana's Gold for Oil Policy

The Bank of Ghana (the "**Central Bank**") has announced that the Gold for Oil policy by the Government of Ghana (the "**Initiative**") is progressing as planned.

The Initiative was launched by the government to address Ghana's depleting foreign currency reserves and the high demand for dollars by oil importers, which was exerting downward pressure on the Cedi and driving up living costs.

The Initiative, as explained by the government, is to allow the government to pay for imported oil products with gold, in a direct barter with gold purchased by Ghana's Central Bank.

According to the government's G40 Programme Framework dated 3 February 2023, which explains the Initiative, payment for the oil supply is done in two channels; (a) barter trade, or (b) forex obtained from selling gold to a broker.

Under the barter channel, suppliers willing to take gold in direct exchange for petroleum products will be provided with the equivalent volume of gold by the Central Bank. Under the broker channel, the Central Bank executes a gold supply agreement under which it sells gold to a gold broker, which provides forex cover to pay for petroleum products. This move seeks to preserve Ghana's scarce forex resources.