



# Will Refusal to Sign the PIGB Derail NLNG Train 7 project

It is no longer news that, President Buhari has declined to sign the Petroleum Industry Governance Bill (PIGB). Some stakeholders are concerned that Mr President's refusal to sign the PIGB, may further delay the signing of the Final Investment Decision (FID) for the Zabazaba Deep-water Oilfield in Oil Prospecting Lease (OPL) 245, and progress on Bonga Southwest Aparo.

Others have asked, if Mr President's refusal to sign the PIGB, will derail NLNG Train 7 project.

## Will Refusal to Sign the PIGB Derail NLGN Train 7 Project?

The proposed PIGB was designed to “Provide For The Governance And Institutional Framework For The Petroleum Industry And For Other Related Matters”.

The PIGB defines “Petroleum” to mean hydrocarbons and associated substances as exist in its natural state in strata, and includes crude oil, **natural gas**, condensate, and mixtures of any of them, but does not include coal, bitumen and tar sands.

Thus had the PIGB been passed into law, it will have covered gas companies whether they are exploration and production companies or gas processing companies.

## Origin of Nigeria LNG Limited (NLNG) Act (Fiscal, Guarantees, Assurances, and Incentives) Act

After Nigeria had unsuccessfully attracted foreign investment into its LNG space, the current shareholders of NLNG entered into extensive discussions with Nigeria and asked for one or two concession as an incentive to invest in NLNG, what was agreed between Nigeria and the shareholders was codified into NLNG Decree effective April 24, 1989, now Nigeria LNG (Fiscal, Guarantees, Assurances, and Incentives) Act Cap N87.

[A bit of history may be useful here](#)

The House of Representatives on May 9, 2017, passed a bill seeking to amend the Nigeria LNG (Fiscal, Guarantees, Assurances, and Incentives) Act, subjecting NLNG to a 3per cent Niger Delta Development Commission (NDDC) levy.

A lot of industry stakeholders kicked against this proposed amendment, while the amendment was ongoing, no progress was made with NLNG Train 7. The Shareholders were simply unable to commit to further investment.



In December 2017, the Senate President, Dr. Bukola Saraki, announced an end to the processes, geared towards amending the Nigeria LNG (Fiscal, Guarantees, Assurances, and Incentives) Act, this announcement received a lot of approval and culminated into progress being made with, NLNG Train 7 project.

Please remember that NLNG is only a gas processing and marketing company, it does not explore for gas. It only buys gas, liquefies it, looks for buyers and ships out the frozen gas to buyers.

Thus its operations, including the planned Train 7, will be governed by the existing legal regime, pre proposed PIGB, governing natural gas and the NLNG Act.

**In this analyst's opinion, Mr President's failure to sign the PIGB, will not stall the NLNG Train 7 Project.**

### **Financing for Ichthys LNG project**

Ichthys LNG project, off the Australian Coast, operated by INPEX, cost approximately \$34billion, \$20billion was sourced from 8 export credit agencies (ECAs) and 33 commercial banks participating in the Ichthys LNG project financing etc.

### **NLNG is looking for \$5.45billion, approximately N2.5trillion from Foreign Lenders**

As it stands NLNG, will be seeking **\$7 billion from the global financial markets** for the sustainability of its operations and expansion project which will increase its production capacity from 22 Million Tonnes Per Annum, MTPA to 30 MTPA. By getting its financing from foreign banks, NLNG will be bringing in much needed foreign exchange into Nigeria and will help to ease the pressure on the Naira.

The oil and gas industry's debt portfolio, is weighing down Nigerian Banks. Nigerian banks with a minimum capital base of N25billion, may be unable to give a facility worth N2.5trillion, especially when some of the legacy oil and gas debts, have not been fully liquidated, ostensibly due to a failure to promptly receive subsidy payments. Some analysts, have suggested \*a need to deepen Nigerian banks\* for mega projects. Are there more mergers in the making?

The completion of the NLNG Train 7 Project financing will be an important milestone not only for LNG industry in Nigeria, but for the project finance market in Africa.



Olufola Wusu is a Commercial/Oil and Gas and I.P. Lawyer with Megathos Law Practice based in Lagos.



Internationally recognised on Who's Who Legal as a top business lawyer:

<http://whoswholegal.com/profiles/65712/0/wusu/olufola-wusu/>

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Olufola Wusu is noted for his “dynamic practice” and “commercial acumen”. He is praised for his “first-rate skills” in assisting clients