

The Strategic Gas Aggregator: A Key Legal Intervention in an Evolving Nigerian Natural Gas Sector

Authors : Olanrewaju Aladeitan, Obiageli Phina Anaghara-Uzor

Abstract : Despite the abundance of natural gas deposits in Nigeria and the immense potential, this presents both for the domestic and export oriented revenue, there exists an imbalance in the preference for export as against the development and optimal utilization of natural gas for the domestic industry. Considerable amounts of gas are still being wasted by flaring in the country to this day. Although the government has set in place initiatives to harness gas at the flare and thereby reduce volumes flared, the gas producers would rather direct the gas produced to the export market whereas gas apportioned to the domestic market is often marred by the low domestic gas price which is often discouraging to the gas producers. The exported fraction of gas production no doubt yields healthy revenues for the government and an encouraging return on investment for the gas producers and for this reason export sales remain enticing and preferable to the domestic sale of gas. This export pull impacts negatively if left unchecked, on the domestic market which is in no position to match the price at the international markets. The issue of gas price remains critical to the optimal development of the domestic gas industry, in that it comprises the basis for investment decisions of the producers on the allocation of their scarce resources and to what project to channel their output in order to maximize profit. In order then to rebalance the domestic industry and streamline the market for gas, the Gas Aggregation Company of Nigeria, also known as the Strategic Aggregator was proposed under the Nigerian Gas Master Plan of 2008 and then established pursuant to the National Gas Supply and Pricing Regulations of 2008 to implement the domestic gas supply obligation which focuses on ramping-up gas volumes for domestic utilization by mandatorily requiring each gas producer to dedicate a portion of its gas production for domestic utilization before having recourse to the export market. The 2008 Regulations further stipulate penalties in the event of non-compliance. This study, in the main, assesses the adequacy of the legal framework for the Nigerian Gas Industry, given that the operational laws are structured more for oil than its gas counterpart; examine the legal basis for the Strategic Aggregator in the light of the Domestic Gas Supply and Pricing Policy 2008 and the National Domestic Gas Supply and Pricing Regulations 2008 and makes a case for a review of the pivotal role of the Aggregator in the Nigerian Gas market. In undertaking this assessment, the doctrinal research methodology was adopted. Findings from research conducted reveal the reawakening of the Federal Government to the immense potential of its gas industry as a critical sector of its economy and the need for a sustainable domestic natural gas market. A case for the review of the ownership structure of the Aggregator to comprise a balanced mix of the Federal Government, gas producers and other key stakeholders in order to ensure the effective implementation of the domestic supply obligations becomes all the more imperative.

Keywords : domestic supply obligations, natural gas, Nigerian gas sector, strategic gas aggregator

Conference Title : ICIEL 2022 : International Conference on International Energy Law

Conference Location : Amsterdam, Netherlands

Conference Dates : May 16-17, 2022