

BUSINESS SPECIAL

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During: Nigeria 'll Produce More Oil, Gas, Despite Crave for Green Energy

The Nigerian and African oil and gas industry is currently grappling with the effects of the new energy world order which comes with its challenges. The Chief Financial Officer (CFO) of Lekoil Nigeria Limited, Mr. Edward During, shared his thoughts on the issues with **Peter Uzoho**, on the sidelines of the just-concluded 7th Nigerian International Energy Summit held in Abuja. Excerpts:

The global energy sector is witnessing a major shift and challenge driven by the contentious issues of transition, security, and finance. As an operator and expert in the oil and gas industry, how does this emerging trend impact the industry in Nigeria and Africa?

Well, this is a very important question. It is a very serious problem because obviously, the renewable energy field has not yet matured enough to be able to take care of the energy needs of the world, and suddenly, all fossil fuels investments have been stopped or blocked, which is what we still depend on for our energy needs. Countries like the United States (US), United Kingdom (UK), etc., have advised their financial institutions not to lend any money for oil and gas projects or companies involved in fossil fuel business. So, what this means for Africa and the world, is that more and more projects can no longer be done because there is no funding, which means that the supply eventually, will reduce. And at the same time, we know that demand for oil or energy is increasing. So, basically, with that problem, you're going to end up in a situation where you have chaos.

Additionally, Western countries are asking us to stop developing our oil and gas reserves. While at the same time, they are pumping and building up their reserves, they are producing more. Even recently, the US published that they have increased their production. So, it is like two different standards. Regarding pollution, I mentioned during the panel session that Africa's pollution contribution is only 3.8 per cent out of the 100 per cent. Only 3.8 per cent stems from the entire African continent, which is about 54 countries.

These countries want Africa to catch up immediately. Countries like Namibia have just discovered massive amounts of reserves and most of their population has no access to sustainable energy. It is unrealistic to ask them to abandon these projects and focus on investment in renewable energy. Renewable energy is not yet matured. The technology needs to be matured further. For example, if you've got sun, wind, etc these cannot easily be stored. The technology needs to improve in this area. So, these are all challenges for the oil industry, but also opportunities. It means we can play on all the sides. We can go on sustainable energy and we could also continue to develop our existing sources.

In practical terms, what should Nigeria and Africa be doing at this point to navigate through this emerging challenge?

Well, we must first have a unified voice against the international community, to let them know that Africa has a kind of unique situation. We are behind on developments. As I said, over 600 million people don't have access to proper electricity. So, it is unique. We have to make a case to get funding for projects from banks or international institutions. We must make those cases again to let them allow the upstream industry in Africa and Nigeria to continue to invest in them. We need their investments as well. We cannot just generate it in Africa. So, basically, at the end of the day, we just have to work harder to convince people to invest in the African continent.

What should operators be doing differently to be able to raise that international funding especially now that we have a lot of ESG principles and obligations to fulfill?

The sustainable energy is not going to go away. Renewable energy is not going to go away. So as an operator, as much as you still want to develop your traditional oil and gas, you have to start investing in renewable energy. That is the only responsible thing that you can do. As I mentioned, you have transferable skills that you already had when you were doing oil and gas. You can transfer those skills over to renewable energy and start, because eventually,



During

even we would want to transition to clean energy to save the world. We can't pretend like nothing is happening. Something is happening.

Are we likely to see situations where the international oil companies that are divesting will start investing in renewables in Nigeria? What needs to change for that to happen?

You see, the problem is, the international oil companies are struggling also to make the economics work. It is not just to say, okay, I want renewable energy. It is good for the climate. It is good for the world and all that. It still has to make economic and financial sense. You still have to go and present an economic case for your projects. They still have not quite got there yet for themselves. So, how can they come and start doing what they used to do with the oil industry many decades ago? They cannot do that yet because they are still trying to figure out how to do all of this in a cheap, efficient, and economical way.

The cost of borrowing is very expensive. Do you advise Nigeria to borrow more to fund renewable energy?

No is the short answer. Nigeria has a lot of debt already. So, why would you borrow more and put it in an area that has not been fully developed yet? As I mentioned, you have transition fuel like natural gas, which Nigeria has plenty of. If anything, if you're going to borrow money or do anything with your money, you need to focus on that. Get the whole country where they all have access to proper power and electricity. When you're developing natural gas, sometimes, indirectly, you end up developing some of your oil. You normally go via the oil and eventually, you get the gas, and then you develop the gas as well. We need to maximise and utilise those resources.

But do you think there are innovative financing options for both green energy and also fossil fuel projects that we can

explore within the African or foreign frame?

Yes. For green energy, there are a lot of available investments that you can go and get. For green bonds, there are development banks, there are governments not just in Africa, but abroad. Once you begin a project, let's just say, renewable energy, green energy, etc, it should be easy to get funding. Even the transition fuel, even if you want to do an LNG project, they'll give you lots of money and some of that money can be used for fossil fuels, the oil development. So, you can tag on with green energy or transition energy and end up developing some of the oil reserves that you have. But that's as far as it goes. Immediately you are totally in the oil zone, fossil fuel, it is a no-go area. It is not accepted. You are not going to get funding. So, they block all sources of funds. That is why having an African bank is very important at this time.

Africa also has a lot of wealth kept somewhere in Europe and all of that. Would you advise them to bring back that wealth for the funding of fossil fuel development?

Absolutely. That's why you get all banks to invest in Africa which again requires a lot of selling to the world, even to Africa, to say, instead of investing your money elsewhere, believe in your continent, believe in what is going to happen on the continent and use the money there. Because it is a risky thing as well. I mean, you are going to have an African Energy Bank located somewhere.

It could be Nigeria, it could be elsewhere, and you take your money from somewhere abroad where it's safe or relatively, you think it's safe and you bring it here and you don't know what's going to happen, whether if the money is going to be put to the uses that you need. But again, that is our job to make sure we sell that with professionalism and everything that's already being developed, we can use that to convince investors to put their money, have their money in the bank, and the bank will then actually loan to various businesses and companies to develop not just the green energy but also

the traditional fossil fuel.

From a regulatory and fiscal standpoint, what needs to change for these investments to make sense?

Well, absolutely, not just Nigeria, it is like when the Secretary General of the African Petroleum Producers Organisation mentioned that they met with the president here about what they need to do to be the host country of the African Energy Bank. Fortunately, the current government seems to be very flexible and very fast to do things, even with the removal of subsidy, and the FX changes, everything has been done fast, maybe too fast, and the market and the systems are not adapting fast enough leading to a little bit of chaos. But hopefully, things will improve. But definitely, regulations have to change. We need incentives in the country to make sure that these new initiatives are welcome.

Compared to last year, how do you see the oil and gas sector performing this year?

Well, I think Nigeria would probably produce more than last year because now NNPC has been privatised. It is no longer part of the government and they have a mandate to get more. So, I think we'll get more and I think there will probably be more, with the government here now focused on that. The more you produce and get dollars, the better it is for the economy because that is what drives the exchange rate, importation rates, inflation, etc. So, it is always a knock-on effect, that is why they focused on it. So, I think this year will be better than last year. Regardless of all the talk on investments in green sustainable energy, I think Nigeria will produce more this year.

Managing loan obligations is a big challenge for many companies. How is Lekoil managing to meet these obligations to its partners?

First of all, we don't have any loans. So, that is good. That is the first one I cleared. So, that way, we will not have interest or anything that we have to cover. But we would need investments because we have a field that is mainly gas, that's offshore Lagos, OPL 310, which has significant three to four trillion cubic feet (cf) of gas, which if we do an LNG, etc, could power the entire Lagos 24/7, every day, 365 days a year, and the power that's now going to Lagos will then be directed elsewhere in Nigeria.

So, we would need to get investments for that. We would need to get investments to first drill the development wells, the wells that need to be developed, and then when we get the gas, we need to get it developed into LNG and then get it onshore to get it into our power stations. So, we aim to get as much investment, whether it is in Nigeria, and there's still a lot of money in Nigeria that people are investing. But we will need money from outside as well.

Are you thinking of expanding your portfolios?

No, not at this point. We have got enough. We have got some very good assets already. We've got four good assets that are going to keep us busy for the next 10 years. We don't want to go and get distracted with anything else.

What is the update on those assets?

Well, each one has its part to play. We have one that is producing and it is called Olakikpo, that is producing over 10,000 barrels a day. We have OPL 276, which is not far from Calabar area, and that is also not far from Olakikpo, and that needs about 18 months to 24 months to be developed for that production to start. And then, we have got this OPL 310 I talked about, which is offshore Lagos. It is a sole risk asset. So, we have got all these assets that are big and will take tens of years to develop and see their full potential. We are a small company and don't want to stretch ourselves too thin and then we end up losing everything.