

Comments and Feedback on the Draft National Gas Policy (Sent to the Ministry of Petroleum Resources in November 2016)

- **Finance:**
 - The draft policy proposes to keep direct project financing by the Nigerian government at a minimal level.
 - What is the framework for ensuring higher levels of private sector financing? Will there be any risk guarantees, concessions on interest rates etc.?
 - Will there be policy reviews on securing forex for gas-based developments in tough economic times like this (for example, the current policy on forex only applies to PMS)?

- **Incentives:**
 - We need a policy that guides operations including free-market framework for pricing, less restrictive regulatory agency, clear-cut support to aid funding, etc.
 - The private sector will not be encouraged to invest unless there is a clear path, as such it is expected that incentives (tax holidays, pioneer status for those who want to play offshore for example) should be included in the policy.

- **Security and safety consideration:**
 - How will the security and safety of private-sector investments in the gas sector be guaranteed in an already-volatile geopolitical zone?
 - What engagement has been done (or will be done) with civil society/civil rights groups in the Niger Delta, considering that safety and security is a big issue?
 - Are there any plans to engage with both formal and informal security groups at various levels?
 - The policy needs to be very clear on these issues; otherwise, apprehension about the safety of investments will continue to be a hindrance in the sector.

- **Gas-to-Power:**
 - There is no concrete policy regarding off-grid generation.
 - In order to clarify this and create certainty and confidence for investors in off-grid gas-to-power, opportunities to harmonise the National Gas Policy with policies and regulations such as NERC's 2016 Regulations for Mini-Grids should be considered

- **International competitiveness:**
 - Although the policy acknowledges the intensifying competition with gas markets in other African countries, it has not quite addressed Nigeria's competitive advantage compared to these other countries.
 - What in this policy makes it attractive for interested parties to invest in Nigeria, as opposed to countries like Mozambique and Tanzania? The competitive advantage of Nigeria, as a gas development location of choice needs to be clearly spelt out.

- **Gas infrastructure investments:**
 - The policy envisages private-sector driven investments/developments in growing the country's weak gas infrastructure, particularly the much-needed gas pipeline grid.
 - With the huge capital investment costs of these infrastructural investments, one wonders whether any risk- and profit-conscious private investor would really want to do this.
 - What arrangement will the policy put in place to ensure actual commitment of private sector to get involved in these infrastructural investments?
 - Speaking of infrastructure, if tariffs are regulated, what is the guarantee that an investor makes a return on investment?

- **Technological base:**
 - The country's infrastructural, technological and appliances base – whether in homes or in industries – is currently geared towards diesel and gasoline. But don't we need the government to create enabling environment to stimulate a nation-wide shift to widespread gas consumption (given our vast gas resources), by incentivising producers of gas-fuelled appliances and technology?
 - Why is the policy silent about incentives to encourage businesses/dealers to scale up the reach of gas-based technology and appliances for homes and industries?
 - In addition, the policy needs to consider the potentials for municipal gas-pipeline networks/grids (similar to municipal utilities such as pipe-borne water etc.)
 - Direct/piped access to gas in homes and industrial areas would be highly pivotal in ensuring efficiency of gas transportation, distribution and use nation-wide.

- **GACN and GSAA:**
 - The draft policy states that that GACN is “licenced as a vehicle for the industry to operate the aggregation process for a transitional period of five years only” (pp. 48 – 49, 5.2.7).
 - However, GACN was established to perform more than Price Aggregation; and in fact, GACN (as a market maker) has entered into 20 years GSAA between Buyer and Seller and has set up Escrow Accounts for security of gas payments.
 - What arrangements are being made to ensure that the already existing GSAA are not unduly undermined?
 - Also currently, there are no incentives for the producers to meet their DSO and so effectiveness of GSAA for gas supply to the domestic market do not get the necessary attention required from the producers.
 - As such, the commitment (in the policy) to review GACN's role in the newly restructured gas industry has to be sped up sooner than latter to provide clarity for producers and thus to enable them meet the local domestic gas needs.

- **PIB:**
 - What exactly will happen with, and to, the Petroleum Industry Bill (PIB)?
 - Will the National Assembly be convinced that they should replace what they have?