



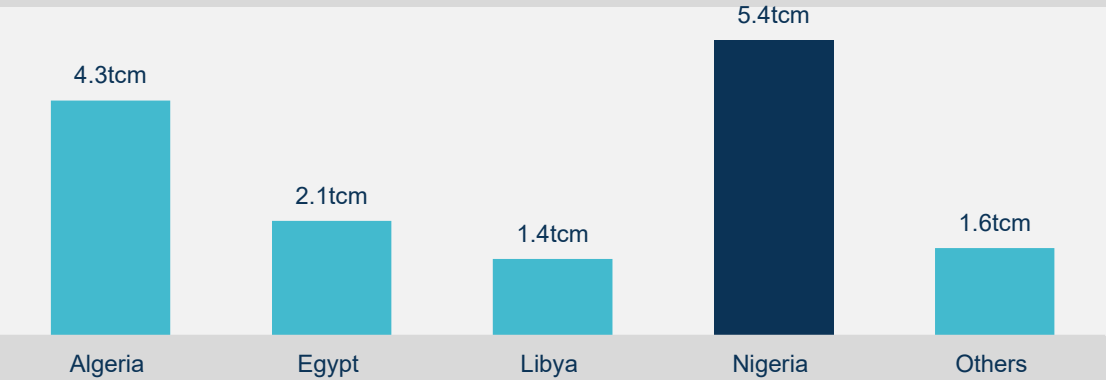
EXPLORING FUNDING OPPORTUNITIES FOR THE GAS SECTOR IN NIGERIA

Thursday, 25th February 2021

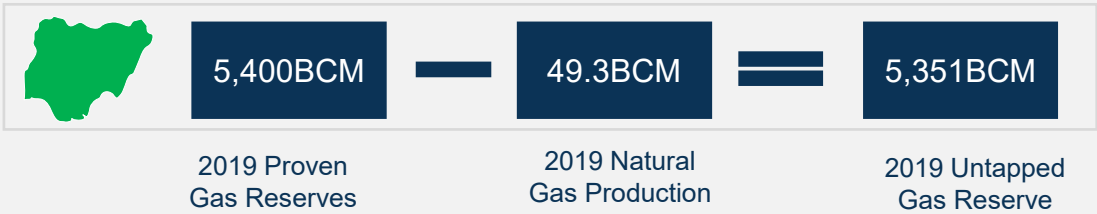
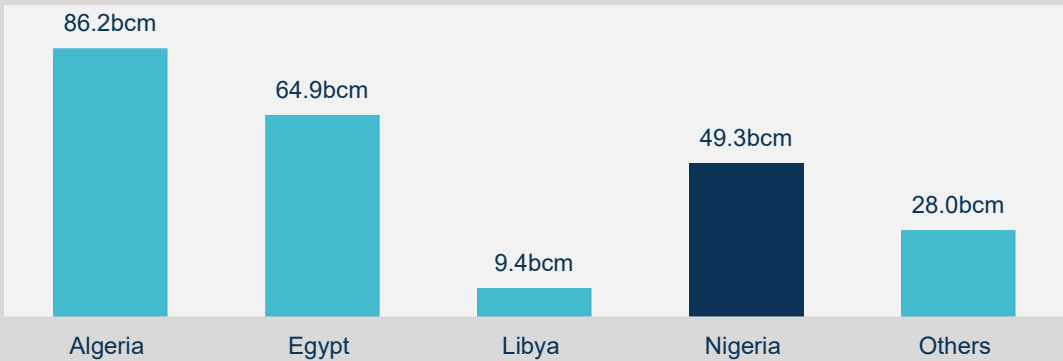
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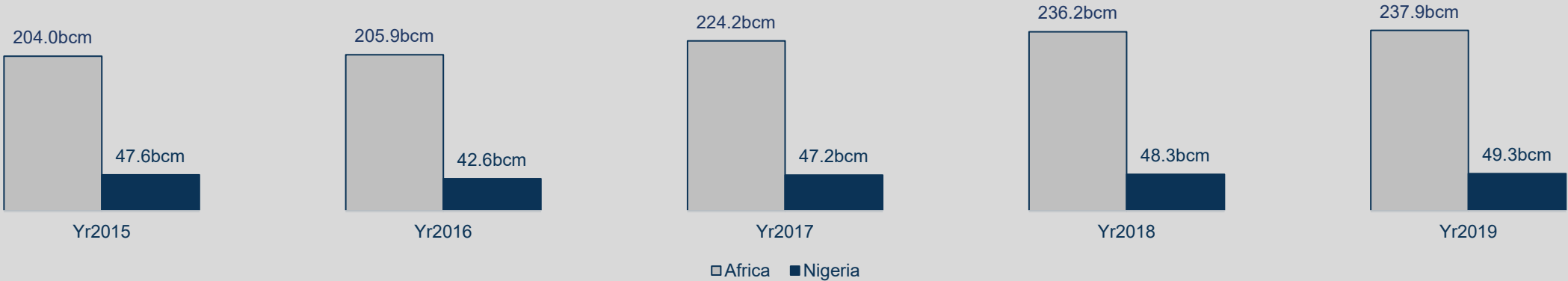
2019 Natural Gas Proven Reserves



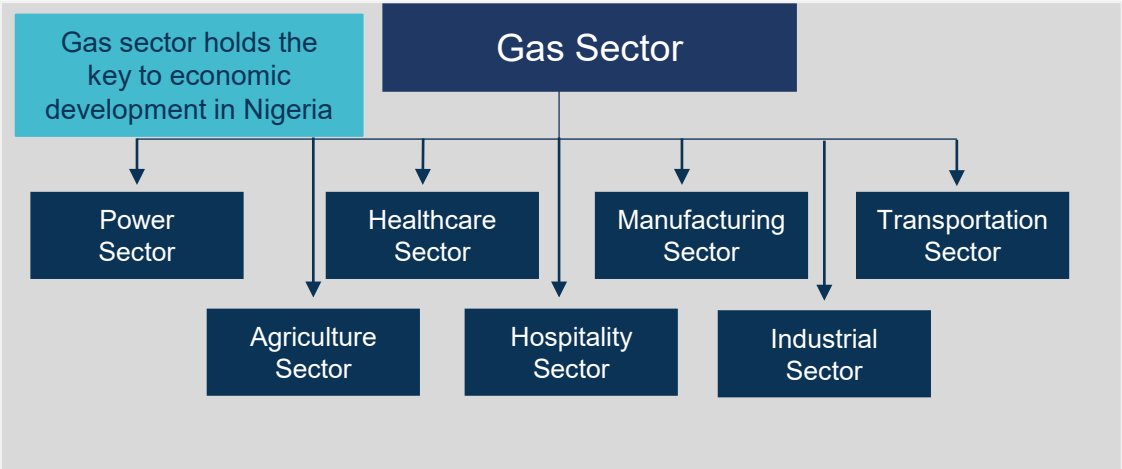
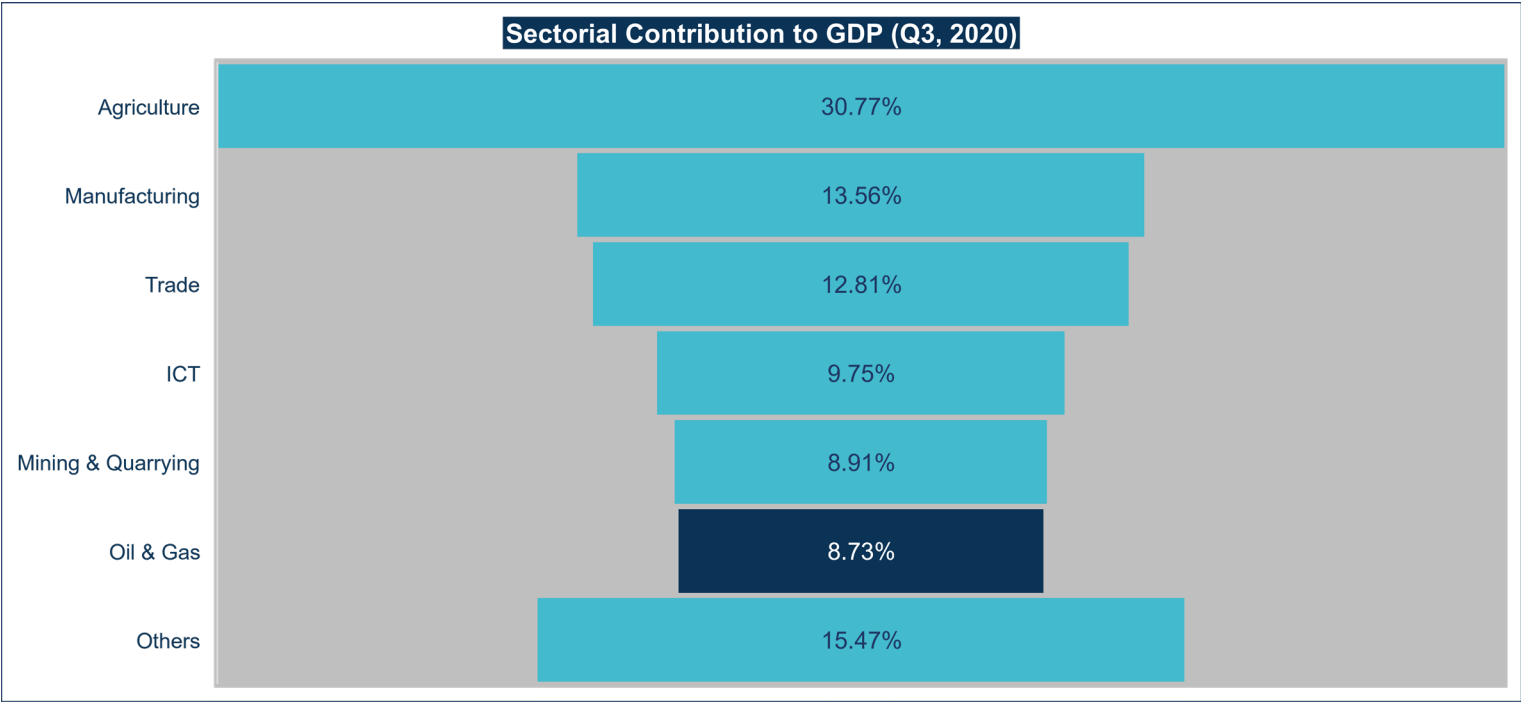
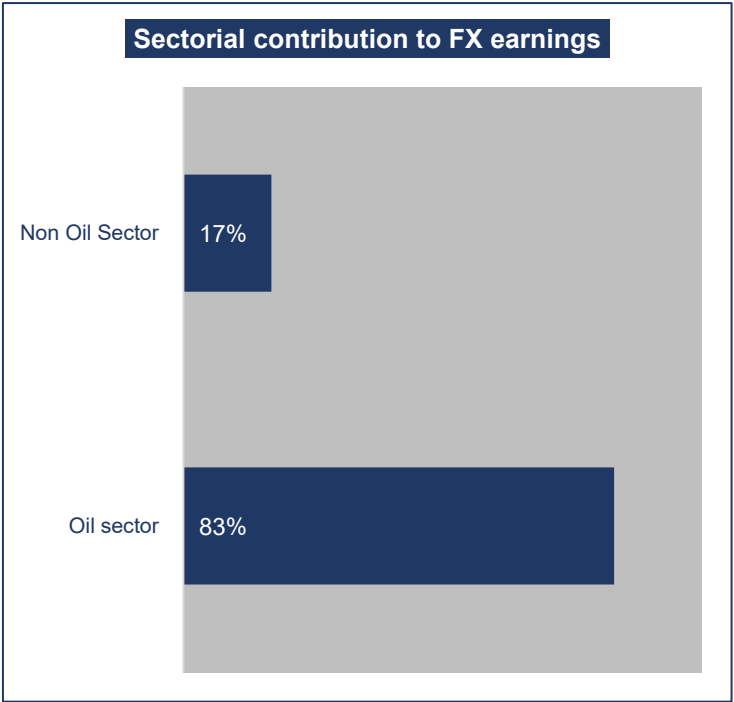
2019 Natural Gas Production



Trend Analysis of Natural Gas Production (Africa vs. Nigeria)



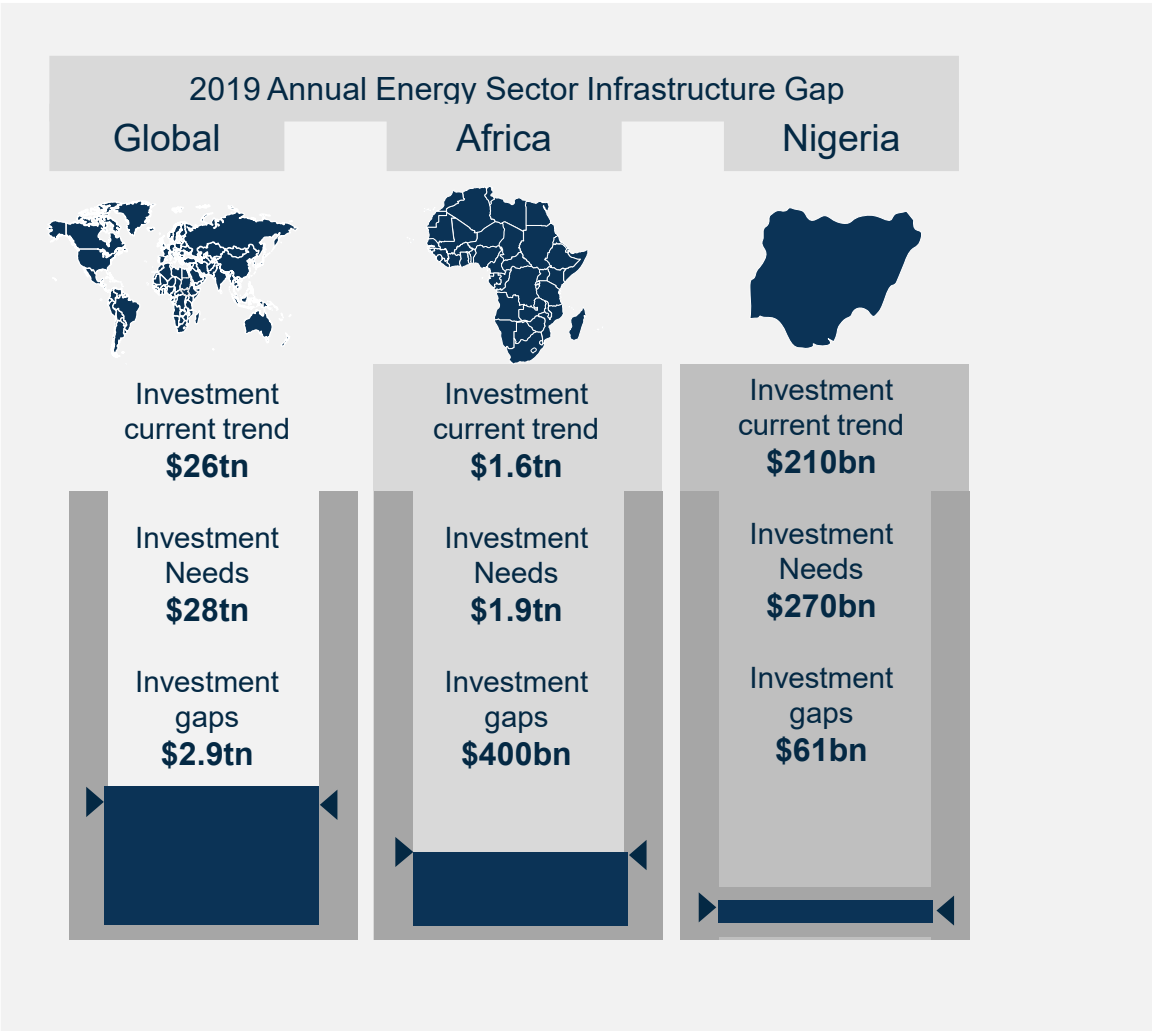
Importance of Gas to Nigeria



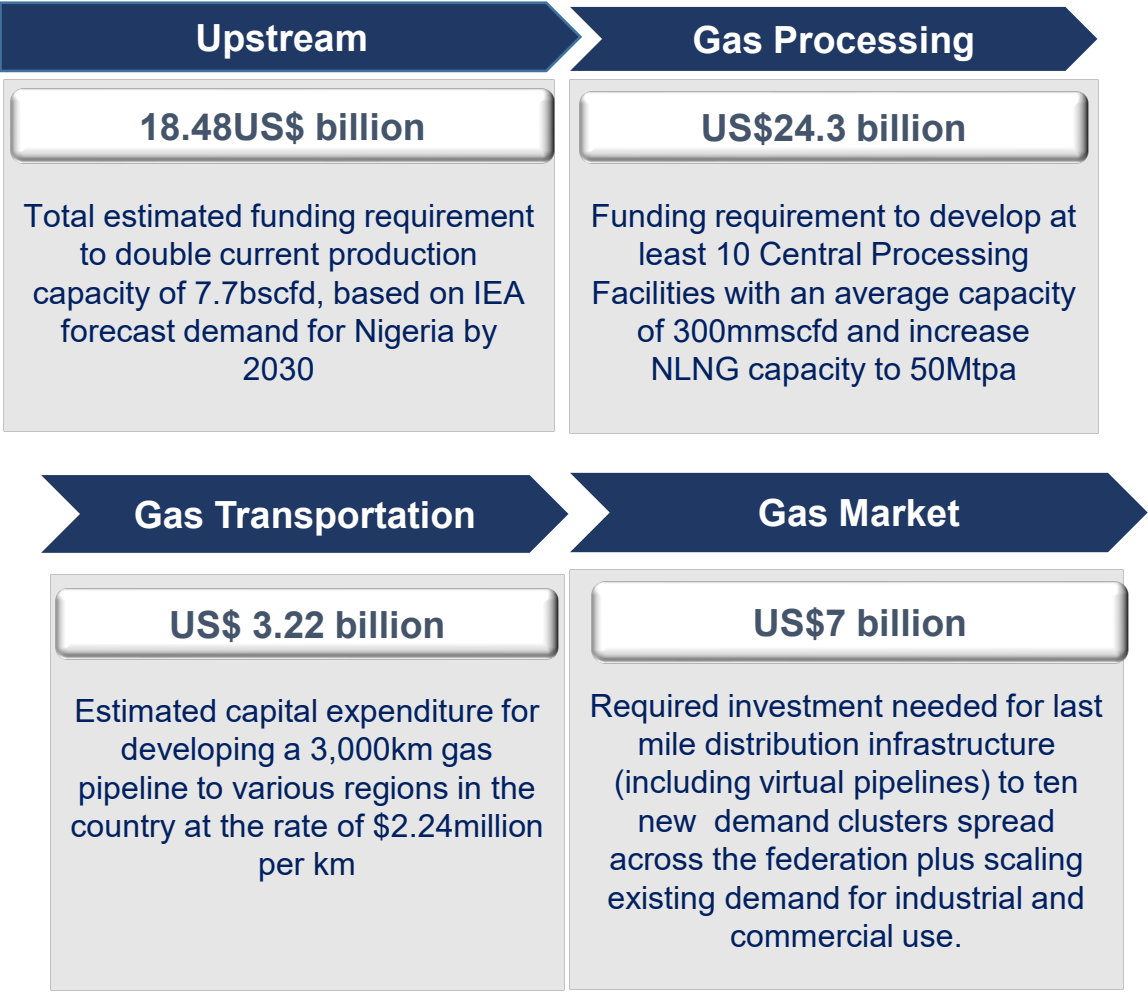
- If Nigeria can unlock its natural gas resources, the economic growth potential is endless
- There will be a multiplier effect on the GDP, balance of payment and other economic indices from availability of power, job creation and growth of small businesses



Dimensioning the Funding Gap

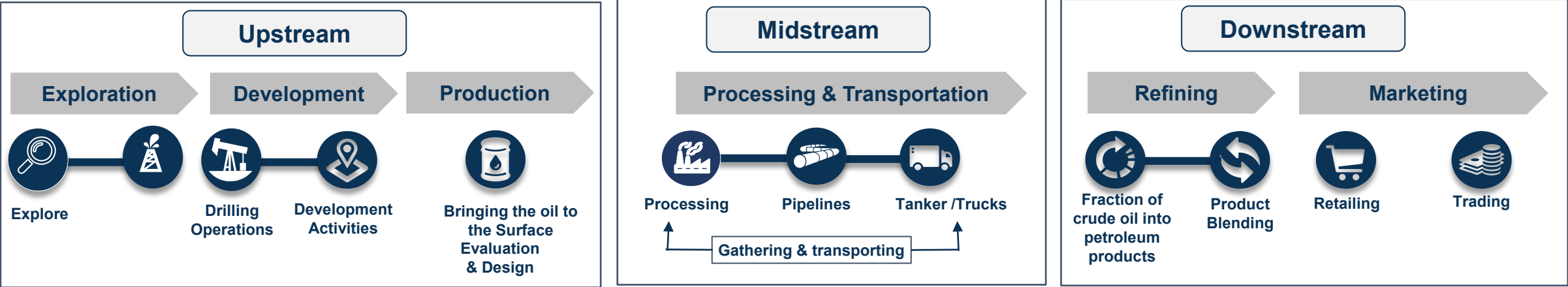


Dimensioning the Gas Funding Needs





Dimensioning Funding Sources till Date



Funding sources till date

Upstream Sector Funding Options

- Equity Linked Instruments/Alternative commercial contracts
- Others – Home Office Corporate Loans & Bonds
- Reserve-based lending
- Forward sales/Inventory monetisations
- On-balance sheet lending
- Asset Disposal and Re-applications

Midstream and Downstream Sector

- Government subventions and Budget Allocations
- Project Financing
- Oil Linked Cashflows
- Equity Bridge Financings
- Offtake/Receivables Leverage Structures
- Others – Corporate Debt, Syndicated Loans & Bonds

Sector-wide Issues

- | | |
|---|--|
| 1. Capital Intensive Nature of Gas Investments | 5. Government policies and fiscal terms (e.g., PIB, pricing regulation) |
| 2. Fossil Replacement and Decarbonisation | 6. Global competition for investments in the gas sector |
| 3. Assessment of project risks, existing liabilities and contractual rights | 7. Illiquid Foreign Exchange |
| 4. Unattractive lending terms including interest rates, tenor, transaction costs, security, ratings, etc. | 8. Institutional requirements (e.g., capital reserve allocations) and risk appetites (e.g., country risk, single obligor or sector limits) |



Project Actualisation led by Foreign Participations

Year	Company	Industry	Deal Value	Foreign Participation	Local participation
2020	Nigeria LNG Ltd	Exploration & Development	\$2,355,000,000.00	ABSA Bank; Afreximbank; AFC; Bank of China; BNP Paribas; Cassa Depositi e Prestiti SpA; Citi; Deutsche Bank; DZ BANK; Industrial & Commercial Bank of China ; KfW IPEX Bank GmbH; Natixis; Santander; SG Corporate & Investment Banking; Standard Bank; Standard Chartered Bank; Sumitomo Mitsui Banking Corp; UBI Banca	Access Bank ; First Bank; FCMB; FSDH Merchant Bank Ltd; GTBank - Guaranty Trust Bank plc; Union Bank of Nigeria plc; United Bank for Africa plc; Zenith Bank plc
2020	TNOG Oil & Gas Limited	Exploration & Development	\$1,100,000,000.00	African Export-Import Bank;Standard Chartered; ABSA Bank; AFC, Shell	Union Bank; Hybrid Capital
2019	Nestoil Group	Field Equipment & Services	\$383,000,000.00	Afreximbank	Ecobank; FCMB Group plc; United Bank for Africa plc
2019	SEPLAT Petroleum Development Co	Exploration & Development	\$350,000,000.00	Citi; FirstRand Bank Ltd; JPMorgan; Mauritius Commercial Bank Ltd; Natixis; Nedbank CIB; SG Corporate & Investment Banking; Standard Bank; Standard Chartered Bank	First City Monument Bank; United Bank for Africa plc; Zenith Bank plc
2019	STOGG Eagle Funding	Exploration & Development	\$195,000,000.00	ABSA Bank; Bank of China; FirstRand Bank Ltd; Industrial & Commercial Bank of China; Nedbank Ltd; Standard Bank; Standard Chartered Bank	
2019	Amni International Petroleum Development	Exploration & Development	\$122,000,000.00	Afreximbank; Shell Western Supply & Trading Ltd	
2019	Prudent Energy & Services	Downstream	\$110,158,826.36		Nova Merchant Bank Ltd; Stanbic IBTC
2019	Kosmos Energy Finance International	Exploration & Development	\$100,000,000.00	Credit Agricole CIB; Natixis; SG Corporate & Investment Banking; Standard Bank	
2018	Petrobras Oil & Gas BV	Exploration & Development	\$1,800,000,000.00	ABSA Bank; BofA Securities; Credit Agricole CIB; FirstRand Bank Ltd; Natixis; Nedbank (London) Ltd; SG Corporate & Investment Banking; Standard Bank; Standard Chartered Bank; Sumitomo Mitsui Banking Corp	
2018	Kosmos Energy Finance International	Exploration & Development	\$1,500,000,000.00	ABSA Bank; Bank of Tokyo-Mitsubishi UFJ Ltd; BMO Capital Markets; BofA Securities; Citi; Credit Agricole CIB; FirstRand Bank Ltd; HSBC; ING Bank; Natixis; Nedbank CIB; SG Corporate & Investment Banking; Standard Bank; Standard Chartered Bank; Sumitomo Mitsui Banking Corp	
2018	Kosmos Energy Finance International	Exploration & Development	\$400,000,000.00	ABSA Bank; Citi; Credit Agricole CIB; HSBC; ING; Natixis; Nedbank CIB; SG Corporate & Investment Banking; Standard Bank; Standard Chartered Bank	
2018	SEPLAT Petroleum Development Co plc	Exploration & Development	\$300,000,000.00	Citi; FirstRand Bank Ltd; Mauritius Commercial Bank Ltd; Natixis; Nedbank CIB; Nomura; Standard Bank; Standard Chartered Bank	
2018	Petrobras Oil & Gas BV	Exploration & Development	\$300,000,000.00	ABSA Bank;Credit Agricole CIB; FirstRand Bank Ltd; ING; Natixis; Nedbank CIB; SG Corporate & Investment Banking; Standard Bank	
2018	Amni International	Exploration & Development	\$260,000,000.00	Afreximbank; Shell Western Supply & Trading Ltd	
2018	Westport Oil Ltd	Exploration & Development	\$95,742,643.77	Mauritius Commercial Bank Ltd; Standard Bank	
2017	STOGG Eagle Funding Ltd	Exploration & Development	\$986,350,826.41	Afreximbank; Industrial & Commercial Bank of China - ICBC; Standard Bank; Standard Chartered Bank	United Bank for Africa plc
2017	Eastern Hydrocarbon Funding Ltd	Exploration & Development	\$394,697,655.82	ABSA Bank; Bank of China; Barclays; Citi; FirstRand Ltd; Nedbank CIB; SG Corporate & Investment Banking; Standard Chartered Bank; Sumitomo Mitsui Banking Corp	Access Bank Nigeria Ltd; Union Bank of Nigeria plc; United Bank for Africa plc
2017	Eastern Hydrocarbon Funding Ltd	Exploration & Development	\$380,000,000.00	ABSA Bank; Bank of China; Citi; FirstRand Ltd; Nedbank CIB; SG Corporate & Investment Banking; Standard Chartered Bank; Sumitomo Mitsui Banking Corp	Access Bank; Union Bank of Nigeria plc; United Bank for Africa plc
2017	SEPLAT Petroleum Development Co	Exploration & Development	\$300,000,000.00	BofA Securities; Citi; Natixis; Nedbank CIB; Standard Bank	Rand Merchant Bank Ltd
2017	Petrobras Oil & Gas BV	Exploration & Development	\$245,000,000.00	Credit Agricole CIB; Natixis; Standard Bank	
Source: Dealogic		Total	\$11,676,949,952.36		

USD 11.7bn

Debt Financed

20

Projects

38

Foreign Lenders

11

Local Lenders



“...Africa received **\$162.6bn** in project finance-funded transactions by overseas investors over the past ten years; US biggest investor followed by the UK.

Nigeria the most targeted, attracting **\$35.2bn** in the past ten years, followed by South Africa (\$23.0bn) and Ghana (\$21.6bn)...” - Andrew Jones, Head of Linklaters’ Africa group

Key Projects that need Foreign Funding Support

NLNG Train 7 project

The project is led by NLNG, a joint venture between the Nigeria National Petroleum Corporation (NNPC) and international oil majors Royal Dutch Shell, ENI and Total. Project Size is approximately 8 mtpa

Brass Methanol Plant

NNPC, DSV Engineering and the Nigerian Content Development and Monitoring Board took the Final Investment Decision (FID) for the construction of a \$3.6billion Brass Fertilizer and Petrochemical gas processing and methanol plant

Ajaokuta-Kaduna-Kano (AKK) gas pipeline project

614km pipeline, representing phase one of the 1,300km-long Trans-Nigerian Gas Pipeline (TNGP) project with capacity to transport 3,500 million metric standard cubic feet per day (mmscfd)

What Foreign Investors are looking for

01

Pricing Mechanism

Review of the National Domestic Gas Supply and Pricing Policy

02

Tap Resource

It is estimated that Nigeria has 5,351BCM untapped gas reserves

03

Fiscal Terms

More favorable fiscal terms for gas than for oil in order to stimulate gas development

04

Gas Policy

Gas Policy that safeguards foreign investments

05

Investment repatriation

Ease of repatriation of dividend and capital via the I&E window

06

Stable Foreign Exchange

CBN policies that ensures minimal fluctuations of the FX.



Funding Structures in Other Markets

- Oil and gas enterprises in these countries are largely state-owned but they are beginning to open up to foreign investments.



Iran

- In 2016, to further attract foreign investment, Iranian Petroleum Contract (IPC) - a **hybrid of buy-back contracts and production sharing agreements (PSA)** - was implemented.
- Of the required \$71 billion in investments, gas projects in Iran have so far secured \$24 billion funded through **buy-back contracts** with Petropars, LG Korea, OIEC (Oil Industries Engineering and Construction) company of Iran and IOEC (Iranian Offshore Engineering and Construction Company).
- More recently, the government released an order to allow Iran's state-run companies, which include the biggest players in its oil and gas sectors, raise up to US\$1.5 billion through the **issuance of Islamic securities (sukuk) internationally**.



Russia

- National subsidies** provided for exploration and development activities. Nature of subsidies include tax exemptions / reductions, customs duties reduction, etc. Estimated annual average of US\$22.8 billion per annum in national subsidies to the oil and gas sector (*2014 estimate*).
- Public finance** via Russian state-owned banks and bilateral finance organisations e.g., Russian Development Bank, Sberbank, VTB Bank.
- In 2016, foreign investments in the oil and gas sector increased by 2.7 times with Rosneft's sale of 19.5% of its shares to Qatar Investment Authority and Glencore for US\$11.3 billion.



China

- Oil and gas investments of Chinese energy companies were worth an average \$10.5 billion annually between 2013 and 2017.
- China's Oil and Gas domestic funding are majorly via **capital market listings** by the state-owned companies - China National Petroleum Corporation and the China National Offshore Oil Corporation listed on both Chinese and US stock exchanges.
- Financing via **Chinese Development Bank (CDB) and Chinese Export-Import Bank (EXIM)**.
- Foreign Investments - The government has, in recent times opened its economy to allow foreign and private companies investment in its oil and gas sector.



India

- Historically, projects across the oil and gas value chain were largely funded by state-owned development banks such as the Bank of India, Central Bank of India, Indian Overseas Bank, Union Bank of India, Export-Import Bank of India.
- The government has, in recent times, **adopted several policies to allow foreign direct investment (FDI) across the various segments of the oil and gas industry, including natural gas**.
- The petroleum and natural gas sector attracted FDI worth US\$ 7.86 billion between April 2000 and September 2020.

Key Lessons

- Issuance of securities in the offshore markets targeted at developing the Gas Sector

- Get Nigeria Sovereign Wealth Fund to allocate more of its fund to Gas Projects; and
- Listing of NNPC and issuance of offshore securities

- CBN and other development banks to do more to prioritise the Gas Sector; and
- Partial sale of NNPC or some of its subsidiaries



Additional Funding Options to Explore

1

International Capital Markets

Corporate Bonds, IPOs, Commercial Papers, Infrastructure Bonds, Green Bonds in Foreign Markets E.g., Seplat's listing on LSE

2

Infrastructure Funds

This is more applicable for midstream/downstream assets. SEC regulated and can be a great avenue for deploying idle public assets E.g., Unclaimed Dividends

3

Sovereign Guarantees

E.g., AKK - Sinosure

4

Regional Partnerships / Collaborations

E.g., China-Pakistan Economic Corridor with projects worth between US\$56 and US\$62 billion

5

OEM / Vendor Financing

Applies more to the Midstream/Downstream. The tolling structure enables the contractors bear part or all the project cost and risk.

6

Export Credit Agencies

E.g., \$3 billion export credit secured from Deutsche Bank to develop the NLNG Train-7 Project

7

FGN Viability Gap Funding

E.g., USAID, IFC, DFID, etc. Usually at the feasibility, PoC stages till project becomes commercially viable to attract other investors

- Nigeria now realises that gas can be a game changer.
- Encouraging financial movement in the last five (5) years. We need to do more of same things but pay special attention to the hygiene issues important to the predominantly foreign investor base.
- The local markets must seek ways of building greater capacity for this subsector
- There are important development lessons from countries that have built their gas sector that can be reenacted in Nigeria. Some are not particularly new ideas, but we need to recreate and tweak it for urgency E.G., listing of the NNPC; Increase capacity and prioritize from the NSWF; and explore more intercountry corridor partnership like we started with Morocco
- Expand the current financing options to include International Capital Markets; Infrastructure Funds; OEM/Vendor Financing; and FGN Viability Gap Funding

THANK YOU

Axxela