SWOT Analysis
Nigeria's Natural Gas Industry

STRENGTHS

- With over 200 Tcf of proven gas reserves, Nigeria holds the world's eighth largest proven gas deposits with relatively high prospectivity.
- Both public and private sector players have reached a strong consensus on the need to adopt gas as a transition and destination fuel and the development of the sector benefits from strong political will (Presidential CNG Initiative for instance).
- Nigeria has a relatively diversified gas sector with natural gas used in gas-to-industry but also to produce electricity, urea and fertilizers, LNG, LPG, etc.
- The country relies on a growing base of local gas producers and local services companies able to support LNG, LPG, and CNG ventures.

WEAKNESSES

- Gas supply currently affected by crude theft, pipeline vandalism and divestments programs from IOCs seeking to exit gas-rich onshore and shallow water blocks.
- The size of the existing domestic gas market does not support yet the necessary economies of scale to make investments in gas infrastructure bankable.
- The electricity sector — which accounts for a majority of Nigeria's domestic gas sales — is illiquid and not commercially viable.
- Pricing structure: a willing-buyer willing-seller (WBWS) regime and market-based pricing for electricity and gas is yet to be implemented.

OPPORTUNITIES

- Efficient monetisation of associated gas, which could cut flaring and help expand access to energy and clean cooking.
- The new Petroleum Industry Act (PIA) provides several fiscal incentives for midstream and downstream gas projects.
- The removal subsidies on premium motor spirit (PMS) in 2023 is providing a level playing field making gas competitive for retail, industrial, and power consumers.
- Increasing diesel prices are driving demand from the industrial and transport sectors, which is helping make the case for additional CNG and LNG facilities in the country.
- The exit of IOCs from the Niger Delta present attractive opportunities to invest in low-cost brownfield gas assets.

THREATS

- Continued insurgency in the Niger Delta and maritime insecurity in the Gulf of Guinea.
- Lengthy divestment processes by IOCs and delayed approvals can impact appetite for investments in gas, especially within onshore and shallow water blocks where new operators are expected to take over.
- Economic and political constraints prevent electricity utilities from charging cost-reflective tariffs, which adversely impacts their capacity to pay for gas supply.
- Multilateral and international investors increasingly shying away from investing in fossil fuel projects, which severely impacts the ease of accessing finance for gas projects.