

A LAWYER LAWYER'S THOUGHTS ON GAS FLARE OUT

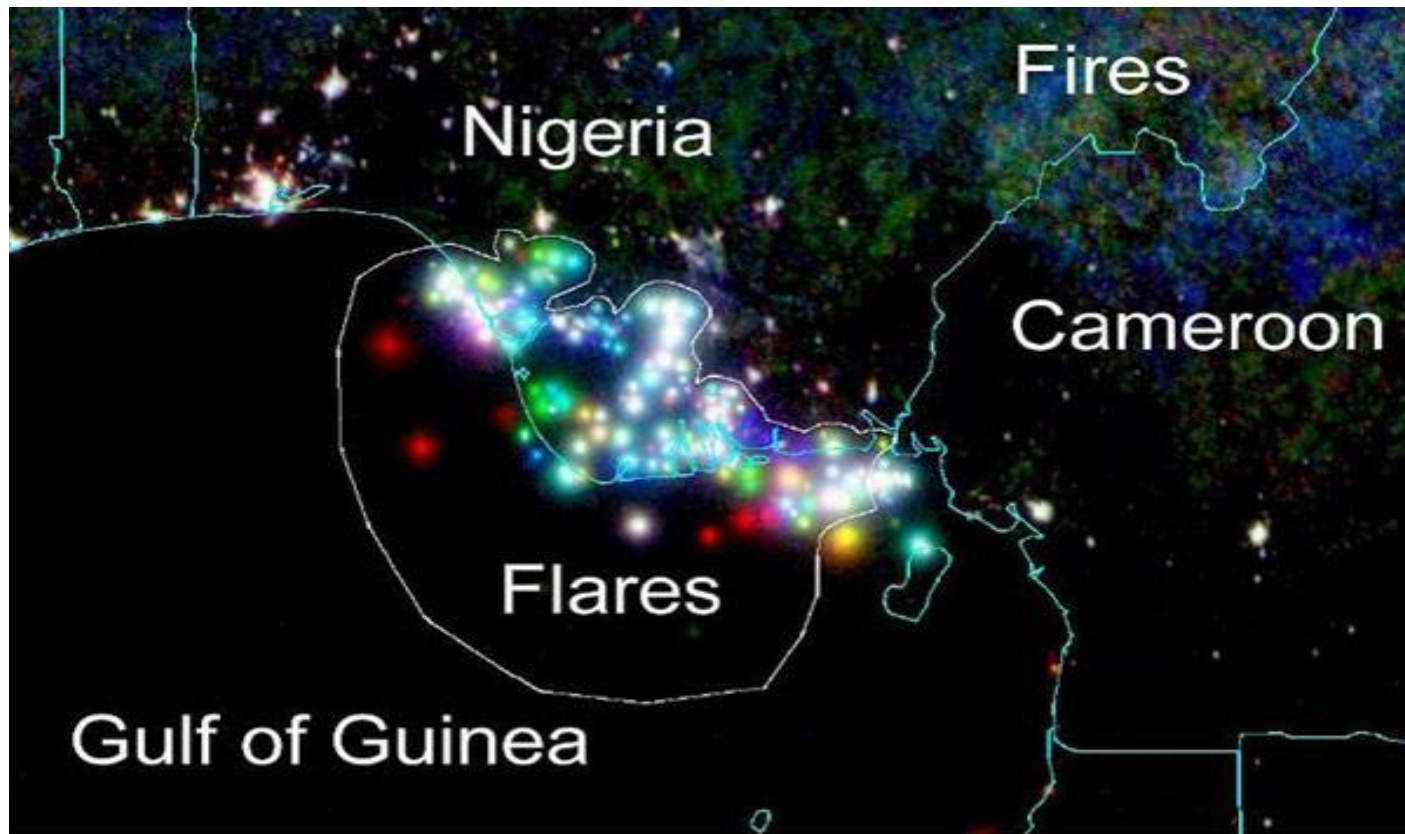
A PRESENTATION
TO
THE NIGERIAN GAS ASSOCIATION
2ND QUARTER 2008 FORUM

“GAS FLARES OUT & STRATEGIES FOR SUCCESS”

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Background

Nigeria from satellite



Composite satellite images show reduction in gas flaring in Nigeria over 14 years.
The year 2006 is in red, 2000 is in green and 1992 is in blue.

Background

- Nigeria is currently rated as the second highest gas flaring nation in the worldgas world
- *“Nigeria flares 75% of the gas it produces”*
 - Vice President Atiku Abubakar’s website
- *“On the average, about 10000 scfscfof gas is of produced in Nigeria with every barrel of oil. Therefore, with oil production of some 2.2 million barrels per day, about 2.2 billion scf of of associated gas is produced everyday”*
 - Basil Omiyi , Shell Nigeria, June 2001

Why Flare Gas?

- Safety reasons
- Lack of infrastructure
- Absence of a viable market
- Gas pricing
- Security issues in the Niger Delta
- Most economically attractive course of action

Effects of Gas Flaring

- Environmental problems from particulates, GHGs, acid rain, noise, pollution and , intense heat
- Disease
- Food insecurity
- Economic waste
- Community issues

Obstacles to Gas Flaring Reduction

- Underdeveloped domestic gas market
- Unattractive pricing signals
- Infrastructure constraints and
- Infrastructure access issues
- Funding constraints
- Security issues in the Niger Delta

Obstacles to Gas Flaring Reduction

- Policy shifts
- Conflicted regulator
- Inadequate sanctions
- Limited institutional, legal and regulatory framework for gas
- Critical sector reforms moving at a slow pace

Past Initiatives

- Petroleum (Drilling and Production) Regs 1969
- Associated Gas Re-Injection Act 1979
- Associated Gas Re-injection (Amendment) Decree
- Associated Gas Re-injection (Continued Flaring of Gas) Regulations
- “Flare —Out” Policies & Deadlines
- Flare penalties
- The Federal Environmental Protection Agency (FEPA) Act & Other environmental legislation

Recent Initiatives

- National Domestic Gas Supply And Pricing Policy & Regulations —pricing reform
- Gas Master Plan —infrastructure build out
- Flare Reduction Committee
- Other legal reform initiatives
 - Downstream Gas Bill
 - Proposed Petroleum Bill
 - Proposed revision of environmental legislation

International Commitments

- The UNFCCC
- The GEF
- The Kyoto Protocol
- CDMs
- The GGFR

Comparative Approaches

- Several countries have reduced gas flaring and venting by a combination of regulatory and fiscal intervention.
 - Regulatory Independence
 - Clearly defined regulatory responsibilities
 - No conflicting or overlapping responsibilities among regulating institutions
 - Transparent and enforceable regulatory procedures and operational processes
 - Ability of regulator to enforce compliance

A Way Forward For Nigeria

- Introduce a policy and regulatory framework for the trading of carbon
- GON to establish bilateral purchase agreements with Kyoto Annex I countries
- Create a transparent regulated market for the trading of emissions credits
- Design a national emissions scheme that clearly sets out the legal basis for qualification for emission credits for the reduction of GHGs

Finally.....promote a regulatory environment for flare reduction

- Introduce a gas flaring policy focused on associated gas reduction
- Empower regulators to deal effectively with gas flaring and venting
- Regulators should be independent of the operators
- Develop clear operational procedures for gas flaring and venting
- Clearly define circumstances for the approval of gas flaring
- Introduce non-discriminatory access regime to gas pipeline, infrastructure and markets
- Finalise all outstanding legal and regulatory framework all initiatives for the gas sector

**THANK YOU FOR
LISTENING!!!**