

Nigerian national petroleum corporation (nnpc) in the global oil and gas energy market

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Abstract

A decline in global oil and gas upstream investment which led to a fall of oil and gas price in 2015 by 25% and another fall of 26% in 2016, this global fall affected the major oil companies worldwide. Interestingly, in 2017 and 2018, there are good signals of oil price recovery resulting from rise in demand. However, the future is blink and uncertainties abound owing to increased demand for alternative and renewable energy and a rise in global demand for sustainable energy and green revolution. This paper seeks to propose strategies for Nigerian National Petroleum Corporation (NNPC), the National Oil company of Nigeria to reposition itself in other to braze up with challenges that are eminent in the future of oi and gas energy marketplace. NNPC enjoys the economics of scale, monopoly, large Nigerian population level, titanic dominance in African oil market, abundance of oil reserves and the vast resources the nation is blessed with are its strengths. Its weaknesses are evident in bad maladministration, corruption, lack of political instability and mismanagement of oil wealth. Suggested strategies for reposition NNPC to meet its challenges are making strategic investment decisions, visionary and innovative leadership are key management decisions that will keep the Nigerian National Petroleum Corporation in tune to navigate the modern-day global oil market challenges.

Nigeria is the largest oil producer in Africa. It holds the largest natural gas reserves on the continent and was the world's fifth-largest exporter of liquefied natural gas (LNG) in 2018. Although Nigeria is the leading crude oil producer in Africa, production is affected by sporadic supply disruptions. Nigeria's crude oil and natural gas resources are the mainstay of the country's economy. Because Nigeria heavily depends on oil revenue, its economy is noticeably affected by crude oil price changes. The International Monetary Fund (IMF) projects that Nigeria's crude oil and natural gas exports earned \$55 billion in 2018, which is \$23 billion higher than in 2016. The growth in export revenue, which can be partly attributed to the rebound in crude oil prices, has helped improve Nigeria's fiscal position. However, Nigeria's fiscal deficit remained flat at 4% of its gross domestic product (GDP) because of a significant increase in capital expenditures and lower-than-expected non-oil revenue collection, in spite of improvements to the country's tax administration. The Nigerian government still heavily relies on crude oil and natural gas revenue; its non-oil revenue comprises only 3.4% of GDP, one of the lowest in the world.

According to the Oil & Gas Journal, Nigeria had an estimated 37.0 billion barrels of proved crude oil reserves by the end of

2019—the second-largest amount in Africa after Libya. The majority of reserves are along the country's Niger River Delta and offshore in the Bight of Benin, the Gulf of Guinea, and the Bight of Bonny. As a member of the Organization of the Petroleum Exporting Countries (OPEC), Nigeria renewed its commitment to reduce crude oil production in April 2020, capping its production at 1.41 million barrels per day (b/d). The agreement takes effect on May 1, 2020, and ends on April 30, 2022. However, Nigeria's compliance with the OPEC+ agreement has been intermittent; the country has at times produced more than the agreed-upon quota in the past. In addition, Nigeria has designated some of its crude oil streams as lease condensate, which is not subject to the OPEC+ agreement production cuts, which allows Nigeria to circumvent its obligation to reduce production. In 2019, Nigeria produced about 2.0 million b/d of petroleum and other liquids, of which 1.65 million b/d was crude oil. The remainder is composed of natural gas plant liquids, other liquids, and refinery processing gains.

The deepwater Egina project was the latest significant field to come online in Nigeria. The Egina field came online in January 2019 and reached its peak production plateau of 200,000 b/d at the end of 2019. The Nigerian minister of petroleum, Emmanuel Kachikwu, has labeled Egina crude oil as a condensate, in spite of its API gravity and sulfur content being specified at 27° and 0.17%, respectively, a crude oil assay that would place it in the medium, sweet categories. Smaller fields, such as the offshore Gbetiokun field and the onshore Qua Ibo field in the eastern part of the Niger Delta, have provided marginal increases to Nigeria's crude oil production in the past year. These projects have helped to partially offset production declines at Nigeria's older, more mature fields. Other planned deepwater projects have been repeatedly delayed because of regulatory uncertainty surrounding the PIB. In addition, the recent deepwater royalty tax increase may further inhibit investor interest in exploration and development of new offshore fields. Exploration activities have largely focused in deepwater and ultra-deepwater offshore fields, partially as a result of security concerns onshore, and many IOCs have divested their onshore assets. The NNPC plans to launch a new crude oil licensing round in mid2020, although the licensing round will likely be postponed until after the PIB legislation issue is resolved later this year. Whether or not there will be sufficient investor interest if the PIB does not pass is unclear, given the recent amendments to the royalty tax structure for deepwater production.

Government support and investor interest in solar power projects have been growing in the past few years in Nigeria, partially as a way to mitigate natural gas supply shortages and to increase access to electricity in remote and rural areas. The Nigerian government, the Rural Electrification Agency, and the World Bank-funded Nigeria Electrification Project are jointly funding a \$75 million grant to encourage off-grid solar investments to reduce kerosene and diesel use for lighting and backup power generation. In July 2016, Nigeria signed power purchase agreements with 14 utility-scale solar photovoltaic facilities that have a total generation capacity of 1.1 GW, although none of these projects has yet reached financial close, and reportedly the independent power producers and the Nigerian government have a dispute regarding tariff pricing.