

Nigeria's natural gas and America's addiction to oil

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Nigeria has unique opportunities to transform itself from that of a stuttering giant with the much talked about potential it possesses which it has not realised.

One of the unique opportunities to do this is not just through its possession of large reserves of oil (this blessing has somehow been contrived in some respect to be curses) but also the possession of a large reserve of natural gas.

In this paper, my primary focus will be on the strategic and vast opportunities which Nigeria's liquefied natural gas projects (existing and planned) present as this is the primary avenue of monetising this resource in Nigeria. Until recent years, most of Nigeria's gas was flared and, the domestic market for the consumption of gas is sadly insignificant.

Paradoxically, it is because Nigeria has traditionally fallen under the category of "bad countries" i.e. countries with a "bad governance" situation that it has not fully explored and exploited its gas reserves and now that natural gas prices have soared it can take advantage of the high prices. "Good governance" countries which have explored and exploited their gas reserves now see their reserves being depleted just when the price is high!

A number of geo-political trends have conspired to favour the use of natural gas as a source of energy and therefore Nigeria's possession of large gas reserves is an important resource which can together with oil and solid minerals provide a foundation for an industrial revolution.

These geo-political factors fall into two categories, firstly, ones that favour the use of natural gas as a primary source of energy and secondly, the diversification away from Russia and the Middle East by Europe and America in their search for energy.

Taken together, these geo-political factors are as follows: the strong and growing environmental concern most noticeable in the developed countries which favours the use of natural gas as a cleaner fuel compared to the major alternatives of other fossil fuels such as oil or coal; the insecurity of supply of gas from Russia which has been recently highlighted with regard to Russia's recent action against the Ukraine via the government controlled Russian gas company, Gazprom, where on New Year's Day it attempted to force Ukraine to pay full European prices – probably to punish the country for its pro-Western Orange Revolution; the continuing and growing Islamic militant threat in the Middle East; the decline in the reserves in the Gulf of Mexico and the North Sea; and there is also of course the ongoing sense of apprehension over Iran's nuclear programme.

The two countries with the largest natural gas reserves are causes of concern to the western powers.

The destruction of Yukos by Russia has added to investors' nervousness with regard to committing long term capital into Russia which has the world's largest reserves of natural gas (although because of its huge reserves they nevertheless are compelled to pour in billions of dollars into oil as well as gas assets).

Iran's nuclear programme has caused western companies to severely cut back on their investment into Iran and indeed if there are economic sanctions against Iran then most if not all of this foreign investment will be cut off completely.

The possession of oil and gas has been a mixed blessing for Nigeria and I will expand on this later.

Liquefied Natural Gas ("LNG") is natural gas that has been cooled to the point that it condenses into a liquid. This occurs at a temperature of about minus 160 degrees centigrade (minus 256 fahrenheit) and at atmospheric pressure. Liquefaction reduces the volume of the fuel by approximately 600 times and allows it to be stored and transported by specially designed vessels. This offers alternative means of gas transportation to pipelines and is an increasingly important worldwide commodity.

LNG is big business. A greenfield project (brand new) following the LNG value chain could cost anything from between US\$1 – 2 billion for the upstream project (the cost is dependent on factors such as gas quality, location, reserve size, geology etc), the liquefaction could cost between US\$2 – 3 billion (depending on the train size, the gas shrinkage etc), shipping could cost between US\$1 – 2 billion (depending on the vessel size, whether it is leased or purchased, charter rate etc) and the re-gasification plant could cost US\$600 million.

Recent developments alone in the last few weeks gives you indication of how swiftly matters are progressing in the Nigerian natural gas industry.

In the beginning of February, Total announced that its first cargo of LNG from Nigeria LNG Limited ("NLNG") train 4, left Bonny Island bound for Spain as part of the 1.15 million metric tonnes per annum (MTPA) sales and purchase agreements signed between Total Gas and Power Limited and the NLNG to off-take LNG from trains 4, 5 and 6. NLNG's train 4 started production in the 4th quarter of 2005 and train 5 recently started production.

In addition, BG recently announced that they had signed a Memorandum of Understanding with Nigeria's Brass LNG for the acquisition of 2 million metric tonnes a year of LNG over 20 years. Initial deliveries from Brass LNG are expected to start during 2010.

The cargoes will be delivered to BG's US marketing business at Lake Charles, Louisiana and Elba Island Georgia.

Nigeria has a track record in producing LNG. NLNG, the pioneer LNG project in Nigeria is predicted in 2007 to be a US\$12 billion investment with a production capacity of 22MTPA, will have 24 dedicated ships and a diversified gas supply and transmission system across the Niger Delta.

The cumulative capital expenditure in this project makes it the largest single privately undertaken industrial project in Africa. The first cargo was exported in 1999.

NLNG has developed a reputation for safety, quality, integrity and reliability. NLNG has so far demonstrated to the world at large that technologically advanced projects can be developed in Nigeria and can be operated to a high standard.

However, more effort needs to be made in making NLNG the "arrowhead" that it was intended to be in the diversification of Nigeria's economy by promoting economic growth and development of the Nigerian industry by being an enabler in the building of industrial capability.

It needs to build up on delivering on the transfer of new technology; enhancing staff skills and managerial capabilities; developing and providing opportunities for contractors and suppliers and providing infrastructure at a local level. It has the ambition of Nigerianisation of all positions by 2012.

There is the proposed LNG project in Olokola ("OK LNG"). The partners behind the proposed OK LNG project in the far western Niger/Delta have recently announced that they had signed a Project Development Agreement which allows them to move into front-end engineering and design.

The current proposals for OK include building four-trains, with a capacity of 22 million tonnes per annum. It is to be built in Olokola Free Trade Zone on Nigeria's south-western coast.

Shareholders include established foreign firms in Nigeria such as Shell and Chevron as well as new entrants to Nigeria such as BG Group. NNPC's shareholding is proposed to be just a shade under that of a controlling shareholding.

The economic multiplier effect of having a large oil and gas project can be briefly illustrated by the plans for the free trade zone in Olokola where the OK LNG project is proposed to be situated.

Apart from the development of a port complex and the LNG plant itself there are plans for petro chemical plants, oil refineries, heavy and light industries for export, manufacturing/assembly, processing, breaking, fabrication, machine tools etc. helipad, bonded storage warehouses and pipe rack, internal road network, electricity supply and distribution network including back up facilities etc.

There is also the proposed Brass LNG project in the Niger Delta. Brass LNG's shareholders comprise Nigerian National Petroleum Corporation, Chevron Corporation ("NNPC") (they recently pulled out to be replaced possibly by Total), ConocoPhillips and ENI SpA.

The possession of natural gas in Africa has huge potential implications not just for Nigeria but for the whole of Africa. Africa is definitely emerging as a major force in the oil and gas industry. There is great optimism on the continent. World Petroleum magazine recently confirmed that Africa produced an average of 21,400 MMcf/d in 2004, accounting for 7.5% of the world's total gas production. Considering the cumulative gas production, Africa represents 4.6% of worldwide production to the end of 2004. Africa has recorded a spectacular growth in production in the last ten years – 89% Noteworthy is the growing number of initiatives throughout the continent to reduce gas flaring and utilise gas (associated and non-associated) commercially.

The first contributions of natural gas from East Africa came in 2004 with production – up from the Temane Field in Mozambique (by Sasal) and Asongo Songo Field in Tanzania (East Coast). Reserves of natural gas are estimated to be 477 Tcf in Africa, representing 6.9% of the world's reserves at the end of 2004. The experts predict that Africa will supply 30% of an estimated 13.65 m B/D growth in global liquids production capacity by 2010 excluding the US onshore and Canada (official of IHS Energy). They go on to predict that Africa will also contribute more than 25% of the expected growth in LNG capacity by 2010. Africa today supplies 12% of world liquids production and 29% of actual shipping capacity.

Over the past year, African oil has leapt into international attention as world demand increases and price hikes. Along with ever enlarging exploration, extraction and sale, African producers, while gaining considerable profits, also sees a series of problems such as environmental pollution, farmland damage and grain shortage. So, people here always show mixed feelings when talking about oil.

With a proven reserve over 95 billion barrels, about 8 per cent of the world total, Africa is the world third largest oil producing area following the Middle East and Latin America. Currently, its daily production of crude oil exceeds 8 million barrels, about 11 per cent of the global amount and is expected to reach 15 per cent by 2020. In the coming decade, oil production from this continent will rise sharply, with a daily output expected to reach 13 million barrels. Before, major producing countries gathered along the Mediterranean such as Algeria, Libya, Egypt and the Gulf of Guinea such as Nigeria, Angola, Gabon and the Republic of Congo. In recent ten years, producers from Africa south of the Sahara increased in number, including Equatorial Guinea, Chad Sudan, Sao Tome and Principe, and Mauritania.

Nigeria had been a famous agricultural country of Africa before oil was discovered in the 1960's. But ever since then agriculture has been neglected and oil became the sole economic pillar, which now brings 95 percent of the nation's foreign exchange income and 80 percent of government revenue. For years, uncontrolled exploitation by western oil companies has brought both wealth and disaster to Nigeria. In their pursuit for maximum profits, some of these companies were mean with infrastructure investment and consequently their oil pipelines often crack and leak due to lack of maintenance and replacement.

Dr. Funsho Kupolokun, the Group Managing Director of the NNPC disclosed on Monday February 27th 2006, speaking at the opening of the NNPC Chief Officer's 036 and 037 in Abuja that it expects a total of US\$49 billion addition to the Gross Domestic Product of the country by 2010 from oil and gas. "Between now and 2010, we are going to have a total of US\$49 billion addition to the GDP and if you add this amount to the current GDP of US\$52 billion, the figure would amount to US\$101 billion and when you take that as GDP Capital, you can safely conclude that the energy sector driven initiative would contribute about 60% to doubling the country's GDP by 2010", he said.

In addition, it is reported that he also said that "Again we would require to spend some US\$2.5 billion every year in the gas sector aside from contributions from IPP's of over US\$2.6 billion over the next two years".

OIL AND GAS AND POLITICS

The development of oil and gas has always been inextricably linked with politics. Petroleum is the most political commodity in the world. In Nigeria, especially in relation to the Niger Delta this is emphatically the case.

A local example of the inseparable mix of oil and gas and in particular LNG with politics is highlighted in a paid advertisement in the Guardian Newspaper, April 16, 2006 by leaders of the people of the Niger Delta, Chief (Dr.) Edwin Clark, OFR and Prof. Kimse Okoko. It relates to the Brass LNG and states: "We note with concern the slow pace in the development of the Brass LNG compared to its counterpart located in the coastal boundary between Ondo and Ogun States at Olokola, which is being actively pursued. We feel once again a sense of abandonment of the project especially with the reported pulling out of one of the Venture Partners. We insist that the brass LNG must not be allowed to die." The statement is self-explanatory. Where you have LNG you have politics.

Examples can be found in other parts of the world.

An international example of the mix of oil and gas with political considerations is in recent revelations contained in documents release under the 30 year rule from the Public Record Office Kew revealed that "Whitehall was gripped with fear in the 1970's that independence for Scotland, with the resultant loss of oil revenue to the Treasury would plunged the rest of Britain into an economical crises," (The Times Tuesday January 31 2006). Indeed, so great was the concern that senior Labour ministers at the time, including Denis Healey, who was the Chancellor, and the late Roy Jenkins, then Home Secretary, pleaded with cabinet colleagues to put the break on government plans for devolution.

While the prospects for the rest of Britain without oil were described as "grim" The Treasury privately acknowledged that those for Scotland were so strong that Scots could have been one third better off than the English within a few years of separating from the rest of Britain. The Times' newspaper went on to disclose that senior civil servants were alarmed that if the people of Scotland knew their true worth with reference to the North Sea reserves then it might prove the first step towards full independence. The documents revealed that one Treasury official warned of the impact on the rest of the British economy if Scotland moved towards independence and took control of North Sea oil.

"The Scots have really got us over a barrel here" he wrote. Another Treasury official predicted: "It is conceivable that income per head in Scotland could be 25% or 30% higher than that prevailing in England during the 1980's given independence".

Another example is what transpired towards the end of the Cold War when President Regan of the U.S. argued strongly against plans by Western Europe to develop Russian gas reserves which were to be piped to Western Europe. As we all know the Europeans nevertheless went ahead to build the pipelines. However, it is interesting to note that now that Russia is no longer a military superpower, it is seeking to gain some of its former glory by being an energy superpower using its oil and gas reserves.

A recent example of the mix of oil and gas with politics is illustrated in the U.S.

It was reported in the papers that on Monday February 27th 2006, President George W Bush stepped up his rhetoric about U.S. dependency on oil from the Middle East, warning about the dangers of being dependent on countries where "tyrants controlled the spigots". The President's remark was at the National Governors' Association meeting where the President said: "I spend a lot of time worrying about disruption of energy because of politics or civil strife in other countries – because tyrants controlled the spigots – and it is in our national interests that we become less dependant on oil".

Although President Bush did not identify the countries he was referring to, it is noteworthy that on 24th February 2006 Al-Qaeda attacked the key Abqaiq Oil facility in Saudi Arabia and fortunately this attack failed. However, crude prices jumped by more than US\$2 per barrel even though the suicide bombers were

gunned down before they could disrupt supplies. There continues to be an estimated 25,000 to 30,000 protecting the Saudi Kingdom's oil infrastructure at any given time.

In his state of the Union address on Tuesday 31st January 2006, references by President Bush to oil and gas dominated his State of the Union address, I quote:

"Keeping America competitive requires affordable energy. And here we have a serious problem. American is addicted to oil, which is often imported from unstable parts of the world. The best way to break this addiction is through technology."

PROBLEMS ASSOCIATED WITH NIGERIA'S OIL AND GAS

The principal problem associated with Nigeria's possession of oil and gas wealth is that of the "problem of the Niger-Delta" – particularly the issues relating to the environment and the unsatisfied yearning of the people of that region to control their resource.

Statistics show that the leakage of crude oil in the Niger Delta alone amounts to 10,000 barrels annually. Caught ablaze under the scorching sun, the escaped oil causes frequent farmland and forest fires as well as serious air pollution. It also poisons the earth, kills crops and thus plunges many farmers into deeper poverty. More serious is the contamination of rivers which not only deprives fishermen of their living but also causes drinking water shortage. Conflicts between local residents and western oil companies give rise to violence. There live in the Delta more than 40 tribes, and in their struggle kidnap and murder happen continuously. Western staff are constantly attacked and oil facilities destroyed.

The problem of the Nigeria Delta in particular has caused some commentators to conclude that Nigeria does not function entirely as a nation.

This view that Nigeria is not entirely functioning as a nation is well summarised by Reuben Abati (The Guardian, March 5th 2006) in one of his articles. He states:

"These fault lines can be traced to years of injustice and inequities during which Nigerian communities lost a sense of oneness. Even the most educated persons in our midst become inaccessible when their narrow ethnic interests are involved. Nigeria is defined as a nation, but it remains an atomistic society built on a foundation of mistrust. The likes of Gani Adams, Asari-Dokubo, Fasehun and Uwazuruike are products of this lack of a grand, unifying sense of national identity. By 1993, the country was so divided, the military had turned the state into an instrument of terror, the collective angst was so pronounced that every ethnic group felt compelled to set up structures to provide a balance of terror option. The militants in the South acquired arms and ammunitions to enable them defend their territory or take on the state in the event of any aggression. MASSOB emerged to articulate the Igbo identity. The OPC made no pretensions about its readiness to defend Yoruba and Itsekiri interests."

There are certain critical issues that Nigeria must address if it is to truly benefit from its gas resource and the construction of liquefaction plants in Nigeria together with the potential attendant multiplier effects. Our policy makers will have to pay attention to certain crucial matters. First and foremost is political stability. I am fortunate in that my legal practice is based in Nigeria as well as in London, being an international practice. The primary recurring question that my multinational clients ask me, especially large oil and gas clients, relate to the political situation in Nigeria, incorporating the issue of the Niger/Delta and the integrity of Nigeria as a nation. The second relates to the rule of law. This incorporates the issues raised by the existence of gaps in the legal regime which impacts on how they operate their business. These questions are not surprising given that most of the investments in the oil and gas sector and indeed in the power sector (namely electricity generation) are long term investments. Typically LNG gas sales agreements extend from 20 years to 25 years and sometimes more.

President Obasanjo is clearly aware of the need to urgently attend to the problem of the Niger Delta as in April 2006 he unfolded a comprehensive development package for the coastal States of the area. At the inauguration of the "Consolidated Council on Social and Economic Development of Coastal States of the Niger Delta" the President announced important intervention in nine important areas in the region including recruitment into the armed forces, NNPC, police, dredging River Niger to facilitate easy transportation of people and goods in the area etc.

Abraham Lincoln observed of the American Civil War: "All dreaded it. All sought to avert it and the war came". Our policy makers must not slumber regarding the burning issues relating to the Niger Delta and the wide issue of resource control. I am confident that with the political will and the inherent checks and balances which exist in Nigeria because of its size and diversity that these matters can and will be resolved satisfactorily.

"THE RESOURCE CURSE"

The World Bank Report ("Where is the Wealth of Nations? Measuring Capital for the 21st Century") showed that intangible capital was close to zero and often negative, in major oil exporters such as Nigeria, Algeria, and Venezuela. This classic example of the "Resource Curse" was also documented by Auty (2001) and Gylfason (2001).

The term "resource curse thesis" was first used by Richard M. Auty in 1993 to describe how countries rich in natural resources were not able to use that wealth to boost their economies and how, counter-intuitively, these countries had lower economic growth than countries without an abundance of natural resources. Numerous studies, including a notable one by Jeffrey Sachs and Mark Warner, have shown a link between natural resource abundance and poor economic growth. This disconnect between natural resource wealth and stagnant or negative economic growth can be seen clearly by looking at an example from the oil-producing countries. From 1965-1998, in the OPEC countries, gross national product per capita growth decreased on average by 1.3% while in the rest of the developing world, per capita growth was on average 2.2%.

The World Bank Report, amongst other things, tries to find out the answer to the questions – What is the most important component of wealth across countries? Does the value of natural wealth increase or decrease as countries develop? In its estimate the top ten wealthiest countries are (in order), Switzerland, Denmark, Sweden, United States, Germany, Japan, Austria, Norway, France and Belgium-Luxemburg. It is interesting to note that Norway's natural capital, which includes oil and gas resources from the North Sea, accounted for only 12% of total wealth. The bottom ten countries (in order) were, Madagascar, Chad, Mozambique, Guinea-Bissau, Nepal, Niger, Congo, Rep. of, Burundi, *Nigeria* and Ethiopia. It is interesting to note that in the column representing "intangible capital" Nigeria scored second to the last with Congo taking the rear.

From my reading of the World Bank Report, Norway in some regards should be a role model for Nigeria because it has abundant oil and gas resources and it has used its intangible capital which will include the factors I am suggesting that Nigeria should develop in this paper, namely good leadership, education and the like to exploit its natural advantage to the fullest.

The World Bank Report describes intangible capital as follows:

".....is calculated as a residual, the difference between total wealth and the sum of produced and natural capital. Since it includes all assets that are neither natural nor produced, the residual necessarily includes human capital, the sum of knowledge and know-how possessed by the population. It also includes the institutional infrastructure of the country as well as the social capital – the level of trust among people in a society and their ability to work together to a common goal".

The Report summarises that natural capital worldwide accounted for 5% of total wealth, produced capital of 18% and intangible capital 77%.

THE WAY FORWARD:

TECHNOLOGY

Nigeria should encourage the transfer to its workforce of technology and know-how which are used in large technologically dependent projects such as LNG projects. The acquisition of technology and its multiplier effect is a short cut to a developing country like Nigeria catching up with industrialised nations.

Additionally, in my view government should create an enabling environment as well as policies to encourage Nigeria's thirst for knowledge particularly in technological, production engineering as well as inventions.

It is interesting that when Melvyn Bragg set out to pick the top twelve books that changed mankind, the twelve books he chose were as follows:

1. "Principia Mathematica" ((1687) by Isaac Newton);
2. "Married Love" ((1918) by Marie Stopes);
3. "Magna Carter" ((1250) by members of the English rolling classes);
4. "Book of Rules of Association Football" ((1863) by a group of English public-schoolmen);
5. "The Origin of Species" ((1859) by Charles Darwin);
6. "The Abolition of the Slave Trade" ((1789) by William Wilberforce);
7. "A Vindication of the Rights of Women" ((1792) by Mary Wollstonecraft);
8. "Experimental Researches in Electricity" (three volumes (1839, 1844, 1855) by Michael Faraday);
9. "Patent Specification for Arkwright's Spinning Machine" ((1769) By Richard Arkwright);
10. "The King James Bible" ((1611) by William Tyndale and 54 scholars appointed by the King);
11. "An Enquiry Into The Nature and Causes of The Wealth of Nations" ((1776) by Adam Smith); and
12. "The First Folio" ((1623) by William Shakespeare).

Whether or not one agrees with the list, apart from being an impressive list, the point is that five of the twelve books relate to technology and advancement with regard to science and three of them are visionary.

The administration of the world's leading economy sees technological developments as the solution to its energy concerns.

President Bush in the recent State of the Union address said:

"So tonight, I announce the Advanced Energy Initiative – a 22 percent increase in clean-energy research – at the Department of Energy, to push for breakthrough in two vital areas. To change how we power our homes and offices, we will invest more in zero-emission coal-fired plants, revolutionary solar and wind technologies and clean, safe nuclear energy.

We must also change how we power our automobiles. We will increase our research in better batteries for hybrid and electric cars, and in pollution-free cars that run on hydrogen. We'll also fund additional research in cutting-edge methods of producing ethanol, not just from corn, but also from wood chips and stalks, or grass. Our goal is to make this new kind of ethanol practical and competitive within six years."

President Bush said further:

"Breakthroughs on this and other new technologies will help us reach another great goal; to replace more than 75 percent of our oil imports from the Middle East by 2025. By applying the talent and technology of America, this country can dramatically improve our environment, move beyond a petroleum-based economy, and make our dependence on Middle Eastern oil a thing of the past."

EDUCATION

A vital ingredient which will enable Nigeria to take advantage of what will be a leadership position in the world LNG market in particular and in the world gas market in general, is the education of its workforce. Education in this sense is inextricably linked with the acquisition of skills. Education provides the foundation for the higher skills to be developed (as opposed to those of the semi-skilled).

It is note worthy that in the March 2006 budget of the Chancellor of the Exchequer, Gordon Brown, the most important focus of the budget was education and the largest increase in expenditure this year and proposed for the next four years will be in education. Education continues to be paramount even for an industrialised country like the U.K. where the workforce is already well educated. Indeed Tony Blair rode into power in the U.K. on the mantra of "Education, education, education."

President Bush who leads the only superpower in the world in the State of the Union speech on Tuesday January 31

st 2006 also recognised the importance of education as well as technology. President Bush said "And to keep America competitive one commitment is necessary above all; we must continue to lead the world in human talent and creativity. Our greatest advantage in the world has always been our educated, hardworking, ambitious people – and we're going to keep that edge" I propose to double the Federal commitment to the most critical basic research programmes in the physical sciences over the next ten years."

Education brings enlightenment and enlightenment helps to foster peaceful people. The importance of education is not debateable and so the educational institutions in Nigeria must be re-built so that graduates can take advantage of the available opportunities that have been generated by industry, especially in the oil and gas sector with its enabling local content policy.

LEADERSHIP

President Obassanjo on 15th February 2006 whilst speaking at the 10th memorial lecture of Murtala Mohammed said that Nigeria was 48th position in the world economy before 1979, pointing out that 20 years later Nigerian has dived to 177th position.

President Obassanjo hoped that with the ongoing economic reform in Nigeria that Nigeria's ranking would rise to 20th position in 2020.

Nigeria has been blessed in having President Obasanjo's reform programmes in helping to point Nigeria in the right direction. However, for the full potential of Nigeria's resources to be a catalyst for an industrialisation revolution in Nigeria, the requisite leadership in critical positions in the three levels of government as well as in the three tiers of government.

The famous example of Malaysia readily comes to mind where, with good leadership, they bought some palm oil seeds in the early 60's from Nigeria and now export far more palm oil from Malaysia than Nigeria earning their country valuable foreign exchange as well as providing employment and the attendant benefits.

Presently in Nigeria, it is noticeable that where President Obasanjo has appointed people with leadership into positions, that even in the Nigerian environment they can perform examples which include the leadership of the EFCC with regard to the anti-corruption drive as well as the statutory body fighting against fake drugs (The National Agency for Food and Drug Administration and Control {(NAFDAC)}).

Leadership will draw together the factors that I refer to such as education and the development of a body of skills within the nation. In the World Bank Report titled "Where is the Wealth of Nations? Measuring Capital for the 21st Century", the World Bank report noted that in rich countries "intangible assets" by far the major contributor to wealth and prosperity whereas in poor countries intangibles often prove critical liabilities, key factor of regression with high *negative* contributions to wealth. In that report it was noted that the total wealth of Switzerland, the most prosperous country in the world, natural capital contributed 1%,

produced capital contributed 15% and intangible capital contributed 84%. This is obviously a model that Nigeria should aspire to; however, its natural resources can kick start that process but it can only be an ingredient that will work if there is the requisite leadership, investment in education in the institutions and in the skills of the people. Once these become the driving force of our policy makers and this is established in the soul of the nation, the much sought after peace and security will follow. These will represent the fruits that accompany righteousness.

Set out below are two contrasting views of how the balance of power in Nigeria is perceived in certain quarters in the context of Nigeria's diversity.

"Here in the Northern Nigeria we have people of many different races, tribes and religions who are knit together to common history, common interest and common ideas, the things that unite us are stronger than the things that divide us. I always remind people of our firmly rooted policy of religious tolerance. We have no intention of favouring one religion at the expense of another. Subject to the overriding need to preserve law and order, it is our determination that everyone should have absolute liberty to practice his belief according to the dictates of his conscience"

Sir Ahmadu Bello, (the late Sardauna of Sokoto and grandson of Usman Dan Fodio, the founder of the Sokoto Caliphate).

According to Professor Omo Omoruyi, Director-General of the defunct Centre for Democratic Studies under the administration of General Babangida, "The northern leaders do not believe that power can be shared or shifted in Nigeria. They are right. Hence they hold the view that the three domains of power are one and inseparable and indistinguishable entity. The northern leaders also hold the view that since the three are linked they would want to control the three and not one or the other. This is the fact which Nigerians in the oil producing areas should appreciate". (Thursday 29

th January 2006).

I hope and expect that the vision of Sir Ahmadu Bello is the one that will prevail.

CONCLUSION

The world's desire for gas presents Nigeria with unique opportunities. In the way that the U.S. is addicted to oil, the U.K. and increasingly Europe is addicted to gas. The U.K.'s addiction is long standing because it built up a huge pipeline and gas infrastructure due to its giant gas fields in the North Sea. However, since 2005 the U.K. has become a net importer of gas (including LNG). Spain is the highest importer of LNG in Europe owing to its remoteness from the European pipeline network transporting natural gas.

The U.S. itself also has a gas deficit and imports LNG with this trend expected to continue. These provide increasing opportunities for Nigeria. I have set out above some of the issues inhibiting Nigeria from using these opportunities as a foundation for an industrial revolution as well as the way forward through investment in education and skills, embracing technology and the establishment of good leadership.

Success breeds success. The first train of NLNG tried to raise international debt and it could not even though the technical capability was good and there were established markets: However, political and financial problems stopped this happening. After the first train was financed with equity and had been run successfully, successive trains have had no problems procuring international debt.

Even though a lot of negative connotations attach to oil and gas and the resource and it has been a problematic resource to Nigeria, in many under reported aspects it has been a blessing in unlikely circumstances. For example, Egypt is selling gas to Israel, China and Taiwan have worked on a Joint Development Zone called the straits of Formosa, Russia is selling gas to China as well as digging a pipe line to China, Venezuela continues to sell oil to the U.S., Australia and East Timor have resolved their differences and Nigeria and Sao Tome successfully agreed a Joint Development Zone.

There are many other examples. Therefore, there is no reason with the political will, why the constituent parts of Nigeria cannot successfully resolve the central issue dividing them, namely that of resource control. The international examples I have given are reasons to be optimistic.

"It was the best of times, it was the worst of times....." This is how Charles Dickens opens his classic book "A Tale of Two Cities" which was written at the point of crisis in Charles Dickens' life. The title suggests the basic dichotomy on which the novel rests; the choice between changing society and changing oneself. The leading cities of the time, London and Paris were the real protagonists in this tale. This opening statement can be applied to the situation in Nigeria now. Nigeria can take advantage of the benefits that the resources of oil and gas can give to it and make it a driver in making Nigeria have the best of times and not the worst of times.

In order for Nigeria to leverage off its unique position in the LNG market, NNPC should emulate its equivalent organization in Malaysia, namely Petronas. Malaysia NLNG1 was commissioned in 1983, operated by Shell with Mitsubishi and Petronas as partners. From inception, Petronas was determined that there would be technology and skill transfer to the people of Malaysia and because of this determination and the contractual arrangement, Petronas is now the owner of the project as ownership reverted to Petronas in 2003.

There must be a vision, a plan and finally the implementation.

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