HD Renewed Hopes for Actualising Brass LNG Project

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Nov 04, 2014 (This Day/All Africa Global Media via COMTEX) -- By appropriating the shares left behind by American firm, ConocoPhillips, other partners in the project last week rekindled hopes of actualising the project.

In a show of commitment to the potentials that motivated the conception of the multimillion dollars Brass Liquefied Natural Gas (LNG) project, partners in the LNG project last week disclosed their resolution to appropriate the 17 per cent shares that were left behind by American firm, ConocoPhillips (COP) when it opted out of the project.

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Coming at a time that the project was perhaps deemed to have stalemated following COP's unexpected exit with its expected equity contributions and technology, the Chairman of the board of Brass LNG, Dr. Jackson Gaius-Obaseki, told reporters at a recent visit to the Group Managing Director of the Nigerian National Petroleum Corporation (NNPC), Dr. Joseph Dahwa, in Abuja that the project has received a fresh breath of life from its shareholders.

The new development, Obaseki explained, now rekind the hopes that the project will after all overcome its challenges, come to fruition and realise its potentials in the growing global LNG market. He also reiterated that the project is still economically relevant because all the drivers that informed its conception are still very evident in today's LNG market.

For instance, global management firm, McKinsey reported recently that four factors will be the major drivers of future market dynamics and prices in the global gas market. These include the pace and volume of North American LNG exports; demand growth for LNG in Asia; LNG supply from Australia, East Africa, Middle-East and Russia and the prices of oil.

McKinsey also stated in the report that Asia's fast-growing economies will be the main drivers of growth in global gas demand in the next decade, it forecasted that demand in Asian countries will grow by 4.5 per cent between 2010 and 2035.

By the report, countries such as China, India and Indonesia would see demand rise from 350 billion cubic metres per year in 2012 to 870 billion cubic metres per year in 2030, accounting for more than a third of gas demand in that period.

Obaseki in this regard, noted that after all its setbacks; the renewed commitment of partners in Brass LNG is now expected to be followed up with the Final Investment Decision (FID), which will then grant it leverage to attain its promising prospects, even when other regions are reportedly in the lead at the global LNG market.

Initial Setbacks Reportedly worth about $20 billion in funding, the last minute exit of COP from the two-train-10 million metric tonne per year (mmt/pa) Brass LNG project meant that stakeholders would have to be cautious in taking a Final Investment Decision (FID) on it.

For instance, COP's withdrawal of its 17 per cent expected equity finance and technology in the project had in addition to other earlier challenges, stalled the accomplishment of all conditions precedent to achieving FID on the project.

There are so many conditions precedent to taking an FID on such major investment project like Brass; COP's sudden notice of withdrawal from Brass was reportedly served on partners at a time an FID on the project was in view.

Expectedly, no shareholder would ignore the impacts of a major partner's pull out from such huge project, especially when such withdrawing partner had some level of comparative stakes in the project. COP's pull out from Brass could not have been ignored, hence, the setback.

But having considered the past troubles of Brass, Obaseki in expression of the board's delights with the decision of the shareholders to go ahead with the project, also noted that other reported threats like the shale phenomenon was the least of Brass' worries.

He said shale, which is majorly driving the United States to shed its huge appetite for foreign fuel constitutes no threat to Brass and that its existence or not still leaves Brass LNG with its viable character.

"Brass remains a viable and wonderful project. The reasons for conceiving that project are still very relevant today; the market is still there, that is one of the things, shale gas or no shale gas, the market is still there with a large appetite.

I don't speculate and I work with data which are fundamentals. For you to build a plant, you must have an offtaker. COP has left but as we speak today there is no single buyer that has withdrawn, we have MoUs with all of them, and we have not signed a **purchase** agreement because we say that we will do that at FID," adding that, "There are other reasons, Shale gas is different from Shale **oil** but even before this came out, we had diverted all our products from the US anyway and so that is where the confidence comes.

"We have hit the ground running and as we go on, once we can see the end, we will inform all of you but the important thing is that you have to acknowledge the fact that the shareholders and board are committed."

Hope in the Horizon Speaking on what appropriating COP's 17 per cent share means to Brass, Obaseki said by taking over the shares, the Nigerian National Petroleum Corporation (NNPC) and its partners, Total and Eni have reaffirmed the board's commitment to the project.

According to him, the board is now relieved to keenly concentrate on advancing the project's vital phases rather than shopping for a replacement for COP. The development, Obaseki posited have also put to paid expectations that a new partner will be shopped to replace COP.

Though the new shareholding structure is yet to be worked out and could take a while to conclude because of considerations to extant standards in transfer and **acquisition** of shares, the partners, THISDAY learnt are also shopping for new technologies that will replace the one they adopted from COP.

Before now, the shareholding structure of the Brass LNG had the NNPC holding 49 per cent, Eni, 17 per cent and Total, 17 per cent. The remaining 17 per cent that is being appropriated by the trio was held by COP.

While declaring that Brass has been revived back to life by the partners, Obaseki said that but for the resourcefulness of the remaining shareholders; the exit of COP from the project would have perhaps led to its **wind**-up.

"We went through a very tough time with the exit of ConocoPhillips because the provision of the shareholders agreement would have been that we would deadlock and have to **wind** up the **company** and I knew that it would have been a nightmare if we went that way. I had meetings with the honourable minister and she was just wonderful in this respect and just only took decisions that guaranteed the continued existence of BrassLNG. So rather than you (Dahwa) being an undertaker, we congratulate you for presiding over Brass that is alive," Obaseki stated.

He further stated: "One cannot help but also acknowledge the commitment of the remaining shareholders; NNPC, ENI and Total. It would have been impossible for us to hit the ground running if they didn't do what they did because they were not ready for it but they just had to do it to keep us going and also for their tolerance while a few of us were doing the negotiations but the good story is that it all ended well.

"The easiest way to talk about the commitment of the board to carry on with this is that winners don't quit and quitters don't win, that is just it, those who were left behind said that we wanted this because the reasons haven't changed, the market is still there and our offtakers are only asking when we will come on."

He said: "The board demonstrated this commitment otherwise when COP left, you have had to shop for a replacement but NNPC, Total and ENI said they will take up the shares, although they were not ready because shares **acquisition** is a long process in any organisation and that also encouraged a lot of us in the board."

Obaseki emphasised the abiding faith the COP had in the project even at the threshold of its exit to agree to write-off the sum of $140 **million** it had earlier settled with Oando to buy its shares on the project.

"COP listened to our advice not to go ahead with the Oando transaction. This resulted in the outright write off of the said share sum. COP should be commended for taking our advice.

"The Oando too should be commended for taking the wise counsel that the financial outlay the project requires will be too huge for it to carry on with and therefore backed down from the transaction.

"All stakeholders, including the minister, shareholders and DPR deserve special commendation for agreeing to work on the same page to see through the project," he added.

CO nnpc : Nigerian National Petroleum Corp | philp : ConocoPhillips

IN i1300003 : Crude Petroleum Extraction | i1 : Energy | i13 : Crude Oil/Natural Gas | iextra : Natural Gas/Oil Extraction | iexplo : Natural Gas/Oil Exploration

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