

LAGOS STATE GOVERNMENT

Oil and Gas Deal Book



2018







Welcome to Lagos State



Governor Akinwunmi Ambode
The Governor
Lagos State
Nigeria

It is with great pleasure that I welcome you to Lagos State – the centre of excellence in Nigeria, the hub of economic activities in West Africa and one of the fastest growing markets in Africa. Lagos is regarded as an important financial nerve centre on the continent and one of the fastest growing cities globally. We are proud to host a vibrant population of over twenty million people with a GDP in excess of USD130 billion.

My administration is committed to improving the quality of life that residents experience and is working towards deepening the enabling environment for businesses to thrive. Our aim is to make Lagos the most desirable destination for businesses seeking socio-economic impact and good financial returns. To this end, we have stream-lined regulation, simplified government processes and invested in improving our people and administrative institutions.

As we continue to play our part, we invite private sector participants and investors to join us to hasten the pace of development and improve standards across Lagos State. Opportunities exist across all sectors of our economy and our aim is to showcase such opportunities and provide a guide that simplifies the process of private sector investment in projects and/or partnership with the Lagos State Government to deliver the much needed growth and development.

We very much look forward to partnering with you and more importantly to fostering significant and sustainable socio-economic development in Lagos State.

Itesiwaju ipinle Eko loje wa logun!



LIST OF ABBREVIATIONS

AGO	Automotive Gas Oil	PIB	Petroleum Industry Bill
BOT	Build Operate & Transfer	PMS	Premium Motor Spirit
BRI	Bus Reform Initiative	PPP	Public-Private Partnership
CAC	Corporate Affairs Commission	PPTA	Petroleum Profits Tax
DPK	Dual Purpose Kerosene	PSCs	Production Sharing Contracts
DPR	Department of Petroleum Resources	RFP	Request For Proposal
EPC	Execute/Procure/Construct basis	SNG	Shell Nigeria Gas
ERGP	Economic Recovery & Growth Plan	VAT	Value Added Tax
EWOGGS	East West Offshore Gas Gathering System		
FSRU	Floating Storage Regasification Unit		
ICRC	Infrastructure Concession Regulatory Commission		
IOGC	IBILE Oil and Gas Corporation		
LNG	Liquefied Natural Gas		
MDA	Ministry, Department or Agency		
NDPR	Niger Delta Petroleum Resources Limited		
NGFCP	Nigeria Gas Flare Commercialization programme		
NIPC	Nigerian Investment Promotion Commission		
NLNG	Nigeria Liquefied Natural Gas		



Outline

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Overview of the Nigerian Oil Gas Industry.

Nigeria is the second largest oil producer in Africa and the 10th largest producer in the world. The nation has an average daily production capacity of 2.0 Million Barrels and revenues from sales of crude accounts for more than 70% of government revenue and 89% of foreign exchange earnings. Crude blends include; Antan Blend, Bonny Light, Bonny Medium, Brass Blend, Escravos Light, Forcados Blend, IMA, Odudu Blend, Pennington Light, Qua-Iboe Light and Ukpokiti.



Estimates of the total crude oil reserves vary, but are generally accepted to be about 30 billion barrels, although new offshore discoveries are likely to push this figure to about 37 billion barrels.



The most dominant natural resource in Nigeria is natural gas. With proven gas reserves of 188 trillion cubic feet (tcf) of gas and the 9th largest gas reserves in the world, Nigeria has more gas reserves than oil. Much of this is associated gas, as many Nigerian oil fields are saturated and have primary gas caps.

The gas industry is characterised by a tough international market environment, low gas prices, huge new volumes of gas and LNG supplies, and foreign investment flows looking for opportunities in emerging markets for gas-based industrialisation (such as petrochemicals, methanol, fertilisers).



Overview of the Nigerian Oil and Gas Industry.

Global Oil and Gas prices for the ten years preceding 2016 was in their all time high since the 1860s when the modern petroleum industry was formed. Price levels have now fallen substantially from those levels and there is a possibility that they may not reach those levels again.



However, the biggest price risk to LNG and international gas prices over the long run could be if shale gas is developed in China. Beyond the potential for shale gas production from China's Tarim basin, the possibility of China ceasing to become a gas importer at the same time as massive new supplies of LNG in the Pacific basin come on line (within the next five to ten years) would probably lead to dramatic falls in LNG prices across the world.

In order to better position the Nigerian gas market, the Federal Government initiated the national Gas plan with regulations including:

- The Domestic Gas Supply Obligations which sets a minimum threshold for the supply of gas to domestic market as a condition for the issuance and renewal of operational licences in Nigeria
- Separation of Transport and Trading of Gas: A regulation which sets a clear separation between the business activities of gas transportation and gas trading. Transporters will be prevented from trading while traders will not be allowed to transport gas except through separately incorporated and managed entities.
- Export Gas Ownership and Tolling sales: This regulation seeks to position Nigeria as a major player in the downstream international gas market.



Overview of the Nigerian Oil and Gas Industry.

The Nigerian Upstream oil sector activity consist of production concessions managed through joint ventures arrangements between industry players and the NNPC.

The joint venture partners manage the operations of oil fields under a joint equity financing structure and a revenue sharing arrangements regulated by joint operating agreements with the federal government

Seismic data acquisition is ongoing in all inland basins in the country including the Sokoto basin. Data acquisition and drilling activities are also expected to continue in the Chad basin as soon as the security situation is brought under control.



The downstream oil sector include activities such as refining, petrochemical, and transportation of petroleum products. Oil marketers in the downstream sector in Nigeria are divided into two segments: The Major petrol marketers and independent Nigerian marketers.



Nigeria is heavily dependent on the importation of Petroleum Products, importing about 164,000 bpd of petroleum products in 2013 despite having four refineries with a combined crude oil distillation capacity of 445,000 bpd.

The DPR granted 25 Licenses to Establish (LTE) and 5 Approval to Construct (ATC) refineries in 2015. It had also awarded 22 LTE and 3 ATC for the establishment of modular refineries. The Dangote Oil Refinery Company (DORC) won one of the LTE licenses for the establishment of a refinery. Its 650,000 barrels per day refining capacity is expected to be commissioned in 2019.

It is anticipated that this refinery alone will cater for Nigeria's domestic consumption of petroleum products.

Why invest in Lagos?

Lagos is Nigeria's most populous state, with a population in excess of 20 million people. This large, mostly young population, offers both an abundant workforce and a large, emerging and relatively untapped market for consumer products and services.



Lagos is Nigeria's commercial and industrial hub and a key driver of economic growth for Nigeria as a whole. Over 50% of Nigeria's industrial capacity is located in Lagos, with a variety of manufactured goods being produced in the city, including electronic equipment, machinery, foodstuffs, beverages and chemicals. Lagos is also Nigeria's financial nerve center.

Virtually all banks and financial institutions operating in Nigeria have their head offices in Lagos including the Nigerian Stock Exchange.

Lagos is situated at the border of the Atlantic with strategic access to local, regional and global markets. Four of Nigeria's eight major seaports (Apapa, Tin-can, Roro and Container Terminal) and Nigeria's busiest airport, the Murtala Mohammed International Airport are located in Lagos.



The Lagos State Government has undertaken an ambitious series of reforms to transform the state. These reforms have focused on rehabilitating infrastructure, in particular roads, tax reform, and in general improved public sector performance and service delivery.



Nigerian Investment Promotion Commission Act

The Nigerian Investment Promotion Commission (NIPC) Act of 1998 is Nigeria's principal investment law and governs the entry of foreign direct investment into the country. The Act established the NIPC as an agency of the Federal Government of Nigeria based in Abuja.

Some of the key provisions of the NIPC Act include:

- 100% foreign ownership of companies in all but the petroleum sector.
- No enterprise shall be nationalized by any Government of the Federation and that no law can force an investor to surrender his interest.
- The Government may acquire property under circumstances of national interest, however in such cases the investor is entitled to fair, adequate and prompt compensation and recourse to the courts.
- Financial statements must be prepared annually and filed with the Corporate Affairs Commission (CAC).

- In cases where a dispute between the State and a foreign investor is not settled amicably, recourse to mechanisms of the bilateral or multilateral investment protection agreement of which they are parties or via other national or international dispute settlement mechanisms, as mutually agreed.
- Foreign companies are required to incorporate local subsidiaries or branches

Foreign Exchange

The Foreign Exchange (Monitoring and Miscellaneous) Provisions Act of 1995 guarantees an investor the free importation and convertibility of foreign exchange and the unconditional transferability of the following:

- Net dividends or profits attributed to an investment.
- Debt service payment on foreign loans.



Remittance of proceeds resulting from the sale or liquidation of an investment

- Equity share capital must be brought into Nigeria through authorized dealers (banks).
- The remittance of dividends is permitted provided the share equity was imported.
- There are no restrictions on the percentage of profits that may be distributed as dividends.
- The remittance of interest, royalties and technical fees is permitted, provided the royalty contracts and technical fees have been approved by the National Office for Technology, Acquisition and Promotion.
- A formal letter of application explaining that the funds remitted to Nigeria represent the foreign investors capital contribution to the equity of the company.
- A Certificate of Capital Importation is required to undertake these transactions. The Central Bank guarantees unconditional transferability and repatriation of funds for Certificate of Capital Importation holders.

Starting a Business in Lagos

All companies in Nigeria are required to register with the CAC, and provide the following documents:

- Stamped Memorandum and Articles of Association (2 copies).
- Form CAC3 (Notice of registered address).
- Form CAC7 (Particulars of directors).
- Form CAC 4 (Declaration of compliance and the prescribed registration fees).
- Copy of the reservation of company name approval.
- Form CAC 2 (Statement of share capital and return of allotment of shares).
- An online incorporation, and e-payment, system was introduced by the CAC in 2003, with the incorporation process now taking three days.

Currently no investment approval is required, however all investments with foreign participation are required to register with the NIPC. This registration is required for investors to be covered by the treatment and protection clauses of the NIPC Act. Companies investing in an Export Processing Zone are not required to register with NIPC.



Public Private Partnership (PPP)

The Infrastructure Concession Regulatory Commission (ICRC) Act of 2005 established the legal framework for PPP infrastructural development in Nigeria.

The ICRC Act provides for the participation of private sector financing, construction, development, operation and/or maintenance in Government infrastructure projects through concessions or other contractual arrangements.

The Act established the Infrastructure Concession Regulatory Commission to monitor and regulate PPP related concessions.

The Lagos State PPP Office was established in 2008. The Office was established to promote, develop and monitor PPP infrastructural projects in Lagos and reports directly to the Office of the Governor of Lagos State. The Lagos State PPP office performs the following core functions:

- Provision of technical assistance to government agencies involved in the procurement and management of PPP projects
- Evaluation of proposed PPP initiatives

- Facilitating the securing of public finance for PPP projects
- Preparation of strategic master plans for PPPs
- Monitoring of the performance of PPP concession agreements

PPP Requirements in Lagos State Government

Government originated projects will need a detailed feasibility study carried out by either External Consultants or Government officials after which a request for proposal (RFP) document is issued for prospective investors to bid.

After an independent evaluation of the proposals, a preferred bidder is selected to negotiate with Government, which culminates in a concession contract.



Investment Legislation and Regulation...

PPP Requirements in Lagos State

In the case of an unsolicited proposal emanating from the private sector, the interested party may first of all contact the relevant Ministry, Department or Agency (MDA) to ensure that its proposition is in line with the plans of the agency and the State Government.

Thereafter, they are to prepare and submit a comprehensive project proposal either through the MDA to the Office of PPP or directly to the Office of PPP. The proposal should contain the following amongst others:

- Nature and scope of the project
- Specific objective the can be met through the project
- Detailed financial plan including source of funding, projected costs and revenues and should include a minimum of 5 years financials
- Feasibility study showing technical, economic and financial sustainability
- Demonstration of technical expertise to successfully execute the project
- Environmental impact assessment
- Evidence of company registration and tax compliance
- Transportation impact assessment

Taxation

Nigeria's federal structure provides for the allocation of taxation at each tier of government (i.e. the Federal, State and Local Government levels).

Corporate income and withholding taxes, oil and gas production taxes, value added tax (VAT) and import duties are imposed by the Federal Government.

Personal income tax, capital gains tax, stamp duties, business registration and road and gaming taxes are collected by State Governments.

Local Government collects social and commercial permit fees.

Corporate Taxation

Taxation of corporations is provided for under the Company Income Tax Act. While Nigerian companies are taxed on their worldwide income, foreign companies are liable only as regards the portion of their profits attributable to businesses carried on in Nigeria.

The corporate income tax rate in Nigeria for non-oil and gas companies is 30%, with the following allowances.



Investment Legislation and Regulation

Corporate Taxation

- Annual capital allowances (10% on buildings, 25% on plant, 20% on furniture and fittings) supplemented by substantial initial year allowances, with agriculture and mining activities having especially favourable initial year allowances.
- The deduction of capital allowances is capped at two thirds of annual assessable profits (with the exception of agricultural activities) and the total allowance is limited to 95% of the asset cost.
- Additional investment allowances (reconstruction investment allowance) of 10% are allowable on all plant and equipment.
- The Petroleum Profits Tax (PPTA) Act of 2007 provides for the taxation of companies involved in the exploration and extraction of petroleum. Under the Act the tax regime for exploration and production companies is set at 85%, a lower rate of 67.75% is applicable until the amortization of pre-production expenses and a rate of 50% is applied to Production Sharing Contracts (PSCs).
- Capital gains tax of 10% is levied on the disposal of property, while the sale of shares and stocks are exempt. Non-residents are subject to the capital gains in Nigeria only on the disposal of fixed property, held directly or indirectly, located in Nigeria.

Transaction Taxes

A range of transaction taxes are levied in Nigeria, including the following:

- VAT of 5% is levied as a consumption tax on the supply of goods and services. Exempt goods and services include basic foodstuffs, medicines, medical devices and medical services, and exported goods and services. Some items are zero-rated.
- Stamp duties are charged by both Federal and State Governments on various commercial and legal documents, such as transfers of deeds, insurance policies and bills of exchange.
- Education tax rate of 2% is payable by all resident companies.
- Withholding tax is applicable on specified transactions and at specific rates depending on the beneficiary of the payment (see the Table below for more details). Whole or partial exemptions from withholding tax exist on foreign loans depending on the tenor.



Investment Legislation and Regulation...

Type of Payment	Rate for Companies	Rate for Non--Corporates
Dividend, Interest, Rent	10 %	10 %
Royalties	15 %	15 %
All aspects of building, construction related activities	5 %	5 %
All types of contract and agency arrangements other than outright sale and purchase of goods and property	5 %	5 %
Consultancy and Professional Services	10 %	5 %
Management Services	10 %	5 %
Commissions	10 %	5 %
Technical Services	10 %	5 %
Director's Fees	10 %	10 %

Personal Income Tax

Liability to Personal Income Tax does not depend on the domicile or nationality of the tax payer. Income arising from a trade, business or profession inside or outside Nigeria is liable for income tax in Nigeria if the tax payer is a Nigeria citizen. Foreign residents are equally liable in Nigeria if their Income originates from activities in Nigeria.

- Personal Income Tax rates are progressive up to 24%.
- 1 % of annual payroll to be paid to the Industrial Training Fund
- For social security, an employee must contribute a minimum of 7.5% of earnings, while the employer must make a pension contribution at a minimum of 7.5% of the employees basic salary, transport and accommodation allowance.

The Lagos State Board of Internal Revenue is responsible for the collection and administration of personal income tax in Lagos. Reforms in Nigeria on taxation are tending towards increasing indirect taxes and at the same time reducing direct taxes for better efficiencies. To this end a new Personal Income Tax Act Amendment, 2011 is just being implemented and this has given more allowances to individuals under the Act.



Investment Legislation and Regulation...

Entry of Foreign Worker

Immigration issues are handled by the Nigerian Immigration Service in the Federal Ministry of Internal Affairs. The Immigration Act of 1963 is the key piece of legislation governing the entry of foreigners into Nigeria. The Act provides for both short-term business visas and longer term work and residence permits for foreigners provided certain pre-conditions are met.

- Sufficient funds to sustain themselves in Nigeria
- A valid return ticket
- A letter of invitation from a business organisation in Nigeria stating the reason for travel and accepting immigration responsibilities of the applicant (i.e. accommodation, sustenance, transportation and repatriation costs, if required)

Business visas can be secured for between 90 days and 6 months and are not valid for employment or remuneration.

Business Visas

Business visitors to Nigeria must pre-apply for a business visa.

Applications for business visas can be submitted at the local Nigerian mission in the visitor's home country. To secure a business visa the applicant must provide evidence of the following:

Work and Residence Permits

Visitors to Nigeria providing specialised services can apply for temporary work permits. The requirements are the same for the business visa, with the exception of the evidence of sufficient funds. Application for temporary work permits are submitted at the office of the Comptroller General of the Nigerian Immigration Service in Abuja. Temporary work permits are not valid for more than 90 days.





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IBILE Oil and Gas Corporation



IBILE Oil and Gas Corporation

1. Gas Commercialization
2. Mega Stations
3. Marginal Fields

IBILE Oil and Gas Corporation

Introduction

- IBILE Oil and Gas Corporation (IOGC) is a Lagos State owned company established by law in 2013 to invest and engage in Oil and Gas activities in upstream, midstream and downstream sectors of the industry.
- IOGC is a state owned investment and management company with the ability to engage in service provision. The paramount intent of the company is to generate revenue for the state from the oil and gas sector.
- Its vision is to be a commercially viable entity, contributing to the growth and economic development of Lagos State. Resilient, competitive and flexible upstream and downstream oil and gas oriented business. Consistent delivery of business promises. Operates and delivers in a socially responsible and safe manner. Develop vibrant Oil and Gas Artisanal capacity and skills in the State. Develop mutually conducive relationships with host Communities & Federal Government



IBILE Oil and Gas Corporation

Gas Commercialization



Overview of the project

Lagos State desires to achieve 1GW power production in 2018 and 3GW by end of 2019 which is equivalent to 250MMscf/d and 750MMscf/d of gas respectively.

The actualization of this project is dependent on gas as the major feedstock, therefore a sustainable source for the gas is required to mitigate the prevalent disruption of current gas supply in the country.

IBILE OIL and Gas Corporation (IOGC) seeks to ensure sustainable availability of gas for the power generation program of Lagos State and for the gas based industry by 2019 through our Gas commercialization project.

This project will therefore achieve the desired energy independence for the state, lay a foundation towards achieving a sustainable mega city, position the state towards becoming a preferred destination for foreign investments and preferred business hub in Africa.

IOGC Gas Commercialization Project will also create quick wins in moving power availability from 500MW to 1500MW thereby increasing residents reached by power from 60% to 75% by 2019.



IBILE Oil and Gas Corporation

Gas Commercialization



Enabling legislation & Policy reforms

- Nigeria has an estimated 188tcf of proven natural gas reserves, the 9th largest in the world. This exceeds foreseeable needs of domestic, regional and export markets providing investment opportunities within the gas sector of the Nigerian petroleum industry.
- NIGERIA GAS FLARE COMMERCIALISATION PROGRAMME (NGFCP) was created by the Federal Government to provide a commercial approach to eliminate routine gas flares by 2020. The programme has identified over 130 flare points that flare 1Bscfd collectively, if harnessed can provide 450,000MT of LPG to over 4million households. The Ministry of Petroleum Resources and the National Economic Recovery & Growth Plan (ERGP) have developed a new Nation Gas Policy (2017) which is in line with the 7 Big Wins proposed by the Federal Government. The gas policy was created after the Government reviewed the gas sector over the last ten (10) years and realized it still lacked critical gas infrastructure and continued to fall short of Domestic Gas Supply Obligations.



IBILE Oil and Gas Corporation

Gas Commercialization



Reforms in relevant agencies / institutions

- The Federal Government through the gas policy & PIB is determined to strengthen the capacity of the Ministry of Petroleum Resources as a policy making institution, as well as consolidate existing regulatory authorities into a single petroleum regulatory authority, all which creates an enabling environment favouring the agenda of IOGC and the State.
- The new gas policy envisions **"Nigeria as an attractive gas-based industrial nation, giving primary attention to meeting local gas demand requirements, and developing significant presence in international markets"**



Credit enhancement

- The investment option is the leased FSRU option as against the huge investment required for the outright purchase of an FSRU pending the time local gas sources will be available.
- The Lagos State Government is already having discussions with local gas sources for transition from FSRU to local sources.



Security arrangement

- All guidelines that are proposed and subsequently enforced by the National Gas Policy and relevant governmental agencies - be it safety, security or financial transparency - will be adhered to in order to bring about a smooth execution of the project.



IBILE Oil and Gas Corporation

Gas Commercialization



• Project Overview

- IOGC is well positioned to lead the sourcing of the gas and generate significant revenue for the State. IOGC has its unique value proposition as the Lagos State oil and gas company. It can therefore bridge the gap between the upstream suppliers and the end users, facilitate/coordinate actions and projects required to fulfil its mandate, facilitate guarantees and aid acquisition of regulatory permits and consents. IOGC should therefore be enabled to source for the required gas volumes sustainably.

• Project sponsors/ champions

- The project sponsors being the Lagos State Government through the Ministry of Energy and Mineral resources/IOGC and other private investors

• Proposed project action plan with timelines

- Secure funds – 2018
- Secure FSRU – 2018
- Secure Local gas sources - 2019
- Secure necessary permits from all regulatory bodies - 2018
- Carry out proper Environmental Impact Assessment – 2018
- Agreement with off takers - 2018



IBILE Oil and Gas Corporation

Gas Commercialization



Project differentiator / Key success factors

- Passage of the Embedded Power Law by the Lagos State House of Assembly.
- Guarantee availability of feedstock for project.
- Upgrade of Distribution Infrastructure.
- Availability of transport facilities for feedstock gas.
- Constant and sustained gas supply.



Socio-economic impact of project / project benefits

- Increase in economic activities and ultimately GDP of Lagos State.
- Increased revenue for Lagos State (both direct and indirect).
- Enhancement in the quality of life of Lagosians.
- Promote the energy security agenda of Lagos State Government in line with its Mega City aspiration.



Environmental impact assessment

- The development of the project will require approvals from the necessary regulatory authorities. Permits would need to be obtained for building and operating the plants and/or pipelines from the Department of Petroleum Resources as well as the Lagos State Planning Authorities.
- Environmental and Social Impact Assessment must be undertaken, and approval obtained from the Ministry of the Environment. Safety approvals under the Factories Act as well as Fire Safety Report would also be needed.



IBILE Oil and Gas Corporation

Gas Commercialization - Feasibility Study



Technical feasibility

- A detailed technical feasibility will be conducted subsequently

Commercial feasibility

- Gas supply is critical to our success as it is our feedstock to power generation. There are different gas supply options considered in this project which includes AJE, OGO, ERHA/BOSI Deepwater, East West Offshore Gas Gathering System (EWOGGS), and LNG Regasification. IOGC has critically analyzed the best option/combination required to meet both our short-term and long-term goals.
- The key players in the gas commercialization market in Lagos are: NGC, Dangote, Shell Nigeria Gas (SNG), ExxonMobil, OANDO, other deep-water gas companies and mobile LNG businesses. Despite the competition, IOGC will have the first responder advantage, where contracts would already be signed, and IOGC will have the right of first refusal which will give it a major advantage. In view of the large demand for gas in Lagos State, the competition that exists also presents opportunities for private partnerships with IOGC.

Economic feasibility (with key investment ratios

- Lagos State consumes over 60% of Nigeria's daily consumption of 40 million litres of white petroleum products. This large consumption is also due to the lack of electrical power to both industry and the state's residents.
- Main stay for power generation in Nigeria is the use of turbines (Gas and Hydro-electric) along with thermal power plants.
- The partial privatization of electrical power in the country has opened up this sector of the economy to further investments with less government intervention.
- Adequate investment is also necessary to meet the energy demands of Lagos State as well as Nigeria



IBILE Oil and Gas Corporation

Gas Commercialization - Risk Assessment.

Risk Factor	Mitigations
Change in Federal Govt. policy on the Gas sector	<ul style="list-style-type: none"> Political engagement at the level of the Presidency and the National Assembly Intervention by eminent persons Advocacy and Lagos Power Council
Financing and funding Forex/currency risks Gas and electricity tariffs Gas transportation	<ul style="list-style-type: none"> The adoption of the appropriate project commercial structure and supporting contractual framework, securing credit support enhancement from off-takers, development finance institutions and leveraging the political relationships between the Lagos State and the Federal Government

Gas Commercialization -Financial feasibility

Case	Capex, \$Mn MOD	Lease OPEX \$Mn MOD	Gas Sales (Bcf)	Cumulative Cashflow, \$Mn MOD	Payout Time, Years	Exposure \$Mn	UTC (\$/Mscf)	NPV (10%) \$Mn	IRR
1	52	312	5585	1918	15	1230	5.03	-97	8.5%
2	52	312	5585	2967	4	54	5.03	659	97.0%
3	52	184	5913	2777	8	302	4.69	498	29.2%
4	52	312	5585	2445	11	477	5.03	303	18.5%

Economics Comparison of FSRU Leaseoptions



IBILE Oil and Gas Corporation

Gas Commercialization



Project Finance options

- Given the size of the project and the prevailing revenue environment, we are exploring several financing and funding scenarios that include vendor and customer financing models and carry arrangements with Gas off-takers.
- Lagos State has initiated discussions with some development finance agencies and Equipment manufacturers who provide equipment sale financing for large sized projects such as these.



Guarantee options

- The success rate of Lagos State led initiatives and ventures.
- Lagos State will secure gas for the projects through provision of guarantee to gas suppliers using IOGC.

Legal framework

- The project must be developed in compliance with Nigeria's local content legislation. In addition, rights of way would need to be considered for some elements of the project.



IBILE Oil and Gas Corporation

Gas Commercialization



Public-Private options

- Regarding the supply of gas, the EWOOGS option is comparatively cheaper than the REGAS but is unlikely to meet the 2019 timing for the Lagos State embedded power project. Therefore, IOGC will start the gas commercialization project with the REGAS option on a modular basis with flexibility of harnessing gas supply from EWOOGS or Bosi/Erha as they become available.
- The REGAS option will have the gas purchased as LNG and processed via a REGAS plant. For local pipeline gas, pre-processed natural gas will be purchased and transported to an end user offtake point. The gas commercialization project is to be undertaken as a Public-Private Partnership (PPP) where the option to Build Operate & Transfer (BOT) or owning and seconding operation is being considered.

Management Structure

- Management structure will mirror that of existing PPP and/or Joint Venture projects.

Investment / Bid process

- The Lagos State Government is willing to work with Technical partners/consultants, Financial partners as well as gas off takers having considerable experience and expertise in the industry on this project.
- The government will invite willing and able partners in accordance with the Procurement Law of the State.

IBILE Oil and Gas Corporation

Gas Commercialization - Investment Outline



Investment Requirement

- Most of the investment required would be drawn from the private sector with Government setting the policy direction, providing enabling environment and supporting investors with needed interventions to bring their projects to fruition. Other requirements:
- FSRU
- Pipelines
- Gas turbine power plants



Investment Outline

- IOGC considered 3 REGAS options, namely, land-based plant on Execute/Procure/Construct basis (EPC), purchase of a Floating Storage and Regasification Unit (FSRU) and FSRU Lease for 3 or 5 years.
- Given the aspiration time frame and initial evaluation of the options, a combination of a leased REGAS and local pipeline gas options will be the most pragmatic approach to take.
- FSRU will be leased for 3 – 5 years while the secure local sources mature. The FSRU will then be released and the gas switched to the local source(s) as they become available.

Opportunity assessment

Energy is considered the back-bone of any thriving economy. This project will help bring in further investments to Lagos State





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Mega Stations



IBILE Oil and Gas Corporation

Mega Stations

Business Environment

- A recent study into the consumption of petroleum products by the National Bureau of Statistics showed daily consumptions as follows; an estimated 40 million litres of PMS (Petrol), 12 million litres of AGO (diesel), 8 million litres of DPK (Kerosene) and 11 million litres of Lubricants and LPG. In meeting this demand, the country relies majorly on importation of refined petroleum products except LPG which is being supplied by the Nigeria Liquified Natural Gas (NLNG). To reduce the backlash – from foreign exchange rates - on the populace, the sector is heavily regulated by the Federal government.

Reforms in relevant agencies /institutions

In line with the goals of a sustainable oil and gas industry, the federal government seeks to merge all regulatory bodies into a single entity – Nigerian Petroleum Regulatory Commission.

This will bring about better transparency in the activities of the industry. It will reduce the bureaucracy and overlapping of functions of government institutions that have plagued the downstream sector of the industry for the longest time.

This policy, gaps in supply as well as the partial deregulation of the downstream sector in 2016 presents a good opportunity for investment by Lagos State.



IBILE Oil and Gas Corporation

Mega Stations



Credit enhancement

- A scheme to jointly own a minimum of one custom-built Mega Station in all five divisions of Lagos State, Ikorodu, Badagry, Ikeja, Lagos Island and Epe.
- The State Government, through IOGC will provide land as its equity contribution while the private sector partner (for each location) will contribute cash and other forms of capital to fund its own equity stake.
- The private sector partner will act as an active investor and will lead the effort to build the ultra-modern, multi- service stations within broad specifications to be provided by IOGC under a development framework to be developed in consultation with relevant agencies of the state government.



Security arrangement

- Each development will be done in conjunction with private investors/developers using the Public-Private Partnership (PPP) framework, who will source for funds to build and operate the retail stations.



IBILE Oil and Gas Corporation

Mega Stations



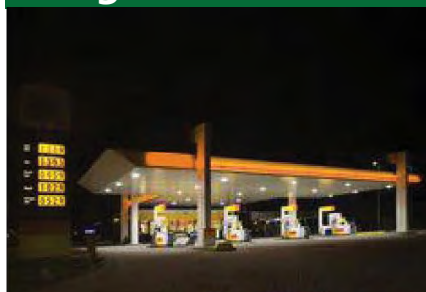
Overview of the project

- The IOGC Mega Station project is an initiative to set up custom-built Mega Stations in all the five IBILE districts. Each development will be done in conjunction with private investors/developers using the Public- Private Partnership (PPP) framework.
- The goal of the project is to establish three (3) mega stations within Lagos State in 1 to 2 years and to own at least 15 mega stations situated in areas with potential high transaction volume in the span of 3 years.
- To bring the project to fruition, IOGC is considering the option of building a mega station (Trunk A) or buying/leasing an already existing one (Trunk B). The success of the project however is contingent on factors like; executive approval, availability of funds and adequate supply of manpower.
- The project gives visibility to the Lagos State Government in the oil and gas sector, reduces shortage in product supply. The sheer number of functioning filling stations and the increase in the construction of gas skids for LPG shows that the technical know-how is readily available.
- A survey carried out by the corporation showed that location and integrity of pumps are keys to a successful megastation business.



IBILE Oil and Gas Corporation

Mega Stations



Project sponsors / champions

IOGC will own a mega station and extend its tentacles to both the Major and Independent Oil and Gas players in the industry who have moribund stations to either lease or sell on a concession basis with an agreed discount binding contract of either a dealership or supply agreement.

Proposed projection plan with timelines

- **Q3 2018:** Achieve brand visibility with the roll out of a fuel dump and 2 flagship retails stations in Ojota, Amuwo-Odofin & Oworonshoki respectively
- **Q3 2018:** Develop an efficient fuel supply model to the Lagos Ferry Transport scheme
- **Q4 2018:** Deliver 2 additional flagship stations in other districts of Lagos
- **Q2 2019:** Develop an efficient fuel supply model for the Lagos Bus Transport Regeneration
- **Q3 2019:** Deliver 2 additional Stations across Lagos
- **Q4 2019:** Deliver 2 additional Stations across Lagos
- **Q1 2020:** Achieve the delivery of a total 12 Stations across Lagos

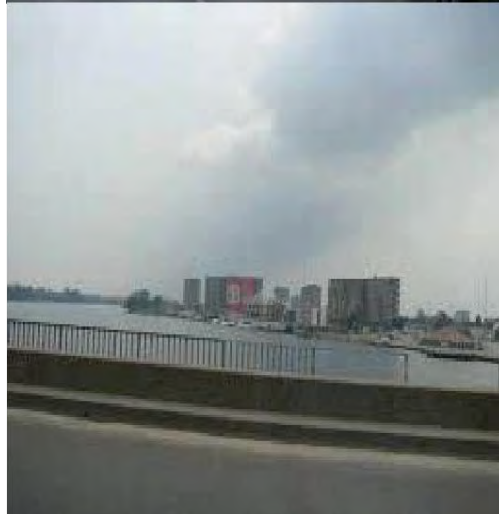
Project differentiator / Key success factors

- Develop at least 5 mega stations by Q4 2019.
- Lagos State Downstream Reform bill will be a major nudge for sustainability of regular product supply, effective distribution and competitive pricing with decent spreads
- Strategic alliance and partnership with existing retail outlet owners to support the state in her pursuit of Energy Security for the citizenry



IBILE Oil and Gas Corporation

Mega Stations



Project Finance options

- **Dealer Owned DealerOperated**

A Franchise arrangement whereby the Dealer's station is branded IOGC, the Dealer finances the construction and manages daily operations. However, IOGC becomes the sole supplier of refined products to the Dealer.

- **Company Owned CompanyOperated**

An arrangement that will involve IOGC sourcing for viable land space from the Lagos State Government, finances the construction of the Mega Stations and also manages the daily operations.

- **Company Owned DealerOperated**

An arrangement that sees the ownership of the station and product supply retained by IOGC, However, daily operations is managed by the Dealer.

Guarantee options

The success rate of ventures embarked upon by the Lagos State Government

Legal framework

For this project, finance and legal advisors will also be appointed to ensure the proper management of the financial and legal ramifications of all contracts and engagements. A project manager will also be appointed and will be responsible for all project-related items and ensure that information, work packages and deliverables conform with the expected standards and norms.



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Mega Stations



Socio-economic impact of project / project benefits

- Increase in economic activities and ultimately GDP of Lagos State.
- Increased revenue for Lagos State (both direct and indirect)
- Enhancement in the quality of life of Lagosians.
- The project will serve in positioning the Lagos State Government as a strategic investor in the downstream sector of the oil and gas value chain.
- It will provide entrepreneurs in the State the opportunity of co-investing with the State government in landmark energy-related real estate ventures.
- It will provide more visibility and enhance the impact of the social objectives of the State Government.



Technical feasibility

- A detailed technical feasibility will be conducted subsequently



Commercial feasibility

- The Lagos State Government desires to transform the State into an entertainment and transport hub. This desire birthed the Bus Reform Initiative (BRI), a programme that targets the introduction of medium and high capacity buses.
- The initiative involves a phasing out the old commuter buses and introducing new ones as well as revamping of key transport hubs within the state namely Oshodi, Anthony Village, Yaba and Oworonshoki. Each hub will have a land space capable of parking over 5,000 buses at a time with a jetty service in Oworonshoki.
- Also, each hub will have its own depots for fueling the buses. IOGC seeks to secure land space in each location, cite a filling station therein and manage the depots for the state. It is the corporation's long-term desire for the state to have this kind of visibility in areas like the Lekki Free Trade Zone, Eko Atlantic City etc.



IBILE Oil and Gas Corporation

Mega Station



Economic feasibility (with key investment ratios)

A detailed economic feasibility will be on a bespoke basis to reflect the commercial viability of each investment decision and adequately capture the varying potentials in profitability across the state landscape

IOGC has categorized its retail station into two major size options:

- TRUNK A: Strategic and high Traffic Highways. E.g. Lekki Epe Expressway, Ikorodu Road, Agege Motor Road, Apapa- Oshodi & Lagos-Ibadan Expressway. Land requirement will be about 5,000-7,000sqms
- TRUNK B: Intra City Roads, high in traffic flow and population. E.g. Ikeja, Badagry, Ikorodu, Akowonjo, Ipaja. Land requirement will be about 2,000 - 5,000sqms.

The state, in most cases will provide land as equity/or part of her equity contribution.



Environmental impact assessment

- The development of the project will require approvals from the necessary regulatory authorities. Permits will be obtained for building and operations from the Department of Petroleum Resources as well as the Lagos State Planning Authorities.



Public-private options

- The Mega Station Project will be undertaken as a Public - Private Partnership (PPP) attracting investors and proponents in line with the project template as defined.



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Petroleum Products Trading - Risk Assessment & De-risking

	Risk	Mitigation
Finance	Delay in product supply	Multiple suppliers
	Forex availability	
	Shortage in discharged product	Adequate monitoring system
Environment	Spills, Leakages, Contamination of ground water	Adequate EIA before construction
		Proper HSSE training and policy
Security	Theft	Adequate surveillance
	Adulteration	Trained security personnel
Accident	Fire Outbreak	Firefighting equipment
		Firefighting drills
		Insurance

Mega Station - Financial Feasibility


A projected financial Breakdown is given below as a demonstration of profitability and financial feasibility of the proposed mega station project

Owned Outlet (Outright Purchase): Trunk A Station				Dealers Outlet (Concession): Trunk B Station		
	PMS	AGO	HHK	PMS	AGO	HHK
Landed Cost (Ex Terminal)	133.28	220.00	135.00	133.28	220.00	135.00
Selling Price on SC Basis	139.50	240.00	140.00	139.50	230.00	140.00
Company Margin Per Litre	6.22	20.00	5.00	6.22	10.00	5.00
Projected Monthly Sales (Litres)	2,970,000	300,000	11,000	990,000	30,000	11,000
Company Margin Per Month	18,473,400	6,000,000	55,000	6,157,800	300,000	55,000
Pump Price	145.00	255.00	145.00	145.00	260.00	145.00
Dealer Gross Margin Per Litre	5.50	15.00	5.00	5.50	30.00	5.00
Transport & Logistics	4.00	4.00	4.00	4.00	4.00	4.00
Dealer Net Margin Per Litre	1.50	11.00	1.00	1.50	26.00	1.00
Dealer's Margin Per Month	4,455,000	3,300,000	11,000	1,485,000	780,000	11,000



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Mega Stations -Investment Outline

	Investment Requirement	<ul style="list-style-type: none"> - Land - Expertise in Retail business - Finance
	Investment Outline	<p>The management of IOGC has chosen the option of a full service mega station with the expectation that this option will give the State adequate visibility required to be a key player in this sector of the industry.</p> <p>It also guarantees quick returns on investment owing to the location and results of the market survey carried out by IOGC.</p> <p>Finally, this option ticks the box as an achievement of the Lagos State Government towards becoming an energy sufficient economy in Nigeria, Africa and the World.</p> <p>The estimated initial startup capital for the development of a full service mega station is N600,000,000</p>
	Opportunity assessment	<p>Lagos Brand & Tax incentive advantage</p> <p>Constant Product Availability at competitive price</p> <p>IPP Connection</p> <p>24hrs Security</p>
	Management Structure	Management structure will mirror that of existing PPP and /or Joint Venture projects.
	Investment /Bid process	All investment/bid process shall be routed through the Lagos Global Investment, Alausa, Ikeja via the IOGC procurement department of IOGC.



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Mega Stations -Investment Outline

S/N	Item	Quantity	Amount (NGN)
1	Land Purchase (price dependent on the area)	~4,000m ²	200,000,000
2	Building plan and architectural drawings		20,000,000
3	Permits for DPR and other regulatory bodies		3,000,000
4	Legal & other fees		20,000,000
5	Construction Cost (canopy, main building, forecourt, perimeter fence, plumbing, mechanical and, electrical works) & logistics		120,000,000
6	Underground Tanks 45,000 liters (for Petrol, Diesel & Kerosene)	6	30,000,000
7	Fuel Pumps	10	100,000,000
8	LPG refilling facility (5 Ton Electronic System)	2	40,000,000
9	Other shops & services (Car wash, Garage, Lube Bay, Vulcanizing Service, Wheel Balancing & Alignment)		20,000,000
10	Safety equipment - Fire Extinguishers, submersible pumps, & installation cost		10,000,000
11	Generators	4	30,000,000
12	Miscellaneous		17,000,000
TOTAL			600,000,000





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Marginal Fields



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Marginal Fields

	Enabling Environment, legislation & Policy reforms	<ul style="list-style-type: none"> Nigeria currently stands as having the 10th largest oil reserves in the world with 25 billion barrels of proven oil reserves with the capacity to up her reserves to 30 billion barrels within the next two years. Her daily average production is over two (2) million barrels of which should increase to three (3) million with increase of proven reserves. There are thirty (30) marginal fields awarded from 1999 to date, and only ten (10) fields are producing while 20 are at various development stages. This herein lies the opportunity for IOGC
	Reforms in relevant agencies /institutions	<ul style="list-style-type: none"> The Petroleum Industry Bill (PIB), which has been broken down into four distinct sectors by the National Assembly, seeks to bring in proper governance, financial management, accountability and open up the industry to more participation by local and foreign investors.
	Credit enhancement	<ul style="list-style-type: none"> The Lagos State Government through IBILE Oil and Gas is seeking investment options in producing and near-producing fields.
	Security arrangement	<ul style="list-style-type: none"> Adherence to the regulations governing the oil and gas industry.



IBILE Oil and Gas Corporation

Marginal Fields	
Overview of the project	<ul style="list-style-type: none"> IBILE Oil and Gas (IOGC) wants to access the profitability of a marginal field acquisition in the next round as per the DPR guidelines issued in Q3 2017. The field has been assumed to have a production potential of at least 5,000 bopd.
Project sponsors/ champions	<ul style="list-style-type: none"> The Lagos State Government through the Ministry of Energy & Mineral Resources and other private investors
Proposed project action plan with timelines	<ul style="list-style-type: none"> Technical know-how Secure field for investment Secure funds Secure funding partners <p>All the above listed are dependent on when the bid round commences, but can be achieved within a 3 – 6 months timeline</p>
Project differentiator / Key success factors	<ul style="list-style-type: none"> Availability of funds Securing the right technical/funding partners
Socio-economic impact of project/ project benefits	<ul style="list-style-type: none"> Increase in economic activities and ultimately GDP of Lagos State. Increased revenue for Lagos State (both direct and indirect) Enhancement in the quality of life of Lagosians. Source of scarce Foreign Exchange for the State's importation activities Revenue diversification for the State



IBILE Oil and Gas Corporation

Marginal Fields



Technical feasibility

- A detailed technical feasibility will be conducted subsequently

Commercial feasibility

- The feasibility of the project is analyzed from the technical, commercial, financial and economic perspectives. As the specific acreage is yet to be identified the size of the asset and the sequel analysis has been done using existing analogues and pragmatic assumptions for development concept, cost engineering and production forecasting. These inputs have been integrated to define a project from acquisition to first oil and eventually field abandonment. Economic analysis using a \$45 per barrel scenario to assess profitability has been undertaken below.

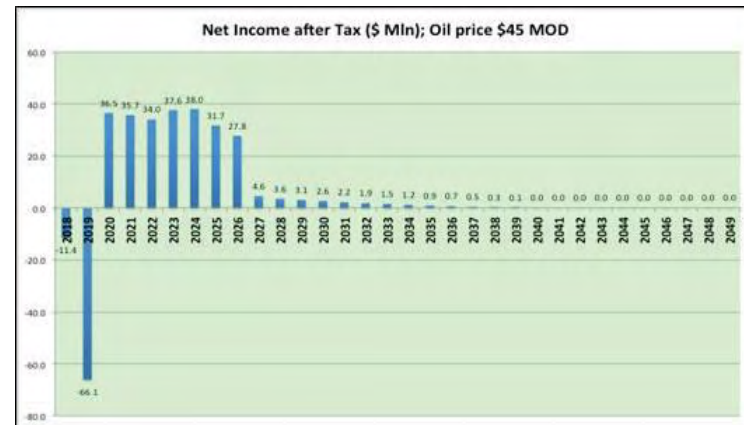
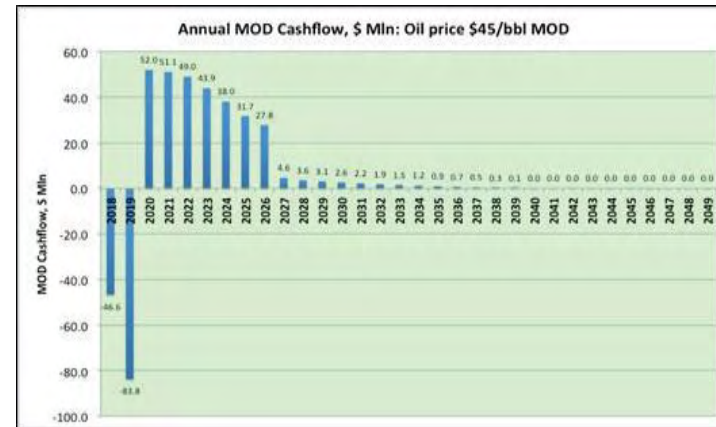
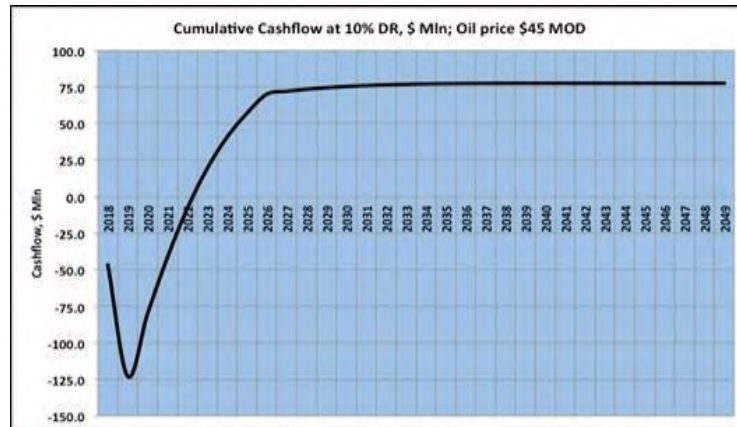
Environmental impact assessment

- The marginal oil field will be developed by 3 dual string completion wells with initial potential of 1,400 – 2,000 bopd with all 3 wells having a potential cumulative production of 5,000 bopd.
- The development of the project will require approvals from the necessary regulatory authorities. Permits, Environmental and Social Impact Assessment must be undertaken and obtained from the Department of Petroleum Resources (DPR).



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Marginal Field - Financial feasibility (with financial analysis)



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Marginal Fields

Project Finance options	<ul style="list-style-type: none"> Innovative funding options available to IOGC include: Reserve-Based Lending (RBL) Project finance, Equipment Finance, Guarantees/Letters of credit, Equity, Bank term loans, Working capital/advance/bridging facilities.
Public-private options	<ul style="list-style-type: none"> Yinka Folawiyo Petroleum (Operator of AJE Field) Niger Delta Petroleum Resources Limited (NDPR) ENERGIA Limited LEK OIL Oando SHELL NNPC (NPDC)
Guarantee options	<ul style="list-style-type: none"> The success rate of ventures embarked upon by the Lagos State Government
Legal framework	<ul style="list-style-type: none"> For this project, finance and legal advisors will also be appointed to ensure the proper management of the financial and legal ramifications of all contracts and engagements. A project manager will also be appointed and responsible to ensure that all project related items - information, work packages, deliverables conform with the expected standards and norms.
Management Structure	Management structure will mirror that of existing PPP and/or Joint Venture projects.
Investment / Bid process	<ul style="list-style-type: none"> The Lagos State Government is willing to work with Technical partners/consultants, Financial partners having considerable experience and expertise in the industry on this project. The government will invite willing and able partners in accordance with the Procurement Law of the State.



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Marginal Fields - Risk Assessment & De-risking

Risk Factors	Mitigation
Oil Price:	With an assumed low case oil price scenario, the risk of oil price falling short is low. An upside to oil price is likely.
Subsurface volumes:	The volumes would have been penetrated by drill bit and verified from reservoir data obtainable from data room. Any downside risk can be mitigated by proper data evaluation.
Project Delay:	This evaluation assumes first oil within 2 years of average acquisition. Project delay can occur due to both internal and external issues. Significant erosion to probability can occur if first oil date is unduly delayed. A firm action plan with follow-up is therefore required to preserve value.
Loss of bid:	There is a chance of being outbid. To mitigate this, the help of the State will be strongly required and a good economic evaluation of the field so as to place a high enough valuation without exceeding the field's worth.

Marginal Fields - Investment Requirement

- The cost of acreage acquisition, capital costs, operational costs, abandonment costs and the pertinent taxes and royalties along with the production profiles and oil price projections over time are the key inputs for assessing the profitability of the investment.
- It is assumed that the project from acquisition to first oil will be financed by loan, equity of both. The project should be self-financing post first oil.

	2018(mln)	2019(mln)	Total (mln)
Bulkline	4.0	16.3	20.3
Flowline	-	1.5	1.5
Drilling	-	61.2	61.2
Asset	-	-	-
Acquisition	40.0	-	40.0
Total	44.0	79.1	123.1

The above lists the capital outlay for the project which amounts to \$123.1 ml. Interest rate may be as high as 10% in some cases with pay out period under 10 years. Given the capital outlay and due consideration for debt repayment, financing of up to \$135mln may be required to stay cash positive throughout project life depending on the oil price scenario.





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Conclusion



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Conclusion



- The Lagos State Government seeks to generate new investment opportunities in the oil and Gas space through consolidated efforts in bridging the gap between the supply and demand for oil and gas products thereby creating value and ensuring that the state ranks high as a desirable investment destination for both local and foreign investors.
- Opportunities created by these projects will also help the State Government to fulfil its social goals of reducing poverty and inequality within the state.



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LAGOS STATE GOVERNMENT
Oil and Gas Deal Book, 2018.