

PROPOSED 2001 BUDGET

The total proposed federal Government budget for 2001 is N888.97.billion. While N473 billion will be spent on capital expenditure, an estimated sum of N400 billion will be spent on recurrent expenditure.

Projected Revenue

- i. Sale of crude oil – \$8.62 billion**
- ii. PPT - \$3.5 billion**
- iii. Royalties - \$1.6 Billion**
- iv. Non-oil earnings - \$4.52 bn.**
- v. Privatisation Proceeds – \$. 5bn.**

OIL & GAS SECTOR

Joint venture cash calls & arrears

The sum of \$3.5 billion has been proposed for the payment of cash calls for the fiscal year while \$ 0.5billion will be used in paying cash call arrears. This must be a welcome development to JV operators.

NNPC Priority projects

These have been described as projects vital to the operations of the NNPC and the sustenance of continued oil production. These include projects by NNPC main office, Eleme Petrochemical and NAPIMS. The sum of \$0.346m has been earmarked for these projects

NDDC

per Litre. This development didn't go down well with the masses especially the Nigerian workers who opposed it vehemently, as a result of which the government reviewed the increase and pegged the price of fuel at N22 a Litre.

B. New Conditions of Bid for Open Acreages

Petroleum Resources issued a new set of regulations for the year 2000 bidding round for open acreages. Under the new regulations, concessions (open acreages that are available for bidding) are allocated to operators based on open competitive bidding after such blocks are advertised by the Department of Petroleum Resources in National Dailies & Magazine as well as International Publications approved by the Government.

as follows:

- (i) Application fee \$10,000 (Ten Thousand US Dollars Per Block)**
- i. Data prying fee \$25,000 (Twenty-five Thousand US Dollars Per Block)**
- ii. Bid processing fee \$10,000 (Ten Thousand US Dollars Per Block)**

**ed bank cheques addressed to the Federal Government of Nigeria
“(PTDF A/C).**

The requirement that the applicant company must be registered solely for exploration and production business with an initial share capital of N1, 000,000,000 (One Billion Naira) or more. If the company is indigenous, its memorandum of understanding with a foreign technical partner must be attached to the application. Also there must be a letter from a Bank indicating that the company is worth at least USD10, 000,000 (Ten Million Dollars) or N1, 000,000,000 (One Billion Naira). If the company has a technical partner both of them must show joint evidence of the same amount. Also there must be evidence that the company has maintained an annual balance of at least N1, 000,000,000 (One Billion Naira) or USD10, 000,000 (Ten Million US Dollars) for at least six months prior to the date of application.

The company must also show evidence of technical capacity, capability and track record with emphasis on experience and expertise in exploration, development and production.

The regulations also contain information on other requirements as well as method of assessment of applications. .

In July 2000, public opening of bids for 22 new oil blocks offered by the Federal Government was done in Lagos under conditions acknowledged to be transparent and fair. The results of the bid are expected later in the year.

C. Gas sector Developments.

With an estimated gas reserve of over 120 trillion standard cubic feet of associated and non-associated gas, Nigeria is ranked as the 10th largest gas province in the world. It is however, disturbing that oil companies in Nigeria are not utilizing the product well despite the low cost of production preferring instead to flare the product. This practice which has been a source of constant worry to government owing to its wasteful nature and negative impact on the environment forced Government to increase the penalty payable for gas flaring from 50k per 1000 scf/g to N10 per 1000 scf/g in 1998. Government has also threatened to increase the current penalty to N20 per 1000 scf/g from January 2001. This new sanction is expected to be announced in year 2001 Federal Budget. It is estimated that the sum of N17.22 billion would be realized annually from gas flaring penalties based on an estimated 36.3 billion scf/g produced daily in the country, out of which 65% or 3.6 billion scf/g is flared daily.

Current Gas Projects

Some Gas projects currently in progress in Nigeria are:

- i. NNPC/Mobil/Oso Natural Gas Project**
- ii. NNPC/Chevron Escravos Gas Project**
- iii. Nigeria Liquefied Natural Gas**
- iv. The West Africa Gas Pipeline Project (WAGPP).**

In order to encourage optimum utilization of gas, Government consolidated a host of incentives for companies engaged in the downstream utilization of Gas vide Decree No 18 of 1998.

POWER GENERATION AND CONSUMPTION

The following represents a breakdown of the installed capacity of 5,875 mega watts delivered from 8 power plants spread across Nigeria.

Hydro-Power Stations

Kainji	-	760MW
Shiroro	-	600MW
Jebba	-	912MW

Thermal Stations

Egbin	-	1320 MW
Afam	-	700.9 MW
Sapele	-	1020MW
Ijora	-	60MW
Ughelli	-	502.1MW

Despite installed capacity, there is a maximum available capacity of 5,875mw of 3.549mw. With most stations operating at less than 50% capacity, demand for power in Nigeria far exceeds supply. The major reason for this state of affairs has been identified as the, lack of proper Turn Around Maintenance (TAM) due to lack of funds and irregular diesel supply.

Nigerian Electric Power Authority, the government parastatal charged with the statutory role of generation and transmission of power, cannot meet the capacity demands of the country resulting irregular and inconsistent power supply. With the current efforts at deregulating the supply of power in Nigeria, there are currently viable investment opportunities for private Investment in the Nigerian Power Sector.

Government efforts at deregulating the power sector could be traced to two legislations enacted in 1998. The Electricity Amendment Decree of 1998 provides that persons other than the government parastatals and agencies could be granted licences to supply power. The NEPA Amendment

Legislative efforts at deregulating the power sector have resulted in a limited number of independent power projects to date.

- **Sonne Udemgba -**