Early Warning System

IFC-603132

GasFlareStudyNG

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Quick Facts

Countries	Nigeria
Financial Institutions	International Finance Corporation (IFC)
Status	Closed
Bank Risk Rating	U
Voting Date	2018-09-11
Borrower	Government of Nigeria
Sectors	Energy
Investment Type(s)	Advisory Services
Project Cost (USD)	$ 0.71 million

Project Description

The market assessment will provide a knowledge base on the feasibility and attractiveness of gas-to-market projects, including the transformation of flare gas to end-products and the handover of end-products to potential off-takers. The market study will include a catalogue of main challenges to the feasibility of these projects and identify measures to address the challenges. The goal is not to carry out a detailed analysis of each flare site but to identify priority commercialization pathways and possible measures to reduce barriers.

The scope of the study would include the following:
(i) Current and future demand for, and prices of, end-products (electricity, methanol, fertilizers, other petrochemicals) or fuels that could be substituted (diesel, fuel oil, gasoline);
(ii) Suitability in the Nigerian context of different proven technologies in commercial application that can convert flare gas into end products;
(iii) Costs and other considerations at different stages along the supply chain, such as economies of scale, willingness and ability of potential consumers to pay, distance to and availability of large infrastructure, and risks that will reduce the commercial viability of projects;
(iv) Net-back calculations based on end-product prices and costs incurred along the supply chain estimated in (iii) up to the custody transfer point; and
(v) Market sounding with a range of stakeholders to obtain, amongst others, the following information: a) general perception among industry players regarding the NGFCP; b) general feedback from the finance community regarding appetite to fund NGFCP projects and identify/quantify the main gaps that need to be mitigated; and c) input from original equipment manufacturers.

The study will prioritize projects based on the findings and calculate the financial rate of return and the maximum price of gas that can be offered, together with sensitivity analysis changing key assumptions (capital and operating expenditures, prices of gas or end-products being sold, the Nigerian/dollar exchange rate, and prices of competing goods and services where applicable).

As part of the market assessment, the consultant will undertake a consultation process with key stakeholders in the market first to collect data and information that will feed into their analysis. A validation workshop will be organized by the consultant to share the preliminary findings with the various stakeholders and to gather feedback on the key findings. The consultant will use the feedback to revise and finalize the report.

People Affected By This Project

The expected development impact of this activity will be reduced gas flaring in Nigeria and economic development enabled by use of natural gas and natural gas liquids to meet currently unmet demand. Reduced flaring will contribute to local and global environmental improvement by reducing the emissions of harmful local air pollutants and greenhouse gases. Possibilities for economic use of natural gas benefitting Nigeria include distributed electricity generation for local communities, use of natural gas liquids to market liquefied petroleum gas (LPG) for household use, and manufacture of fertilizers for agriculture. Extending access to electricity and LPG to those who are currently without these sources of energy, creating new jobs, and improving the air quality will enhance the welfare of Nigerians.

The study will support the commercialization of flare gas in Nigeria under the Nigeria Gas Flare Commercialization Program (NGFCP) recently launched by the Federal Government of Nigeria (FGN), which targets elimination of routine gas flaring in Nigeria. It will catalyze the development of bankable projects for private-sector investors and project developers, and contribute to flare gas auctions to be carried out by the FGN, by filling knowledge and information gaps, focusing particularly on market solutions outside of the grid-based power sector.

Investment Description

- International Finance Corporation (IFC)

Contact Information

No contact information provided at the time of disclosure

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Bank Documents

- Project Information