

Nigeria: An Alternative Energy Source for the European Union?

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Recent events in Ukraine and the threat posed by the European Union's dependency on Russian energy—Moscow supplies a quarter of Europe's needs for natural gas, 80% of which runs through Ukrainian territory—has led Brussels, and EU's city-capitals, to consider alternative sources towards alleviating the dependency and thus increasing Europe's energy security. Beyond Russia and European indigenous production—which accounts for 33% of the EU's usage of natural gas—Europe's five largest partners are Norway (22%), Algeria (9%), Qatar (6%) and Nigeria (2%).¹ One can notice that the small share of Nigerian natural gas out of the total European imports does not correspond to Abuja's real capacity and potential in becoming a strategic energy partner.²

In fact, the Nigerian government aspires to do just that. On the sidelines of the ministerial meeting of the EU-OPEC energy dialogue, which took place in Brussels in June 2014, Nigeria's Petroleum Minister, Diezani Alison-Madueke, said "[t]he Federal Government restated its resolve to support the long term gas supply security for the European Union coun-

tries as part of measures to expand the nation's gas market".³

This strategic approach towards the European market is, on the one hand, a sign that the government in Abuja recognizes Europe's energy market potential—the EU's aspiration to diversify energy sources has motivated such an approach—and, on the other hand, is a product of recent developments in the global natural gas market. Among these developments the United States' shift to the domestic exploration of shale gas, and Mozambique's affirmation as a major player in the natural gas market⁴ are key. Being one of the most promising African countries, in terms of energy, the fact that Mozambique is located on the Indian Ocean's shoreline has driven Asian powers to increasingly focus their attentions towards Maputo.⁵ Also worth noting is that Asia currently represents Nigeria's main natural gas export market.⁶

1 Data from 2012. See "Statistical Report 2013" (*Eurogas*, December 2013), p. 6.

2 Nigeria has one of the world's largest proved natural gas reserves and is the world's fourth largest exporter of liquefied natural gas (LNG).

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3 "Nigeria promises to meet EU's long term gas supply needs" (*Platts*, 25 June 2014).

4 Recent natural gas discoveries place the country as Africa's third largest holder of proved gas reserves. See "Mozambique" (*EIA*, July 2014).

5 In late October 2014 Maputo's government signed deals with China, Japan, United Arab Emirates and Indian companies. These deals are likely to result in a substantial decrease in Asian demand for Nigerian natural gas. "Nigeria's LNG export threatened as Asian buyers turn to Mozambique" (*Daily Trust*, 4 November 2014).

6 The main LNG importers of Nigerian natural gas are Japan (24%), Spain (19%), France (12%), South Korea (9%), and India (7%). Also worth noting, some of the natural gas is also exported via the West African Gas Pipeline (WAGP).



For Nigeria, satisfying European natural gas needs implies an increase in the production of the resource. With that purpose in mind, Abuja has in motion plans to build additional LNG production infrastructures—apart from Bonny LNG, the only one currently in operation—such as the Olokola LNG, the Brass LNG and the Train 7 at Bonny LNG. To make these projects operational, the government must put an end to the constant delays and settle the years-long stalemate over the Petroleum Industry Bill.⁷ Failing to overcome these obstacles may result in Nigeria losing ground to international competition.

Among the potential major beneficiaries of Nigeria's strategic shift are Portugal and Spain. While Lisbon and Madrid are already the two largest European importers of natural gas sourced in Nigeria,⁸ they also belong to the small group of EU countries that do not import Russian gas. Since they don't depend on energy from Russia, Lisbon and Madrid will have, at least in principle, a greater margin of manoeuvre in fomenting deeper ties between the EU and Nigeria. That will require, however, grand investments in terms of infrastructure construction and development—something which poses a considerable obstacle.⁹ Equally relevant is the fact that the Nigerian alternative is not risk-free regarding Europe's goal of attaining energy security, in particular when considering piracy in the Gulf of Guinea and the fragile stability and security in the Niger Delta.¹⁰

7 A legislative initiative aimed at solving structural, operational, regulatory and investment challenges faced by the petroleum and gas industry. An overview of the bill is available at "Bill Aims to Improve the Health of Nigeria's Oil and Gas Industry" (*Open Society Foundations*, 30 May 2014).

8 Spain imports 3.27 billion cubic meters annually and Portugal 1.75. See "World Oil and Gas Review 2014" (*ENI*, October 2014).

9 Also worth considering is the fact that an increase in the volume of natural gas within the Iberian market allows for a reduction of oil-dependency.

10 The Niger Delta has for the past decades been a source of instability and insecurity.

Despite the focus on LNG, Nigeria also intends to bolster gas exports to Europe by building the Trans-Saharan Gas Pipeline (TSGP) that will connect the Niger

Delta—home to the bulk of Nigeria's gas reserves—to Algeria,¹¹ and on to Europe via already existent gas pipelines. It is estimated that the TSGP will cost US\$ 20 billion. According to the feasibility report, the TSGP will be more competitive than the GNL option, since operational costs will be inferior and waste less natural gas. The report adds that the pipeline's "critical advantage" is the ability to supply gas to African regions that are often affected by high energy prices and desertification.¹²

Nevertheless, despite the alleged advantage in terms of costs, the project's development faces several obstacles. To start with, finding the US\$ 20 billion dollars to finance the TSGP will be a difficult task. Secondly, some militant groups in the Niger Delta oppose the allocation of funds for the project before the economic and social problems in the region are properly dealt with.¹³ Thirdly, some analysts believe that the quantities carried by the gas pipeline will exceed European demand.¹⁴ Lastly, the region through which the pipeline crosses includes extremely volatile centres of

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11 Algeria is the second largest African producer of natural gas and also the second largest gas supplier to Europe. In global terms, Algeria is the seventh largest exporter of LNG. "LNG First-Mover Algeria Seeking to Grow Exports" (*Natural Gas Intelligence*, 17 October 2014).

12 Such as northern Nigeria, Niger, southern Algeria, Burkina Faso and southern Mali. See "Nigeria - Algeria Pipeline" (*Ministry of Foreign Affairs [Iran]*).

13 The Niger Delta population has not experienced substantial benefits out of the vast profits derived from the exploration of energy resources. In addition, bad management practices by multinationals operating in the region have regularly resulted in oil-spills that have gravely affected the population and traditional livelihoods, such as agriculture and fisheries.

14 "Trans-Saharan gas pipeline operational by 2015 if obstacles overcome" (*North Africa Post*, 26 November 2012).



instability.¹⁵ Adding to these factors, the Russian energy company Gazprom has a stake in the pipeline project. Hence, importing gas via a company in which Gazprom has interests goes against the EU's goal of reducing dependency on Russian energy.

In short, to diversify energy sources implies widening the number of energy suppliers. As such, Nigeria appears to be a viable option and a potential strategic partner that would contribute to European energy security. In fact, when weighing the variables at stake it becomes clear that the GNL option is more advantageous to Europe than the TSGP. Nevertheless, it would be a mistake to completely exclude from the equation the risk posed by instability in Nigeria. The social and political tensions are far from becoming things from the past. Having said this, the risk factors and the opportunities will not fail to be taken into account by the EU in its interaction with Abuja.

¹⁵ The gas pipeline crosses northern Nigeria, Mali, and southern Algeria. Separatist and jihadi groups, such as the Touareg, Boko Haram, Ansar Dine, and Al-Qaeda in the Maghreb (AQIM), pose constant threats to energy infrastructures and foreign interests in the regions in which they are present.

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