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Nigeria Goes Quiet on LNG Expansion

Nigeria LNG (NLNG) has gone quiet on a target date for sanctioning its seventh train, a project first proposed around a decade ago. The company, majority owned by Nigeria National Petroleum Corp. (NNPC), said last year that it was confident of taking a final investment decision (FID) on the 7.2 million ton per year brownfield expansion at Bonny Island by the end of 2018, despite potential complications caused by looming presidential and legislative elections (WGI Aug.15'18). Held last week, these handed incumbent President Muhammadu Buhari a decisive victory, with 56% of the vote, despite some rigging, paving the way for a second four-year term.

But NLNG tells Energy Intelligence that it is no longer setting an FID deadline. There is "no specific timeline," it says, "since one of the milestones leading to it is the conclusion of the front-end engineering and design [Feed] process." The seventh train will be made up of two units, one of 3.2 million tons/yr and the other of 4 million tons/yr. Feed contracts for each were awarded last July, and NLNG says the dual-Feed process has yet to be wrapped up. It won't say how long that might take.

Given the dual-Feed problems, the recent elections and the need to pin down new contracts for output from the 22 million ton/yr plant's first three trains and for feedstock for the seventh train, Claudio Steuer, visiting research fellow at the Oxford Institute for Energy Studies, agrees that FID at the end of 2018 "was indeed a very ambitious target." But he reckons the project could be sanctioned in the second half of 2019 "assuming all the issues are addressed, and the important gas supply projects are confirmed."

Others are more skeptical. Financing the estimated $12 billion project remains a major challenge for NNPC, which owns 49% of NLNG. It is relying on its partners — Royal Dutch Shell with 25.6%, Total with 15% and Eni with 10.4% — to help it raise loans to fund both its share of the downstream costs and develop feeder gas fields. But the Western partners are all eyeing LNG projects elsewhere, "so is an NLNG expansion actually a priority for any of them?" a source asked. Moreover, NLNG's Bonny Island feeder system remains vulnerable to militant activity that has disrupted operations in the past, and a source at one of the stakeholders says "there are potentially more places where supply would be more reliable" (WGI Dec.6'17). ■

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