

GAS FLARING – MONEY IN FLAMES

In recent times, “waste to wealth” has become a catchphrase for resource management, especially in relation to recycling. Meanwhile, for over 60 years, Nigeria has wasted energy and natural gas resources; trillions of dollars literally set aflame through pipes blazing fire in the air – wealth that could have trickled to communities in desperate need, if properly applied to the benefit of the general public. Instead, an experience general to all has been of dangerous chemicals and pollution in our environment.

Historically, the oil and gas industry is not necessarily the most environmentally friendly industry in its manner of exploration and production and has at times been at odds with the environment. Natural gas, a waste product associated with and arising from activities in the oil and gas industry, are disposed of by flaring rather than through a safer, albeit more expensive, alternative of capturing the gas. Oil companies often find it more economical-ly expedient to flare the natural gas than to capture it.

The danger of gas flaring is inherent in the massive amounts of greenhouse

gases it releases. Estimates put the toxic emission resulting from gas flaring at an average of 300 million tonnes of carbon dioxide annually which is a key driver of air pollution. According to the United Nations Environment Programme (UNEP), approximately 600,000 people die in Africa every year from air pollution [i] with Nigeria accounting for a large percentage of all gas flared in Africa [ii]. Gas flaring also generates excessive heat which alters the temperature of the environment over time and also affects human health, crop yield, quality of life, the environment and economy in general.

Over the years, the Federal Government of Nigeria has made broad efforts to protect the environment (specifically the air) by issuing laws and giving deadlines to oil companies to stop gas flaring. However, these deadlines have been moved several times, with the recent deadline being 2020 as set by the Nigerian Gas Flare Commercialization Programme (NGFCP).

The President of the Federal Republic of Nigeria in his capacity as Minister for Petroleum Resources issued a new regulation - the Flare Gas (Prevention of Waste and Pollution) Regulations 2018 (the “Regulation”),



[i] <https://www.unenvironment.org/news-and-stories/story/air-pollution-africas-invisible-silent-killer-1>

[ii] World Bank Gas Flaring Data - <http://pubdocs.worldbank.org/en/986751531755695202/GG-FR-1.pdf>

which addresses the environmental concerns of gas flaring. The Regulation was drafted in the interest of the public to help enhance the environmental sustainability of the oil and gas industry. It introduced a cost-effective gas economy by promoting efficient utilization of gas associated with the exploration of crude oil. Investors upon approval of the Minister for Petroleum Resources, are permitted to leverage and monetize gas from flare sites with the use of necessary infrastructure for collection, processing and converting for economic use and in turn, reducing air pollution at such sites.

Prior to the Regulation, the practice was for oil companies to apply for a certificate permitting them to flare gas. They were required to pay meagre sums as permission charges for gas flaring. These charges were tax deductible and invariably had no significant deterrent effect. Some companies proceeded to flare without obtaining the certificate, with no punitive sanctions from the Regulator. Currently, the Federal Government has taken a more stringent position regarding natural gas and have compelled oil companies to capture gas that would otherwise have been flared and to track and report flare data while conducting their activities. The Regulation prohibits and disincentives gas flaring by imposing a much heavier penalty cost on any company in default.

The Flare Gas (Prevention of Waste and Pollution) Regulations 2018 benefits human health, the environment and also creates room for more investment to the benefit of the oil and gas industry's bottom line while ensuring accountability. This is an affirmative step towards implementing the Paris Climate Change Agreement ratified by Nigeria in compliance with international best practices; and also strategically moves Nigeria closer to meeting the 2030 zero-flare deadline of the Global Gas Flaring Reduction Partnership (GGFR) of the World Bank Group. We can finally derive wealth from the "waste" of the oil and gas industry.



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