Shell in Nigeria

NIGERIA: POTENTIAL, GROWTH AND CHALLENGES

Modern day Nigeria came into being in 1914. One hundred years later it is established as a political and economic giant of Africa and is emerging as an exciting growth story on a global level.

With a population of about 167 million, Nigeria is the largest country in Africa and seventh largest in the world. According to UN projections it could have the world’s fourth largest population by 2030 and potentially surpass the United States by 2050.

Economic growth has averaged around 7% per year since 2003 according to World Bank figures, against the backdrop of a global economic slowdown. This growth has been underpinned by oil and gas. Nigeria is the biggest oil exporter in Africa, with the continent’s largest natural gas reserves. It has the tenth largest proven oil reserves in the world, the ninth largest proven gas reserves and exciting exploration prospects. It is the largest producer of light, sweet crude oil in OPEC with a location on the Atlantic seaboard that makes it strategically significant to oil and gas importing nations in Europe, the Americas and Asia.

Growth

167 MILLION

Largest population in Africa and seventh largest in the world.

Oil and Gas

1958
First commercial oil exports

2005
First deep water production

10th largest proven oil reserves in world**

9th largest proven gas reserves in world***

Biggest oil exporter in Africa with continent’s largest natural gas reserves*

* (Source: World Bank)
** (Source: OPEC)
*** (Source: US Energy Information Administration)
Oil and gas: the backbone of growth

Nigeria has the natural resource foundations on which to build a more prosperous economy and address some of its human development challenges in the years ahead. Its energy policies and decisions will also be increasingly significant to the future of the global energy system.

Oil accounts for most of the export income and overall government revenue of Nigeria. There is a consensus that strong growth in other areas of the economy, improved infrastructure and progress on human development will be crucial to Nigeria’s long-term economic and social health. It is also clear that oil and gas will provide a backbone for this wider growth for the foreseeable future. Gas will be crucial to driving progress in other industries, agriculture and transportation.

At the same time sizeable numbers of Nigerians still live in poverty; a minority have reliable access to electricity. Improving access to energy has therefore been identified as a key development priority by successive Nigerian governments, with more effective utilisation of gas one of the keys to achieving that objective.

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A Changing industry landscape

Nigeria’s petroleum industry dates from the late 1950s. The majority of production comes from the Niger Delta and surrounding shallow water fields but the last decade has also seen major growth in deep water. Shell Companies in Nigeria (SCiN) have played a pioneering role onshore and offshore, with Nigeria’s first commercial oil exports coming from the Shell Petroleum Development Company’s Oloibiri field in the Niger Delta in 1958. The Bonga project, operated by Shell Nigeria Exploration and Production Company, led to the country’s first deep water production in 2005. It is expected that the contribution from deep water to Nigeria’s overall production will grow substantially in the coming years, assuming a conducive investment environment.

Unlocking Nigeria’s full energy potential rests in part on the delivery of large, complex projects in difficult locations. IOCs have an important role to play, bringing cutting-edge technologies, project management experience, access to global markets and the ability to operate and manage risks on a large scale. Effectively integrating the capabilities of a range of local and international companies, contractors and stakeholders will be one of the most important challenges for the Nigerian oil and gas industry in the years ahead.

The industry landscape is continually evolving and there are many uncertainties. The government is seeking to reform governance of the sector, a key component of which is the Petroleum Industry Bill (PIB). The terms under which IOCs operate may change when the PIB is passed but two things are clear. First, Nigerian oil and gas has huge scope, an economic imperative and a political mandate to grow. Second, driving this growth will require partnerships between the government and companies with the ability to innovate, the capacity to deliver major projects and a long-term commitment to Nigeria. Shell has been here throughout the history of Nigeria’s oil and gas industry and is determined to remain a substantial, value-adding part of the economy for many years to come given the right investment environment.