

Nigerian Energy Chronicles

N I G E R I A ' S P R E M I E R E N E R G Y W E E K L Y

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Engineer Omene (left), and Ikechi Ibeji (Right) present the plaque for the Nigeria Petroleum Golden Jubilee Award to Chief Marinho (Centre) - See story on Page 3



OMENE'S DAY OF GLORY

Mr. Basil Omiyi reads the citation for Engr. Godwin Omene during the launch of his books: *Understanding the Nigerian Oil & Gas Industry* and *Glossary of Terms in the Oil and Gas Industry* - See story on Page 4



Okoigun
Group MD -
Arco Petrochemicals



Imomoh
Chairman, Afren

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Marinho Receives Golden Jubilee Award

Chief Festus Marinho, now in his mid seventies is unquestionably one of the the pioneers and drivers of what has become the Nigerian petroleum industry. As pioneer Managing Director of both the Nigerian National Oil Corporation, the first incarnation of a National Oil Company in the early 1970s and its successor and current NOC - Nigerian National Petroleum Corporation, he definitely qualifies for the title “architect of the Nigerian oil industry”.

Chief Marinho has not only left his huge footprints in the sands of time, he in fact wants to put down his experiences and perspectives on the



An obviously elated Marinho shares an interesting moment with his visitors



Saying goodbyes after the presentation

evolution of the Nigerian oil industry as a guide to future policy makers as well as oil and gas professionals. He exudes urgency in getting this book out because as he told *Nigerian Energy Chronicles*, many of the people mentioned in the book have died and if he does not hurry, he may soon have nobody to corroborate his narratives!

Chief Marinho's pioneering role and strong inputs into the original structures of the industry, earned him a place in the *Nigerian Energy Chronicles Oil and Gas Hall of Fame*. Unfortunately he was outside Nigeria when the award was bestowed on other similarly distinguished Nigerians during the Nigeria Petroleum Golden Jubilee Awards. The event held alongside a prestigious gala dinner at the Transcorp Hilton Hotel Abuja, in August 2008.

It was in the light of the above that a two man delegation comprising Engineer Godwin Omene, Chairman of the Advisory Board for the Nigeria Petroleum Golden Jubilee Awards and Editor in-Chief of *Nigerian Energy Chronicles*, Ikechi Ibeji visited Chief Marinho's Lekki home in Lagos, to present the plaque and certificate.

This story has been illustrated by some photographs taken during the presentation. More photographs and his full interview are in the February 2009 special monthly print edition of *Nigerian Energy Chronicles*.

Omene's Day on Centrestage



Unveiling the books. Photo shows Engineer Omene (backing camera); HRM Dr. Daukoru (standing left); Mr. Mutiu Sunmonu (standing first right); Mr. Egbert Imomoh (Standing second from right); Dr. Emmanuel Egbogah (standing third from right); Mazi Sam Oluwabunwa (sitting first right); Chief Joseph Akpieyi (sitting second from right); Godfrey Etikerentse (sitting third from right).

the oil industry, which the two books hope to correct by first of all providing basic education for the Nigerian reading public.

The second launch event takes place on Thursday February 19, 2009, at Rockview Hotel, Abuja. There, two other books - *Solid and Other Minerals in Nigeria* and *Glossary of Mining Terms* will be launched alongside a Distinguished Lecture to be delivered by **Chief Wole Ariyo**, retired senior executive of Chevron Nigeria and former President of the Nigerian Mining and Geosciences Society.

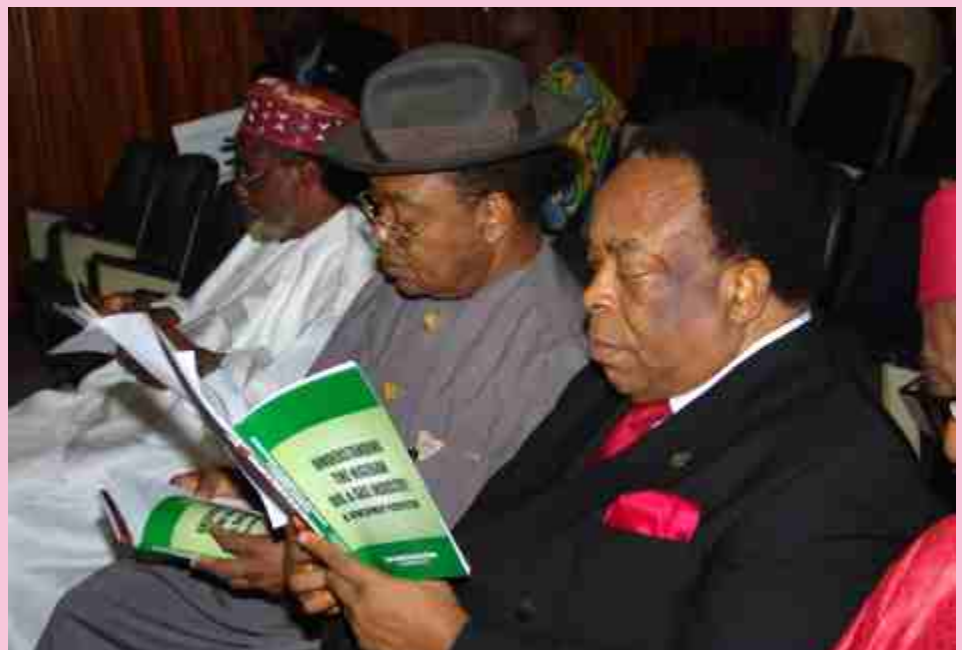
The event will be chaired by the Minister of Solid Minerals, Mrs Diezani Alison Madueke.

The Lagos event turned out a huge celebration with Engineer Omene's old colleagues, friends and well wishers in full attendance. Notable among them were two managing Directors from the Shell Group Mutiu Sunmonu of Shell Petroleum Development Company of Nigeria (Nigeria's largest producer of oil and gas); Chike Onyejekwe of Shell

Last Saturday (January 31, 2009), at the Nigerian Institute of International Affairs in Victoria Island Lagos, the Board of Directors, management and staff of Gladson Petrogas Limited, along with the Omene family of Mosogar in Delta State, celebrated the launch of the first two of six books by Engineer Godwin Eyarubere Omene, who scored several firsts and distinctions in his three and half decades of service in the oil industry.

The books launched were *Understanding the Nigerian Oil & Gas Industry: A Development Perspective* and *Glossary of Terms in the Oil and Gas Industry*.

The first book encapsulated the the history, trends in the industry, community relations, HSE mangement and all the contradictions arising from the misunderstanding of



Dr. Egbogah, Chief Oyibo and Dr. A. J.Oyekan get a first feel of the books



Old pals - (left to right) Chief Chambers Oyibo, former Group Managing Director of NNPC; Dr. Egbogah, Chief Akpieyi and Engr Omene share banter before the occasion started

Nigeria Exploration and Production Company (SNEPCO) owners and operators of the famous Bonga field; and leader of the Shell delegation to the event, Mr. Basil Omiyi, the current Country Chairman of Shell Companies in Nigeria.

Other notable attendees included His Royal Majesty, Dr. Edmund Daukoru, *Amanyanko* of Nembe Kingdom and Mr. Egbert Imomoh former Deputy Managing Director at SPDC and Chairman of Afren Group. All the above persons were subordinates of the author during his long tenure at Shell where he was progressively the first Nigerian to hold almost all the senior positions in Shell, culminating in his tenure as the first Nigerian Deputy Managing Director of the company.

They all had one thing or the other to say about their former boss, from the humorous (Daukoru decribed Omene's greeting of "Well done eh"); to the serious (Imomoh describing how you got a public rebuke on Shell radio if you fumbled on your job); and the celebratory (Omiyi, who read the author's citation said: "Each time he broke those glass ceilings, we celebrated with him, because he



Chike Onyejekwe, Managing Director of SNEPCO (right) greets Chairman of the occasion Egbert Imomoh and Chief Akpieyi

opened the way for those of us following...”).

Many notable non Shell people also attended the event, including Dr. Emmanuel Egbogah, Special Adviser to the President on Petroleum; Chief Joseph Akpieyi, Chairman of Trithel Nigeria; Mazi Sam Oluabunwa, Mr. Godfrey Etikerentse former Cheron Nigeria legal Adviser; Dr. Ebi Omatsola, Managing Director of Conoil Producing, Nigeria's biggest indigenous producer; Ichie Josephat O. Anyigbo, former Executive Director of Chevron Nigeria and a host of others.

The book launch programme will be rounded off with two books: *The Nigeria Travel Guide* and Engineer Omene's biography *Godwin Eyarubere Omene: A life of Service*. This will hold during his 67th birthday celebrations on March 21, at the Lagos Sheraton Hotel, Ikeja.



Chairman of the occasion Egbert Imomoh, with Chief Launcher Mr. Alfred Okoigun who is Managing Director of Arco Petrochemicals Engineering Company

Arco Makes Presentation on the Warri Industrial Park

Arco Petrochemicals Engineering Company Limited will on Tuesday February 3, 2009 take another step towards the realisation of her vision of building a world-class industrial business park with security and ultra modern amenities in the hitherto troubled Western Delta oil city - Warri.

Group Managing Director of Arco Mr. Alfred Okoigun will on Tuesday morning in Warri, throw more light on the project for stakeholders and prospective investors through a comprehensive presentation on the modalities, scope and implementation programmes of the project.

The vision, shared with the Delta State government, which has signed a partnership MoU with Arco is to consolidate on the recent achievements of Governor Emmanuel Uduaghan in returning Warri to a peaceful serene environment conducive for business particularly oilfield services which the city lost to Port Harcourt and Lagos in her violent days.

The Industrial Park will act as a catalyst for the rapid

industrial development and growth of Warri and the Niger Delta region of Nigeria. The initiative represents a bold paradigm shift by the state government from the former practise of lamenting and accusing the Federal Government of neglect.

The industrial park envisages infrastructure development such as power, roads and security that would support industrialization, while oil tools manufacturers and service providers would then access the land and put up their industrial/storage facilities.

According to Okoigun, "The Warri Industrial Business Park is a concept we thought about and felt that it fit into the Delta State three point agenda, which is peace and security; infrastructure development and human capital development."

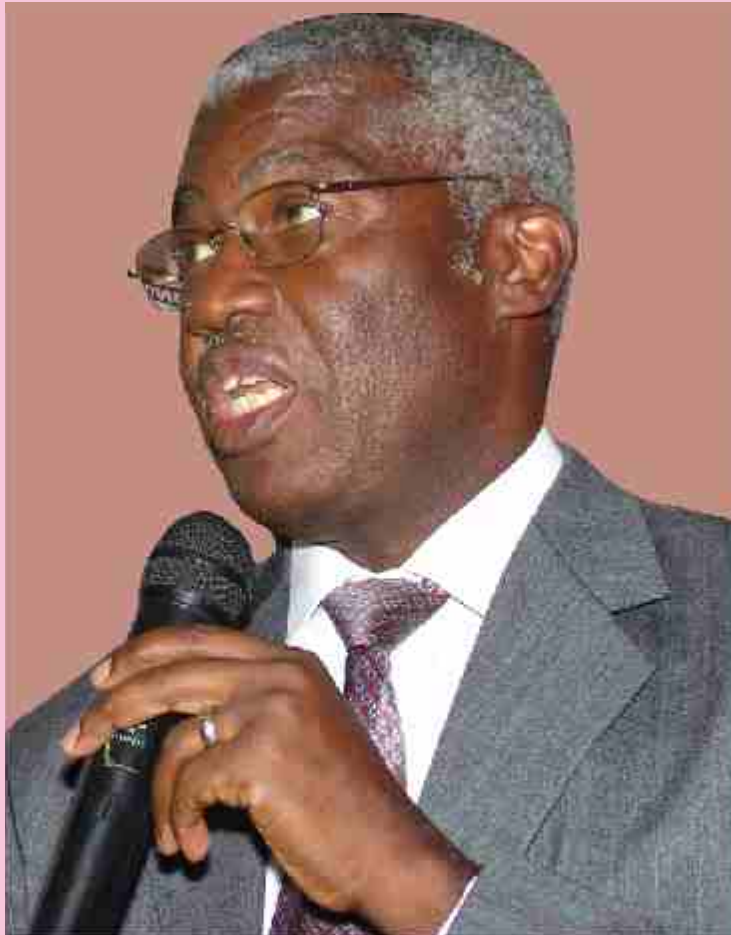
It follows that the project will bring with it income multiplier effect on the lives of the people in Warri and its environs; physical development of Warri city through the establishment of complementary businesses and attraction of skilled manpower to the area through the unprecedented massive employment envisaged. This will in turn improve and guarantee peace security in the area.

Imomoh is New Afren Chairman

Following the appointment of Dr. Rilwanu Lukman as Minister of Petroleum Resources, UK based Afren Plc has appointed Mr. Egbert Imomoh as the new Chairman of the Group.

He takes over from Lukman after an eventful tenure as Chairman/Managing Director of the Nigerian subsidiary of Afren. Afren was founded in the UK in 2004 mainly by African promoters including Imomoh and Lukman as an Africa centred exploration and production company, which operates through unique partnerships with indigenous E&P Operators and National Oil Companies for oil and gas production particularly in the Gulf of Guinea.

Imomoh told *Nigerian Energy Chronicles* in Lagos over the weekend that he is still Chairman of the Nigerian subsidiary and indeed will continue to reside in Lagos. But a new Managing Director will be named for Nigeria.



The group already has interest in 15 assets across West Africa, including seven in Nigeria, where its partnership with Amni International Production Company is already producing from the Okoro field, while appraisal drilling is ongoing in Setu field.

Prior to co-founding the Afren Group, Imomoh spent 36 years with the Shell Group in Nigeria, the UK and the Netherlands.

His career was capped with his tenure as Deputy Managing Director of Shell Petroleum Development Company of Nigeria (SPDC), operator of the NNPC/Shell/Agip/Total joint venture which produces approximately 1 million barrels of oil per day and by far Nigeria's largest producer and exporter of natural gas.

Trained in Mechanical and Petroleum Engineering, Mr Imomoh held a wide variety of senior positions throughout the Shell Group from Chief Petroleum Engineer in SPDC, Technical and Planning Manager to Deputy MD of SPDC.

He is member of the Society of Petroleum Engineers and has served on the SPE board as regional Director for Africa.

INSIDE THE SPECIAL MONTHLY PRINT EDITION

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ENERGY NUGGETSBy **IKECHI IBEJI**



Deregulation, What Deregulation?

The charade in the Nigerian downstream oil sector, sometimes known as “deregulation” continued in January in a rather dramatic manner. For the first time since government started fixing gasoline, kerosene and AGO prices, pump price for premium motor spirit actually went down from N70 per litre official price (unofficially, it went for as much as N90 in some remote locations), to N65 per litre.

While government officials beat their chest on the feat achieved, owners of petrol stations who used to adjust their pumps on hearing the radio announcement about increases in pump prices, were not particularly enthusiastic. It took cajoling and bullying by officials of the Department of Petroleum Resources for the dealers in major cities to adjust their prices. In smaller cities and rural communities, anything still goes - from the use of rickety unreliable pumps, to quoting any price that suited the fancy of the local dealer.

And the labour unions, which hitherto made the country ungovernable for days each time government tried to get a higher price and roll back the deregulation on the industry, are not enthusiastic either. They correctly smell a rat and believe the the reduction is a Greek gift and a back route to removing deregulation. Translation: having reduced pump prices following the fall of World crude prices, it would be logical to increase petroleum products prices, when crude oil prices start rising again as they surely would.

The quagmire the Federal Government has found itself in is deep and complex. First nobody except government has been investing in the sector since the government seized the Shell Refinery in Port Harcourt - Nigeria's first, in the early 1970s. Government proceeded to build additional refineries in Port Harcourt, Warri and Kaduna, with very faulty fundamentals. A distribution pipeline network and storage depots were spread all over the country.

A glaring instance of the poor fundamentals was the construction of a refinery in Kaduna to refine heavy crude imported from Venezuela! Perhaps more consideration for

project economics would have informed locating such a refinery near a seaport and in fact planning for the mining of the huge bitumen deposits stretching through five states from Lagos to Edo as the sustainable feedstock for such a refinery, intended to produce wax, asphalt and such other specialised products.

The result was that government spent heavily in maintaining the refineries and of course corruption and patronage saw a situation where poorly equipped contractors were brought in to carry out turn around maintenance of the refineries. With time government could no longer bear the huge burden of maintaining the refineries and suddenly the bright idea to privatise and deregulate the industry was born.

Again, the main flaw in government's decision to deregulate is that no preparation has been made for deregulation and none is being made to date. Rather a cabal has been created by people who have climbed on government's back to milk poor Nigerians dry. With no new investments by government and broken down distribution and long periods of price fixing, the private sector has found it very difficult to invest. No less than 20 licences have been issued for refineries to date, but nobody is building anything. Some refinery licenses have even been tied to oil block allocations, yet nobody is building, because the conditions and market fundamentals are absent.

Consider the fact that all the major IOCs in the world are currently producing huge amounts of Nigerian crude. Also consider the difficulties they have in finding new sites to build new refineries around the world due to very stringent environmental requirements in their home countries which means that they would be very glad to build refineries in Nigeria. In fact it would be a strategic move for many of them because Nigeria is not only a major crude oil producer, but also centrally located to enable such Nigerian based refineries supply the whole of Africa, Europe and even Asia in terms of market reach. So why are the Shells (which built Nigeria's first refinery), ExxonMobils, Chevrons, Totals and ENIs not building refineries in Nigeria?

Ordinarily, fuel prices are impacted by factors like changes in the price of crude oil, supply and demand, government regulations, taxes, and transportation costs. Another very important influence on gasoline prices is a highly competitive domestic retail market fueled by global commercial trading

for crude oil and refined petroleum products.

It is reasonable to conclude therefore that as long as government continues to get involved in pricing without an exit strategy, thereby leaving the stage for the private sector and the competition to emerge, it will be bogged down by the chicken and egg argument with labour over pricing. Government should forget about pricing for now. Disband the body called Petroleum Products and Pricing Regulatory Commission, first because it is anti-competition and more importantly, because the Department of Petroleum Resources should be vested with all regulatory functions.

Milestones and targets may then be set for achieving certain capacities in the downstream sector, including building new refineries, pipelines reception terminals and so on. Government's investment in these areas with more commercial orientation may then encourage gradual entrance and integration of market forces in the sector. Above all, eliminating and ensuring absence of shortages and scarcity for a sustained period through domestic refining of products, will build the capacity and confidence required for an enduring downstream oil industry.

NEXT WEEK IN

Nigerian Energy Chronicles

N I G E R I A ' S P R E M I E R E N E R G Y W E E K L Y

1. New Exploration and Licensing Rounds in Limbo

With the appointment of Billy Agha as the new Director of the Department of Petroleum Resources, there is no end to the travails of Tony Chukwueke, the suspended director.

Chukwueke's tenure saw a DPR which tried for the first time to create due process and enforcement of rules. Unfortunately, like many people of his ilk he has apparently been caught in a web of power play and intrigues activated by the powerful toes on which he stepped while trying to do things right.

Nigerian Energy Chronicles is not privy to the results (if any) of the numerous probes of the DPR and therefore is not holding brief or exonerating him from any wrongdoing, but even the blind could see the vibrancy and pragmatic activism that came into the regulatory roles of the DPR during Chukwueke's tenure. For this reason therefore, it is very important that he is treated fairly in whatever probes or investigations are being conducted.

The fallout of the numerous probes is the lull in oil block licensing rounds, which have been worsened by the drastic fall in oil prices. The DPR is still facing intensive probes of previous block allocations (and cancellation of some) which has left many still sitting on the fence. Little wonder no speculative seismic data gathering process is going on now. This is the process which harvests data for DPR using contractors like Mabon Limited, which it in turn sells to IOCs or independents bidding for new oil blocks.

Next week, *Nigerian Energy Chronicles on-line* will bring to you an incisive insight on the developments in this area of the oil business in Nigeria.

2. Are The Reforms Here At Last?

In late January the Federal Government of Nigeria replaced the Group Managing Director of NNPC and the Legal Adviser, along with the Director of the Department of Petroleum Resources. Rumours are flying about regarding further action in the oil sector, including replacement of the top management of NNPC.

Experts are now wondering if the government has finally mustered the focus to implement the long awaited oil sector reforms, especially when the one promised in the power sector despite enabling law and an Electricity Regulatory Commission has been faltering.

To be sure, the unbundling and re-branding of the Nigerian National Petroleum Corporation (NNPC) is not a new proposal the Federal Executive Council announced the policy after its meeting of Wednesday, 29 August 2007.

How much is the reform likely to go? We will attempt answers to this and other questions?

3. Where Is the power Reform?

Several years after the Power Reform Act 2004 was passed, there is still so much confusion in the power sector and there appears to be no end to the power crisis. For the several Nigerian companies who have invested heavily in independent power projects, it is a very frustrating experience to have policy summersaults and contradictory policy actions.

Next week in *Nigerian Energy Chronicles on-line*, we will bring you a true picture of the industry and the challenges the IPP promoters are now facing.



***We are all about these
and so much more.***



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