PLASU Law Journal (PLASULJ) Vol. 1, No. 2, 2024
A Publication of Faculty of Law, Plateau State University, Bokkos –Nigeria
EISSN 1596-0625 (Online) https://journals.plasu.edu.ng ISSN: 2695-2661 (Print)

THE LEGAL REGIME FOR GAS BUYING

Rabiatu Abdullahi Musa[1]

Abstract
This work examined the legal framework governing gas buying in Nigeria, focusing on the key laws, policies, and contractual arrangements that shape transactions in the country's gas sector. As Nigeria is one of the largest producers of natural gas in the world, the effective regulation of gas transactions is crucial for both domestic energy supply and international trade. Using the doctrinal research methodology, this work explored the relevant provisions of the Petroleum Industry Act (PIA) 2021 and the Gas Pricing and Domestic Demand Regulation, 2023. It also evaluated critical issues such as pricing mechanisms, tax incentives, the funding of gas related projects and the role of government regulation. Special attention was also given to the challenges that impede gas buying in Nigeria. The work further highlighted the impact of recent reforms like the PIA Act, including efforts to promote domestic gas utilization, and offers recommendations for improving the legal and regulatory regime to foster investment and stability in Nigeria's gas industry.

Introduction
Nigeria has one of the world's biggest gas deposits and rank as the ninth-largest gas reserves in the world, with about 209.5 trillion cubic feet (tcf), according to the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA). However, only approximately 8 billion standard cubic feet per day (bscf) are extracted from these reserves. In August 2022, the Federal Government revealed that an annual expenditure of approximately $20 billion is needed to ameliorate the gas infrastructure gap within the next ten years in Nigeria.[2]It is known that, despite this vast potential, the development of the natural gas sector has faced numerous challenges, including regulatory, infrastructural, and market-related obstacles.

Therefore, as a way to promote the development and control of gas purchasing and consumption in the country, the Nigerian government has put in place a number of laws, rules, and regulations to govern the gas sector because this lack of infrastructure has impeded the country's ability to satisfy its export and domestic commitments, generate electricity, and

[1] LL. B, BL, LL.M., Ph.D, Senior Lecturer, Faculty of Law, University of Jos, Jos. E-mail: abdullahir@unijos.edu.ng rabiaraams@gmail.com Telephone No. 08035040923

[2] Gbemi Faminu, 'Funding Infrastructure Woes Threaten Nigeria's Gas Supply to Global Market' (16th August 2023) Accessed at: < https://businessday.ng/energy/oilandgas/article/fundinginfrastructure-woes-threatennigerias-gas-supply-to-global-market/> Accessed on 25 September 2024

advance economically.[3] This work examined the legal regime for gas buying in Nigeria, including the key legislation, regulatory authorities, and the challenges associated with the frameworks governing the industry alongside possible recommendations.

Conceptual Clarification of Terms

This work deals with the core concept of "*gas*" which is subject of several interpretations and definition, and so, there is need to define it within the concept of this work and how it will be used.

Gas

The term "gas" according to the Merriam Webster Dictionary is a fluid (such as air) that has neither independent shape nor volume but tends to expand indefinitely. This definition is wide and subject to much interpretation and so, the dictionary further construe the term to "natural gas" which it defines as a combustible gas or gaseous mixture for fuel or lighting.[4] This definition goes directly to the subject of discourse.

Furthermore, the definition by *Cambridge Dictionary* portrays a similar notion with the previous definition. It states the general definition by postulating that gas is: a substance in a form like air that is neither solid nor liquid. While it further provided in its more specific meaning how it relates to petroleum and gasoline products as a liquid obtained from petroleum, used especially as a fuel for cars, aircraft and other vehicles.[5]

From the definition above, it is evident that the word "gas" can mean many things. However, for the purpose of this work, "gas" is construed within the family of petroleum products and how it is used as a propeller or fuel for equipment's that are in need of it.

Gas Buying

Gas buying will, from the definition of gas, provided, be defined as the commercialization of gas in the country or the oil and gas sector. In the petroleum industry, the term "*gas buying*" typically refers to the process of purchasing natural gas or gasoline by companies, utilities, or traders. This can happen at various points in the supply chain, from producers to refiners, wholesalers, or even retail gas stations. Gas buying often involves negotiating contracts, managing supply and demand, and sometimes hedging against price fluctuations in the global energy market.[6]

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[3] Betty Sunny-Hart, 'Legal and Institutional Framework of the Oil and Gas Industry in Nigeria: A Critical Overview' *African Journal of International Energy & Environmental Law* (AJIEE) (2024) (9) (32)

[4] Merriam Webster Dictionary <https://www.merriam-webster.com/dictionary/gas> Accessed on 17 September 2024

[5] Cambridge Online Dictionary <https://dictionary.cambridge.org/dictionary/english/gas> Accessed on 17 September 2024

[6] PwC, 'Evaluating the Nigeria's Gas Value Chain' < https://www.pwc.com/ng/en/assets/pdf/evaluating-nigeriagas-value-chain.pdf> Accessed on 20 September, 2024

Key Legislation and Legal Framework

The legal regime for gas buying in Nigeria is governed by a combination of federal laws, regulations, and policies, with specific agencies tasked with overseeing different aspects of the sector.

Petroleum Industry Act (PIA), 2021

The Petroleum Industry Act 2021 'Herein referred to as PIA Act" was enacted by President Muhammadu Buhari and it is a 319 section Act that has its core focus as stipulated by the provisions of section 2 to create efficient and effective governing institutions, with clear and separate roles for the Petroleum Industry; establish a framework for the creation of commercially oriented and profitdriven national petroleum company; promote transparency, good governance and accountability in the administration of the petroleum resources in Nigeria; to foster a business environment conducive for petroleum operations and to deepen local content practice in the Nigerian oil and gas industry.[7]

However, for the purpose of this work, recourse will be made to how the PIA Act relates and governs the administration of gas buying in Nigeria. The Act introduces several provisions aimed at enhancing the gas industry's attractiveness to investors and improving infrastructure. The PIA creates a regulatory framework and licensing framework and also creates provisions relating to gas pricing, gas distribution, gas flaring, tax incentives and fiscal regime and this will be explored through a thematic approach.

Midstream And Downstream Gas Operations Regulatory Framework

By the provision of section 29 of the Act, it establishes the Nigerian Midstream and Downstream Petroleum Regulatory Authority (the "Authority" or 'NMDPRA") which is responsible for the technical and commercial control or administration of midstream and downstream petroleum operations in the petroleum industry in Nigeria. The separation of the upstream sector from the Midstream and Downstream operations,[8] with distinguishing duties, is an important feature of the extant Act. This allows for more resources and regulatory manpower to be available to enable proper enforcement of provisions necessary for the growth of the
Midstream and Downstream petroleum sectors.[9]

Amongst the numerous objectives of the NMDPRA, it is empowered by the PIA to grant, renew, modify, extend or revoke licenses and permits unless it relates to the establishment of refineries.[10] The grant of license must be hinged on the prospective licensee meeting the

[7] S. 2 of the PIA Act 2021

[8] For the upstream sector, the PIA Act establishes the Nigerian Upstream Regulatory Commission (NUPRC) by the provision of section 4 of the Act.

[9] S. 3 of the PIA Act

[10] S. 111 of the PIA Act

[11]S. 31(e) of the PIA Act

[12]Gbenga Biobaku & Co., *Investing in Nigeria's Oil and Gas Industry'* Gbenga Biobaku & Co. 2008)

necessary technical standards required for petroleum operations based on international standards among others.[11]The PIA Act provides the responsibility as it provides that NMDPRA is to promote the supply and distribution of natural gas in midstream and downstream petroleum operations and the security of natural gas supply for the domestic market.[12] This is in alignment with the bromidic provision of section 32 (b) (i) of the Act, that gives the authority the power to regulate commercial midstream and downstream petroleum operations which is inclusive of processing and storage of natural gas. Furthermore, the PIA mandates the Authority to encourage third-party investment in facilities and pipelines for midstream and downstream petroleum operations in the country.[13] Thus, the Authority is pivotal to addressing the gas infrastructural deficit in Nigeria through its mandate of facilitating investments in the sector.

Access to Infrastructure and Facilities

In the administration of the mid and downstream sector, it is established that once an entity intends to establish, construct or operate a facility for the processing or storage of natural gas; establish, construct or operate a gas transportation pipeline; or engage in bulk transportation of natural gas by rail, barge or other means of transportation, such entity must obtain a license.[14] The Act further grants licensees, subject to other laws, the right of way to lay, operate and maintain pipelines, communication lines or other lines across the areas a licensee may require for carrying on midstream or downstream gas operation purposes.[15]

Also, by virtue of section 125 (1) (e) it mandates that the operation of a gas transportation network shall be in conformity with the Gas Network Code ("the Code") 2020 already issued by the government.[15] This is a set of rules governing the use of a gas transportation system; a contractual framework between the Network Operator and the Shippers that provides open and competitive access to gas transportation infrastructure.[16] The inclusion of the Code into the PIA serves to provide a transparent standardized framework for gas distribution and transportation, further boosting investor confidence. So, with this institution set forth, gas buying can be more beneficial to the nation.

The PIA further permits third parties to gain access to an openaccess gas transportation pipeline, or gas transportation network to have marketable natural gas transported to points of

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[13]Tade Oyewumi & Akin Iweyin, 'Gas to Power Markets in Nigeria: A Regulatory and Economic Assessment'

(The 9th NAEE/IAEE International Conference, Abuja, Nigeria 2016)

[15]The NGTNC is a contractual framework between the Network Operator and the users that will provide open and competitive access to gas transportation infrastructure in the country.

[16] Kehinde Adegoke, 'The Nigerian Gas Transportation Network Code: Summary and Recommendations' < https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3713980#:~:text=About%20two%20months%20ago%2C%20precisely,guidelines%20for%20gas%20transportation%20in > Accessed on 20 September 2024

[17] Ibid

[18] Ibid

consumption by terms of the Network Code.[17] This grant is to be on a non-discriminatory basis between users with similar characteristics under the Act.

Gas Pricing Mechanism

Moving away from the price structure that has previously discouraged investment in the gas sector, the PIA adopts a gas pricing mechanism that would be overseen by the Nigeria Midstream and Downstream Petroleum Regulatory Authority (Authority).[18]Stakeholders

expressed dissatisfaction in September 2020, claiming that Nigeria's gas pricing system is heavily regulated and has not succeeded in creating an environment that draws in high-caliber private investment. They added that in order to ensure investors receive a fair return on their investment and to increase domestic gas use, the government would have to do a careful balancing act.[19]

The Authority is further required under the Act and annually, in accordance with the Third Schedule to the Act, to ascertain the domestic base price and the prices for the electricity, commercial, and gas-based industries and this is provided for by the provision in section 167(1) of the PIA. The Authority is also mandated to constantly use this authority if it determines that natural gas price control is required. However, an exception comes in when contracts under section 110(2) or 173(2) of the PIA cover the whole domestic gas demand requirement—which is, the total amount of marketable gas needed for all wholesale customers of strategic sectors—the Authority is then not permitted to set natural gas prices. Furthermore, in contracts between lessees and strategic sector wholesale customers or wholesale gas providers servicing the strategic sectors for the delivery of marketable natural gas on a free market basis are covered by the provision of section 110(2) of the Act. The total volume of marketable natural gas for all wholesale clients of strategic sectors is etched in the provision of section 173(2) of the PIA.

The Authority is also tasked with the regulation of the prices charged by licensees in respect of the activities, in a manner which is consistent with its functions under the provisions of the Act and

with the pricing principles set out in section 170 of this Act when it determines that:

a) A particular licensed activity is a monopoly service;
b) Competition has not yet developed in the market to such an extent as to protect the interests of customers; or
c) A particular licensee is a dominant provider.

The guiding pricing principles set out in Section 170 mentioned above are as follows:

(a) Marketable natural gas prices shall be disaggregated into the component elements of the supply chain including the costs of wholesale gas, tariffs for gas processing, tariffs for transportation pipelines for natural gas, distribution and supply; (b) The prices charged for each licenced activity shall reflect the costs incurred in the efficient provision of that activity;

(c) Prices charged shall permit a reasonable return for licensees on their; and prices shall not discriminate between customers with similar characteristics, such as similar size or a similar consumption profile.

The Authority is therefore mandated to consult with licensees, industry participants and stakeholders before trying out a pricing review or establishing a method for regulating prices and revenues earned by licensees who provide monopoly or dominant services in the industry.

Furthermore, since the domestic natural gas market is organically defined by free-market contracts for natural gas between willing buyers and willing sellers based on the standards set by the authority and in accordance with the PIA, which has already been discussed here, the Authority is not authorized to set prices for natural gas. This implies that there is some leeway for organizations to set up rates for the domestic supply and distribution of gas that are investment-friendly and closely aligned with global best practices and this will be discussed under the Gas Pricing and Domestic Demand Regulation, 2023. In order to guarantee that gas prices are competitive and, therefore, permit infrastructure development linked to the profitability of such initiatives.

Gas Infrastructure Fund

The Midstream and Downstream Gas Infrastructure Fund (which will be referred to as "the Fund"), was created by the provision of section 52(1) of the PIA, subject to National Assembly appropriations. The Governing Council of the Fund, is responsible for overseeing and making decisions on its behalf.[16] The Fund is financed by the following sources:

a) 0.5% of the wholesale price of natural gas and petroleum products sold in Nigeria;
b) Grants and funds from bilateral and multilateral organizations devoted to the development of infrastructure in the midstream and downstream gas sector; and
c) Proceeds from gas flaring fines. d) gratuitous contributions or any other amount accruing to the Fund; and
d) Interest that may be paid on funds held in the Fund.[17]

As stipulated in PIA Section 52(10), the Fund's objective is to invest government-owned participation or shareholders an interest in infrastructure that is associated with midstream and

downstream operations through equity and this is inclusive of the gas sector. The objective of this investment is to increase private sector investment in the natural gas sector and to stimulate Nigeria's natural gas consumption by enhancing projects that are partially funded by private sector investment. In doing this, it is believed that gas flaring will decrease and important gas

[19]Uche Val Obi, Ngozi Chinwe Ole and Samuel Uzoigwe, 'Bridging the Gas Infrastructure Gap: The Implementation of the Petroleum Industry Act 2021' < https://www.lexology.com/library/detail.aspx?g=f5944006-9323-400f-b6c6-6ae0494c045d > Accessed on 20 September 2024

[20]Chike Obianwu & Chidubem Okoye, 'Financing Nigeria's Gas Infrastructure Deficit: The Petroleum Industry Act Pathway' Templars, 2023

infrastructure, including pipelines, processing plants, and storage facilities, will be developed more extensively if funds in the Fund, are used as the Act directs for investments in critical infrastructure.[18] Additionally, this will make it easier to distribute and transport gas to previously underserved areas.

Tax Incentive

The provision of section 39 of the Companies Income Tax Act, offers incentives to companies operating in the domestic midstream petroleum, downstream gas, and large-scale gas usage industries as specified by the Act and this is inclusive of companies involved in gas buying in Nigeria. These companies are eligible to receive benefits under the Petroleum Industry Act also. It further stipulates that, at the end of the tax-free period allowed by the provision of section 39 of the Companies Income Tax Act, investors in the gas pipeline will be awarded an extra five years of tax exemption. It is pertinent to note that the main legislation governing how corporations are taxed in Nigeria is the Company Income Tax Act (CITA) and it provides by the provision of section 39 of the Act that:

(1) A company engaged in gas utilisation (downstream operations) shall be granted the following incentives, that is-

(a) An initial tax-free period of three years which may, subject to the satisfactory performance of the business, be renewed for an additional period of two years

(b) as an alternative to the initial tax-free period granted under paragraph (a) of this subsection, an additional investment allowance of 35 per cent which shall not reduce the value of the asset, so however that a company claims the incentive provided under this paragraph shall not also claim the incentive provided under paragraph (c) (ii) of this subsection;

(c) Accelerated capital allowances after the tax-free period, as follows, that is- (i) An annual allowance of 90 per cent with 10 per cent retention, for investment in plant and machinery;

(ii) an additional investment allowance of 15 per cent which shall not reduce the value of the asset;

(d) Tax-free dividends during the tax-free period, where-

1. The investment for the business was in foreign currency; or
2. the introduction of imported plant and machinery during the period was not less than 30 per cent of the equity share capital of the company

interest payable on any loan obtained with the prior approval of the Minister for a gas project shall be tax deductible.

[18] Ogbugo Kalu Ukoha, 'Implementing a Robust Regulatory Framework for Promoting Investments' (Presentation made for the Nigerian Midstream and Downstream Petroleum Regulation Authority)

It is pertinent to note that a company's initial three-year tax-free period under the CITA, commences on the day it is certified by the Ministry of Petroleum Resources to begin production and this period can be extended for a further two years based on successful performance. The PIA improves the likelihood of more private investment in the industry by giving investors in gas pipelines an extra five years of tax exemption, for a total of ten (10) years of tax holidays for gas pipeline investment which is commendable and will improve gas selling and buying in Nigeria.[19] Therefore, since gas pipelines are the main means of distributing and delivering natural gas throughout Nigeria, further investment in them is essential to closing the deficit in gas buying and infrastructure in Nigeria.

Gas Pricing and Domestic Demand Regulation, 2023

The Gas Pricing and Domestic Demand Regulation 2023 was enacted under the watch of the Petroleum Industry Act 2021.

Regulation 1 provides for its objective as:

> To regulate the prices of marketable natural gas of the strategic sectors under the Act; and
>
> Identify the unregulated markets and make provisions for such market.

Hence, by virtue of the objectives of the act, it is the major regulation that deals and relates with gas buying in Nigeria. Beyond the regulatory powers to make this regulation by the NMDPRA as provided for by section 33 of the PIA, this regulation further draws inspiration from the provision of section 167(1) of the PIA Act, which mandates the Authority by the Act and for each year, to determine the domestic base price pursuant to the Third Schedule to the Act, to determine the prices for the power sector, commercial sector and gas-based industries.

Regulation 7 deals with gas pricing classification in Nigeria and it provides for a clear framework on how this should be done. For a better appreciation of the section, it shall be reproduced wholly:

> (1) The pricing classification for natural gas markets in Nigeria shall be in accordance with the Second Schedule to these Regulations.
>
> (2) Regulated prices shall only relate to marketable natural gas sold in the regulated domestic market as provided for under regulation 5(3) of these Reevulations.
>
> (3) Sales of raw gas by a producer or licencee of a gas conditioning plant, shall be at unregulated prices and shall be either fice market prices or transfer prices.
>
> (4) Unregulated prices for marketable natural gas shall include free market prices and transfer prices.
>
> (5) Unregulated free market prices for marketable natural gas shall apply to (a) sales to wholesale customers of the strategic sectors who are not customers of the domestic gas aggregator ; (b) wholesale customers

[19] Gabriel Ogunjemilusi, 'Petroleum Industry Act (PIA): A New Fiscal Framework for the Taxation of Oil and Gas Industry' < https://portal.citn.org/wpcontent/uploads/2021/11/PIA-PRESENTATIONGabriel-OGUNJEMILUSI-1.pdf> Accessed on 20 September 2024

of sectors, other than the strategic sectors ; (c) independent gas retailers; (d) gas distributor; (e) exporter; (f) lesees; (g) wholesale gas suppliers.

By this, it is clear that there are two types of pricing structure under the regulation: regulated price and unregulated price. While regulated price deals with marketable natural gas in the domestic market, unregulated price deals with the sale of raw gas by the producer or licencee of a gas conditioning plant and this can be done either at a free market price or a transfer price.

Also, the while the provision of regulation 8(1) stipulates that the domestic base price for natural gas shall be based on the export parity price and any adjustment to price shall be based on the energy content in the gas, may supply the domestic market at lower prices. It further provide by the provision of regulation 8 (2) that the domestic price be determined by the Authority on the 1st of April each year and this should be lower than the export parity price or the domestic gas supply price.

Following this, a new Domestic Base Price (DBP) for natural gas was officially announced by the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) on April 1st, 2024. The price was set at $2.42 per million Metric British Thermal Units, (MMBTU) and this was is in compliance with the regulations and the Petroleum Industry Act (PIA), which require the regulator to declare a DBP on a yearly basis.[20]

International gas price is provided for by regulation 9 (1) of the Regulation, wherewith the authority shall determine and publish on the average, the cost average of similar natural gas in emerging countries that are significant producers of natural gas. In aligning the domestic base price with the international gas price, the provision of regulation 8(9), provides that wholesale price of gas shall not be higher than the average international gas price which has been published by the Authority.

The regulation, by the provision of regulation 27, revoked the National Domestic Gas Supply and Pricing Regulations, 2008, which was enacted to support the implementation of the NGMP. These regulations establish the framework for domestic gas supply obligations and the pricing regime for gas used in domestic industries.

In conclusion, there are other laws that deal with gas administration in Nigeria like the Flare Gas (Prevention of Waste and Pollution) Regulation, 2018 which prohibits the flaring of associated gas and promotes gas commercialization.[21] The regulation encourages companies to capture associated gas for sale or use in domestic markets rather than flaring it, which aligns with Nigeria’s goals of reducing environmental pollution and maximizing gas utilization.

Regulatory Authorities in the Gas Sector

Several key regulatory bodies are responsible for overseeing gas buying and related activities in Nigeria. These agencies ensure compliance with laws, facilitate transactions, and regulate market behavior.

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[20] Ralp Malix Legal Consult, ‘Impact of the New Pricing of Natural Gas for the Nigerian Domestic Gas Market’ < https://www.linkedin.com/pulse/impact-new-pricing-naturalgas-nigerian-domestic-rjb2c/> Accessed on 20 September 2024

Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) Under the PIA, the NMDPRA is tasked with regulating activities in the midstream and downstream segments of the oil and gas industry. This includes overseeing gas processing, transportation, distribution and retail. The NMDPRA plays a central role in regulating gas sales and ensuring that buyers have access to gas at fair and transparent prices. Following its mandate by the provision of section 33 of the PIA Act, the NMDPRA published the Gas Pricing and Domestic Demand Regulation, 2023 which governs and administer gas buying in Nigeria. Overtime, the NMDPRA power to make regulation has been challenged.

The Federal High Court in *IHS Nigeria Limited (IHS) and INT Towers Limited (INT) v Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)*[22] held that according to Sections 125(3) and 174(3) of the PIA, the NMDPRA has extensive authority to impose and collect levies on petroleum products sold in Nigeria; establish regulations that control the management of midstream and downstream petroleum operations and to require the execution of additional activities that require a license or permit; this draw closely with the NMDPRA powers to issue license and make regulations with regards to gas buying in Nigeria.[27]

Gas Aggregation Company of Nigeria (GACN)

As the "Strategic Aggregator" for the Nigerian domestic gas market and the means of putting the Nigerian Gas Master Plan into action, Gas Aggregation Company Nigeria Limited ("GACN"), was incorporated in January, 2010, in response to the National Domestic Gas Supply and Pricing Regulations, 2008 (the Regulations).[21]The enactment of the Petroleum Industry Act, 2021, which requires the domestic gas aggregator to oversee and support the implementation of the Domestic Gas Delivery Obligation (previously known as the Domestic Gas Supply Obligation), with the aim of improving natural gas utilization in Nigeria, further solidifies GACN's strategic position.[22] The GACN is a key player in the domestic gas market, acting as an aggregator that matches gas buyers with sellers. It was established under the Nigerian Gas Master Plan to facilitate the sale of natural gas to the domestic

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21 Regulation 1 of the Flare Gas Regulation

22 Unreported; Abdullahi Jimoh 'Landmark Ruling Upholds NMDPRA's Control Over Petroleum Levies' (12 February 2024) <https://newscentral.africa/landmark-rulingupholds-nmdpras-control-over-petroleum-levies/> Accessed on 20 September 2024 27 KPMG, 'FHC Affirms the Power of the Nigerian Midstream and Downstream Petroleum Regulatory Authority to Impose and Collect Authority Fund and Midstream and Downdstream Gas Infrastructure Fund Levies from Telecommunication Infrastructure Service Companies' < https://assets.kpmg.com/content/dam/kpmg/ng/pdf/2024/02/FHC%20affirms%20the %20power%20of%20the%20Nigerian%20Midstream%20and%20Downstream%20Petrol eum%20Regulatory%20Authority%20to%20impose%20and%20collect%20Authority%2 0Fund%20and%20Midstream%20and%20Downstream%20Gas%20Infrastructure%20Fu nd%20levies.pdf> Accessed on 25 September, 2024

21 N. Odizuru Abangwu & V. I. Okoronkwo, 'The Strategic Aggregator and Secularization of Gas Sale Agreements –The Nigerian Experience' (Paper presented at the Nigeria Annual International Conference and Exhibition, Abuja, Nigeria, July 2011)

22 S. 153 PIA Act

market.[23]According to section 153 of the Petroleum Industry Act, 2021, *"the authority may, upon approval of an application and payment of prescribed fees, grant and issue a domestic gas aggregation* licence*.* This was stated by Mr. Farouk Ahmed, the Chief Executive Officer of NMDPRA, when speaking about the license to GACN. He therefore justified GACN license by stating further that:

> In accordance with the aforementioned, GACN's application for a domestic gas aggregation license was granted following careful evaluation and after all legal requirements were met.
> The GACN coordinates gas supply agreements and ensures that domestic buyers, such as power plants and industrial users, have access to adequate gas supplies.

Challenges and Recommendations in the Gas Buying *Regime*

Despite the innovations introduced by the PIA Act and the Regulation which have both been discussed elaborately in this work, there are challenges which have being identified and recommendations also duly suggested, that would remedy some hiccup.

Challenges and Recommendations in the Gas Buying *Regime*

Despite the progress made in regulating the gas market, several challenges still exist with both the legal and regulatory framework and they will be discussed alongside relevant recommendations in this segment.

1. Infrastructure Deficit

It is noted that a lack of adequate infrastructure, such as pipelines and gas processing facilities, limits the ability of buyers to access gas, particularly in remote areas. Critical to bridging the gas infrastructure is investor confidence, especially foreign investors. It is with this situation that foreign investment will aid in bridging the gas infrastructure gap if better policies and an enabling environment are in place to attract foreign investment.[24] However, with proper and maximum implementation of the above provisions of the Act which has been discussed here by the relevant regulatory authorities, the provisions of the Act, will become extinct and the deficit in the gas infrastructure will be remedied. The Gas Infrastructural Fund is largely constrained with regards to the availability of funds in it to the extent that only few companies have benefitted from it. Therefore, relevant actors in the gas industry, must rise to the occasion and ensure the timely implementation of the provisions of the PIA.

2. **Pricing Issues**

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[23] The Nigerian Gas Master Plan was devised as a major interventionist concept to move the gas sector from its essentially dormant status in 2006 to a market-based system with willing sellers and willing buyers, realising the full potential of the sector for the benefit of all Nigerians.

[24] Gibson Okorafor, Chikezie and Esther Oladejo, 'Infrastructure Development and Maintenance in the Oil Producing Areas of Southern Nigeria: Implications, Options and Challenges' *International Journal of Advanced Scientific Research (2017) (2) (1)*

Gas pricing, especially for domestic buyers, remains a contentious issue in the industry. While market-based pricing is encouraged, there are concerns about affordability for key sectors like power and industry, which is not quite suited for. In the Nigerian gas sector, Gas pricing influences the profitability of gas production, distribution, and consumption, impacting all stakeholders, from producers to industrial consumers and power plants. This has been a major challenge in the oil and gas industry over the years in developing countries.[25]

It should be noted also that the pricing for gas in Nigeria is both regulated and unregulated (market based pricing) and this has been discussed. However, this often conflicts and creates concern for introspection into how both pricing system can be harmonized and if possible, a clearer framework be brought forth.[26]

3. Contractual Disputes
Contractual disputes in gas buying are common in Nigeria's oil and gas sector due to the complexity and high-stakes nature of gas transactions. These conflicts can arise from disagreements over terms, pricing, delivery, and regulatory compliance. Given Nigeria's status as a major gas producer with one of the largest reserves globally, gas contracts involve significant financial investments and operational logistics and this can come with huge burden.[27]

Disputes arising from gas sales agreements, particularly relating to price reviews, delivery schedules, and force majeure events, continue to pose challenges for both buyers and sellers. Therefore, it is recommended, through the perusal of this work, that the extant laws should be modified to capture this situation and ensure a stronger bulwark to mitigate disputes.

Conclusion

The legal regime governing gas buying in Nigeria has evolved significantly, with key legislation such as the Petroleum Industry Act, Gas Pricing and Domestic Demand Regulation, 2023, and associated regulations providing a framework for the development of the domestic gas market in the country. While challenges remain, particularly in infrastructure and pricing of gas in the industry, the opportunities for growth in gas utilization and commercialization are enormous and this should be explored. As the Nigerian government continues to implement reforms in the sector, the gas buying market, is expected to become more competitive, transparent, and accessible to a wider range of consumers.

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[25] Sanjeev Gupta, Benedict Clements, Kevin Fletcher and Gabriele Inchauste, 'Issues in Domestic Petroleum Pricing in Oil-Producing Countries' (IMF Working Paper, 2002)

[26] Ibid

[27] Enobong Mbang Akpambang & Omolade Adeyemi Oniyinde, 'Oil and Gas-Related Disputes Resolution: Trajectory under the Nigerian Petroleum Industry Act 2021' *American International Journal of Contemporary Research* (2022) (12) (2)