

Nigeria Oil and Gas Upstream Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 95 pages | Mordor Intelligence

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Report description:

The Nigerian oil and gas upstream market is expected to register a CAGR of more than 2.0% during the forecast period (2022-2027). The COVID-19 outbreak caused several disruptions in oil and gas production worldwide. There was a drastic reduction in oil demand from countries in Europe and Asia, which are the significant buyers of Nigeria's crude oil. For example, Nigeria had over 50 stranded cargoes of crude oil and 12 cargoes of LNG that were unable to find buyers due to low demand, which negatively impacted the government's revenue profile. Factors such as an anticipated recovery in demand for oil and gas, development of gas infrastructure, and governmental push toward increasing exploration and production activities in the country are expected to aid the market's growth. On the flip side, political instability and large-scale corruption are expected to restrain the market's growth.

Key Highlights

The development of gas infrastructure in Nigeria will drive the commercialization of the gas already being flared. It is also expected to attract investments in the gas reserves that are currently underdeveloped.

The government has instigated reforms in the sector, including new laws expected to provide opportunities for the market players.

The offshore segment is expected to dominate the market during the forecast period, as Nigeria's offshore oil and gas industry continues to expand albeit not very fast, thus opening more market opportunities.

Nigeria Oil & Gas Upstream Market Trends

Growing Investments in Gas Infrastructure to Drive the Market

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Nigeria is one of Africa's significant oil and gas producers, accounting for about 26.1% of oil and 21.3% of gas production in the region as of 2020. The country's gas production increased to 49.4 billion cubic meters in 2020, from 47.6 billion cubic meters in 2015.

The country is investing heavily in the gas infrastructure. The government plans to become an export hub in Africa by exporting to regional countries and other Asian countries, like India and China. Nigeria's net exports of natural gas are 33 billion cubic meters (bcm). They are expected to increase to 44 bcm by 2030, which will direct the investments toward developing gas infrastructure in Nigeria.

The country has significant domestic demand for gas, mainly from the power sector. The gas-fired power plants in the country are consistently under-utilized due to a lack of uninterrupted gas supply. The country also has a potential domestic demand from the commercial, residential, and industrial sectors. The Nigerian government aims to tap into this potential by building a country-wide gas distribution network.

New gas discoveries in the country may also support the development of gas infrastructure. For instance, in June 2021, the Nigerian Minister of State for Petroleum announced that the country accidentally discovered 206 trillion cubic feet of gas reserves.

The development of gas infrastructure is expected to drive the commercialization of the gas that is already being flared and attract investments in the gas reserves that are currently underdeveloped.

Offshore Sector to Witness Significant Growth

Nigeria's offshore oil and gas industry is expanding slowly, opening more market opportunities. Nigeria's offshore exploration and production activities are mainly driven by the government's efforts to provide critical incentives and supporting policies to unlock the investment opportunity and a growing list of international oil and gas companies interested in exploring alternative fields to replace the maturing offshore producing sites.

In recent years, crude oil production in Nigeria declined due to a lack of investments in the oil and gas sector. In 2020, Nigeria produced 1,798 thousand barrels per day (BPD) of crude oil. However, due to increasing developments in the offshore industry, oil and gas production is expected to rise in the coming years. For instance, OPEC (Organization of the Petroleum Exporting Countries) announced that crude oil production in Nigeria increased by about 2.55 million barrels in November 2021.

In 2019, the China National Offshore Oil Corporation mobilized a USD 3 billion investment and the USD 14 billion already spent on its existing oil and gas operations in the West African country. A large share of this investment goes into the operations in Nigeria. One of the most ambitious ultra-deep offshore projects is the Egina oil field in water depths between 1,400 and 1,700 meters. TotalEnergies SE projected that the oil field is expected to peak at 200,000 barrels/day.

Additionally, in 2020, the Nigerian state oil company NNPC and First E&P announced the start of oil production at the Ayala oil field. The shallow offshore field is in Oil Mining Leases 83 and 85 and will have peak production of 60,000 barrels per day, as per NNPC.

The country's offshore industry has been specifically hit due to the COVID-19 pandemic. The overall reduction in the number of rigs in Nigeria's oil and gas basins did not recover till January 2021. However, the OPEC countries have been creating a supply shortage, which may aid in reviving the growth in the sector and support the offshore sector in the coming years.

Since 2008, the Nigerian government has been trying to pass the Petroleum Industry Bill (PIB). The country lost billions of dollars of investments due to the failure to pass the bill. One section of the bill was finally passed in 2019, as the Petroleum Industry Governance Bill (PIGB). Under this bill, the oil sector will be restructured, including the national oil company, the oil and gas regulator, the Department of Petroleum Resources (DPR), and the Nigerian National Petroleum Corporation (NNPC), which will become the National Petroleum Company (NPC), a fully commercial integrated entity. This reform is expected to drive the Nigerian offshore oil and gas upstream market.

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Nigeria Oil & Gas Upstream Market Competitor Analysis

The Nigerian oil and gas upstream market is mainly dominated by government-owned companies. Private companies operate in joint ventures and collaborations with NNPC, the national oil company of Nigeria. Some of the key players operating in this market include the Nigerian National Petroleum Corporation (NNPC), Royal Dutch Shell PLC, Chevron Corporation, ExxonMobil Corporation, and TotalEnergies SE.

Additional Benefits:

The market estimate (ME) sheet in Excel format
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