

Nigeria Oil and Gas 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 market is expected to register a CAGR of more than 4.5% during the forecast period. The COVID-19 pandemic has significantly hampered the growth of the market, mainly due to global oil and gas demand contraction and global economic slowdown. The outbreak of COVID-19 led to the crude oil price crash in April 2020, leading to a significant reduction in CAPEX spending by oil and gas companies globally. The country's national oil and gas companies were already struggling with liquidity and cash shortage, and due to the outbreak of COVID-19, the situation has further deteriorated. However, factors such as increasing investments in the upstream sector and the development of large-scale and modular refineries in the country are expected to drive the country's oil and market during the forecast period. Oil and gas production has been hampered in Nigeria in the past few years due to the attack on oil and gas infrastructure by militants. Furthermore, oil theft has been one of the major issues faced by the oil and gas market in Nigeria, which resulted in huge losses to operating companies in the country. Such factors are expected to have a negative impact on the market growth during the forecast period.

The upstream segment in the market is expected to witness significant growth, owing to the increasing offshore exploration and production activities which are mainly driven by the efforts of the government to improve the country's hydrocarbon industry.

Lack of infrastructure, uncertainties in regulations, and security concerns have led Nigeria to underutilize its refining capacities, thereby pushing the country to become a net importer of refined petroleum products. However, Nigeria is on the edge of altering refined products' supply dynamics in the region with the help of the upcoming Dangote Refinery, and it is expected to become the regional refining hub in the coming years. Once completed, the country is planning to become the refinery hub in Africa. This, in turn, is expected to attract foreign players to tap into the country's downstream market, creating several opportunities in the future.

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The increasing investments in natural gas infrastructure, owing to the country's huge gas reserves and its advantage as a clean fuel, are expected to drive the market during the forecast period.

Nigeria Oil & Gas Market Trends

The Upstream Segment Expected to Witness Significant Growth

Nigeria is one of the largest countries in terms of proved oil and gas reserves in Africa. As of 2020, proved crude oil and natural gas reserves in Nigeria reached 86.9 million tons and 49.4 billion cubic meter (bcm).

The country produces low-sulfur content crude oil, which has a high global demand pertaining to the need for reduction in sulfur content in the products processed by the worldwide refiners.

The demand for the crude oil produced in Nigeria, which has low sulfur content, is expected to rise sharply during the studied period as the global shipping industry adapts to the International Maritime Organization's new 0.5% global bunker sulfur cap, which came into force on January 1, 2020. The Nigerian upstream market is expected to get significant investment, owing to increased demand for low sulfur content crude with IMO implications coming into effect.?

Also, a few recent developments are likely to add to the growth of the market. For instance, in November 2020, FIRST E&P and state-owned Nigerian National Petroleum Corporation announced that the Oil production from Nigeria's Anyala West field, located in the shallow offshore blocks of OML 83 and 85, had commenced.

Therefore, owing to the above points, the upstream sector is expected to witness significant growth during the forecast period.

Growing Investments in Natural Gas Infrastructure are Expected to Drive the Market

Nigeria is one of the largest and oldest oil producers in Africa. The oil and gas sector is one of the most important sectors in the country's economy, accounting for more than 90% of the country's exports and 80% of the federal government's revenue.

The country is the ninth-largest in terms of global gas reserves, with over 193.3 Tcf, but it has not started up any new gas projects recently.

As of 2020, Nigeria had the largest oil and gas reserves in the African region, with around 37 million barrels of crude oil (36,910) and 5.5 trillion cubic meters of gas.

The country plans to become an export hub in Africa by exporting not only to regional countries but also to other Asian countries, like India and China, where the gas demand is anticipated to increase in the coming years.

Furthermore, 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 the lack of an uninterrupted gas supply. The country also has a potential domestic demand from the commercial, residential, and industrial sectors. By building the country-wide gas distribution network, the Nigerian government aims to tap into this potential.

Moreover, the country is investing heavily in LNG facilities, gas processing facilities, and gas pipeline projects. The expansion at the Bonny LNG plant is expected to add 35% more LNG capacity to the country. With this, the Nigeria Liquefied Natural Gas (NLNG) Limited plans to invest USD 7 billion in the Train-7 project, which would expand its production capacity to 30 mtpa making Nigeria the 3rd largest exporter of gas in the world after Qatar and Australia.

Therefore, owing to the above points, the growing investments in natural gas infrastructure are expected to drive the country's oil and gas market during the forecast period.

Nigeria Oil & Gas Market Competitor Analysis

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The Nigerian oil and gas market is moderately consolidated. Some of the major players operating in the market include Nigerian National Petroleum Corporation (NNPC), Shell PLC, TotalEnergies SE, Chevron Corporation, and Exxon Mobil Corporation, among others.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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