



W'African Gas: Countries to Review Operational Pact Oct

From Onyebuchi Ezigbo in Accra, 09.10.2008

Participating countries in the West African Gas Pipeline Project (WAGP) Nigeria, Ghana, Togo, Benin and Ivory Coast - will be meeting in Abuja, Nigeria's capital, next month with a view to reviewing the commercial agreement as well as set a new code of conduct guiding the operation of the joint venture gas deal.

The plan to engage in further talks came on the heels of a revelation that the planned test-run of the pipeline infrastructure in Ghana has been put on hold because of the inability of the authorities of WAGP to secure the supply of dry gas from Shell facility in Nigeria.

The Director of Operations at the WAGP headquarters in Abuja, Mr. Magbonde Le'once, provided an update on the implementation of the ambitious multi-billion dollar gas distribution project at an energy investment and access workshop taking place in Accra, Ghana.

He said the meeting would among other issues seek to consider the inclusion of code of conduct that would guide parties in the joint venture in the course of the implementation of the project.

What came to the fore as the workshop progressed were signs of growing apprehension by the countries of the sub-region especially those involved in the WAGP project that developments within Nigeria's domestic oil and gas industry and the emergent issues in the power sector might indeed affect the gas supply agreement to WAGP.

Le'once said the WAGP countries were going to engage in discussions to amend the agreement to introduce measures to ensure strict observance of the terms of the agreement and greater commitment of parties to the implementation of the project.

"We are planning a meeting of the participating countries next month to consider introducing mechanisms to guard against failure by any party to comply with the provisions of the collaborative venture. We have to introduce the principles because in the present agreement, there is no penalty and people are doing what they want and there is apparently no commitment to the provisions of the agreement," he said.

Also, up for review at the proposed meeting is the code of conduct, which will be looked into by a review committee. Apart from the shortcomings in the commercial agreement, the Director said there would be a review of the technical aspects of the project to march the expected standards in the industry.

He said most part of the pipeline project from Lagos to Takoradi had been completed but that actual test-run of the facility was being held up by wetness of gas from the Shell facility in Nigeria.

He added that about 25mcf supplied through the pipeline from Nigeria contained gas wetter than the standard required for under the WAGP agreement.

He said WAGP had taken steps to address the delay occasioned by the non supply of substandard gas, by getting Shell to install facility that would help reduce the moisture in the gas.

Also contracts have been awarded to two companies, DBN and Zakeem, to ensure the completion of a compression station in Lagos and an off-shore pipeline to Ghana.

Explaining the delay, he said authorities of WAGP recently discovered that Shell, which was supposed to ensure the quality of gas piped did nothing in that direction.

However, the company (Shell) has agreed to set-up facilities to reduce the wetness of gas, which will be completed by this month.

"The pipeline to Takoradi is completed but there is a delay in building the gas compression station in Lagos, which will help to power the required volume of gas put at 130m cubic feet. We have decided on one option, that is to fast-track the completion of compression station. When the station is built, it will make it possible to deliver about 130mcf to Ghana, Benin and Togo and later we can meet the full capacity of 474m cubic feet", he said.

However, there were palpable signs of fear and apprehension on the part of other West African neighbours co-participating with Nigeria in the WAGP project over the possibility of adequate gas supplies from Nigerian gas companies.

The contractor handling part of the contract at the Lagos end of the pipeline was said to have abandoned the site after failing on several occasions to fulfil its contractual obligations.

The Director said in a bid to complete the project with minimum delay, the authorities had decided to re-award contracts for the execution of the gas compression station abandoned by Wilbros in the Lagos area to another firm DBN while Zakeem takes up the completion of construction work along Benin, Togo and Ghana axis.

He explained that four contractors were given the job to execute different aspects of the project but that while other contractors in charge of on-shore construction work, laying of pipeline and supply of the pipes, delivered on targets, Wilbros failed to do its own bit.

He said Wilbros' performance was poor and that it kept coming up with requests for review of contract cost, which WAGP authorities would not approve and it abandoned the project in June 2008.

"WAGP has appointed two new contracting firms, DBN and Zakeem, to handle the completion of the Compression Station in Lagos and the other on-shore work in Benin, Togo and Ghana. We are planning a meeting of the participating countries next month to consider introducing penalties for failure by any party to comply with the provisions of the collaborative venture," he said.

Le'once said WAGP was considering using free-flow operations for getting the required volume of gas across to the participating countries.

"We should have started this 'free-flow' since June but because of the poor quality of gas. The gas we are delivering to WAGP is mixture of gas from Chevron and Shell, which results in high water content in the gas. Chevron is producing dry gas from Escravos while the gas from Shell is wet," he said.

The official said Shell has put in place facilities to rectify the anomaly, adding that right now the quality had improved from 25mmcf of water content to about 11mmcf.

He said though Shell had tried to reduce the water content in the gas from its facility, but the second problem was that there had been a lot of water deposited along the pipeline system between the Escravos and Lagos.

He added that a process of pigging the pipeline has commenced with Shell, which would clean-up the pipeline network system from Escravos to Lagos.

Speaking on the appropriate gas pricing as it relates to gas supplies under the WAGP, Le'once said a price tag of \$7 per cubic feet of gas had been fixed with gas companies.

"The framework of the West African Gas Pipeline Project, the states of Nigeria, Ghana, Togo, Benin and Ivory Coast as represented by the WAGP authority agreed on a tariff methodology with the owner of the pipeline which is WAPCO and the price hovers between \$7 and \$8 per cubic feet of gas.

"According to the tariff arrangement, we can calculate the transportation cost from the supplier point to the user end which is added to the commodity price at the production stage to arrive at the final gas price," he said.

In order to get the delivered gas price, he said: "you must know the commodity price in Nigeria as fixed by the producer company, the transportation cost through the Escravos pipeline and then the cost of transporting it through the WAGP pipeline facility."

Part of the constraints facing the sub-region in the area of achievement of stability in the energy sector as captured by discussants at the workshop was the problem of low level of commitment to do what is required to maximise the application of the huge energy resource endowment within the confines of the region.

The Head of Energy Division of the Economic Community of West African States (ECOWAS), Mr. Mahama Kapia, said the sub-regional body was at present taking proactive steps to mobilise resources and policy measures to ensure maximum exploitation of the energy potential of the countries in the economic bloc.