Making Gas Commercialization Projects Bankable

TheAfrican CATALYST

GAS INVESTMENT FORUM
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SECTION 1

Making Gas Projects Bankable

Why Gas Commercialization Projects are NOT happening in Nigeria

Nigeria still requires approximately $10.5 billion annually to develop the gas infrastructure needed to unlock its full energy potential.

This is because of the complexity of the process involved in setting up Large scale Gas Commercialization Project

Unlike technology startups that can demonstrate progress through a quick MVP, large-scale gas commercialization projects demand sophisticated interfacing and coordination across financial, tax, legal, and corporate management structures.

Gas infrastructure is not built on code or prototypes, it is built on vision, commitment, and meticulous documentation!

The Challenge

- The **challenge is that Large Scale Early-Stage Investors do not have the right mechanism to source the right deals and to provide investment facility.**

- **The selection process does not provide the mechanism** to attract the right **"Gas Infrastructure developers" with necessary knowledge and skills-set to run the project till closure.**

- Other facets of the problem include, **Inexperienced Project developers, the Early-Stage Financing Gap and high Project Failure Rates.**

Inexperienced First-time Gas Project Sponsors

There are a several first-time project sponsors in Large Scale Projects that are active in Gas project development and generally lack the experience to anticipate the many challenges, risks, and extended development cycles associated with these projects.

Infrastructure project development is filled with non-traditional project developers. These constitute local entrepreneurs and/or companies without infrastructure-building experience and often have limited capital resources.

Source: World Bank Journal 2015

This group of project developers generally underestimate and/or tend to be **unprepared for the risks associated with executing the early development stages of Gas infrastructure projects.**

This invariably leads to a **mismatch of risk and reward, effort and expectations.**

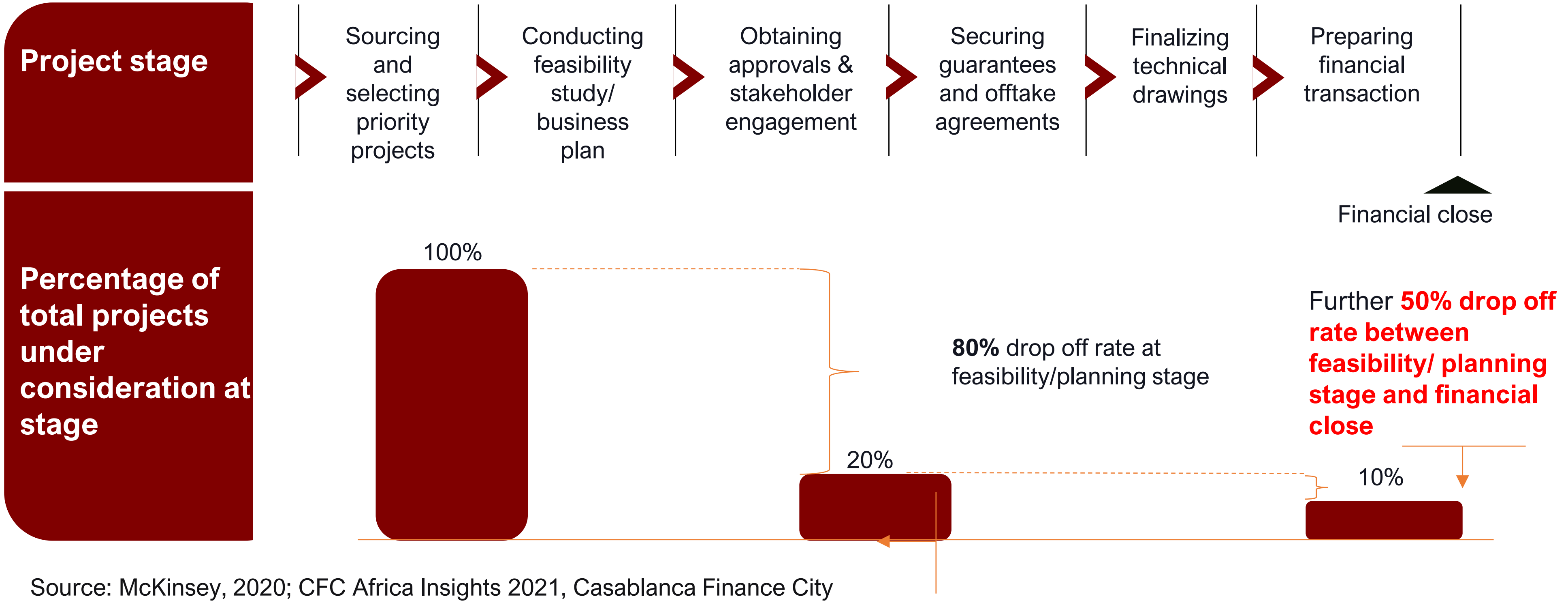
Problem Statement

High Project Failure Rate before Financial Close

According to data collected by McKinsey in 2020, and visualized in the diagram below, about 80% of infrastructure projects in Africa are abruptly aborted at the feasibility and business-plan stage.

Although there are substantial private funds increasingly looking to Africa, investors prefer safe long-term investments and tend to avoid investing in early-stage infrastructure development in Africa.

Combined with the inexperience of most project developers in dealing with rapidly evolving policy environments and other risks, this absence of capital leads to a high rate of failure of infrastructure development projects in Africa.



Source: McKinsey, 2020; CFC Africa Insights 2021, Casablanca Finance City

Problem Statement

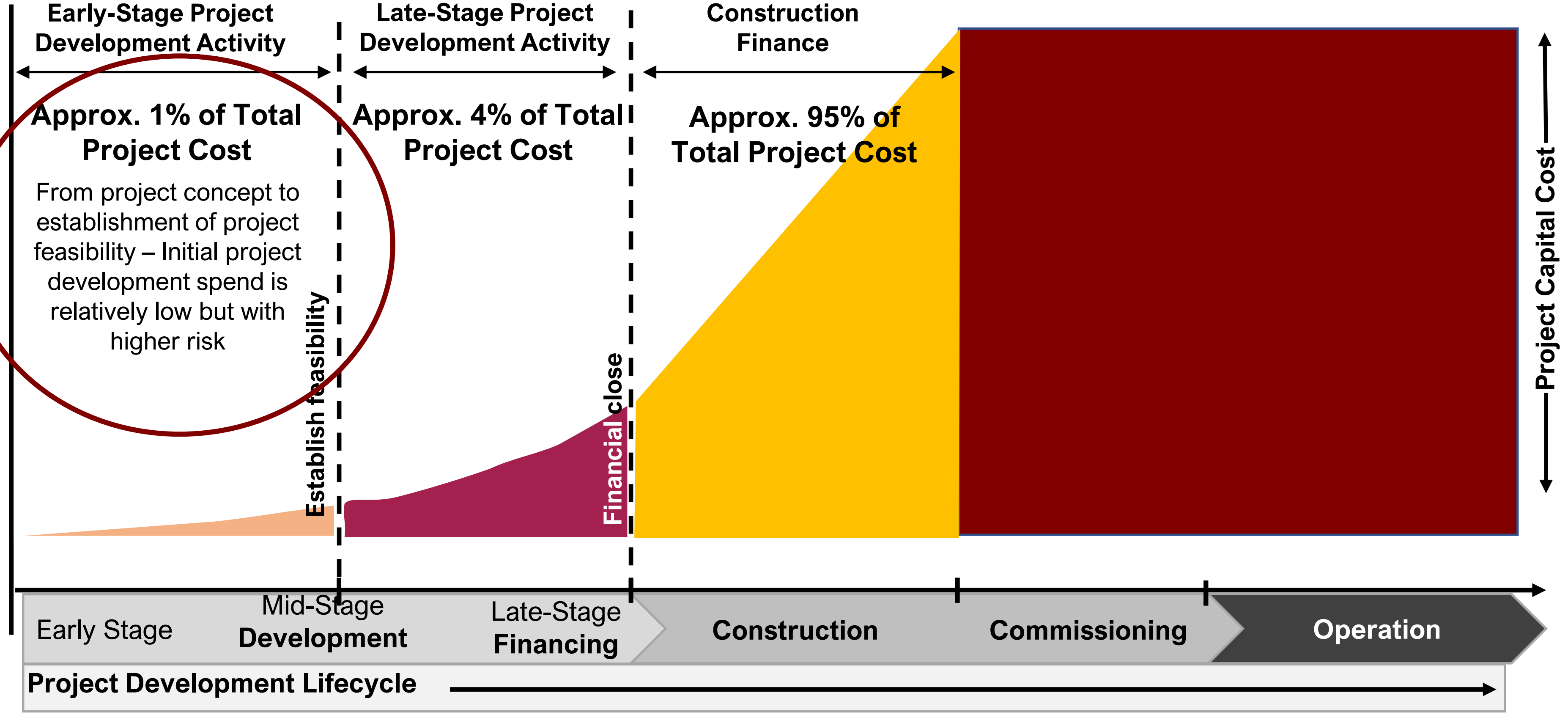
The Early-Stage Financing Gap

Its well understood that the investment requirements are modest at the early-stages of project development, however, third-party financing remains almost non-existent, leaving the financial burden to the project developers themselves, family & friends and believers.

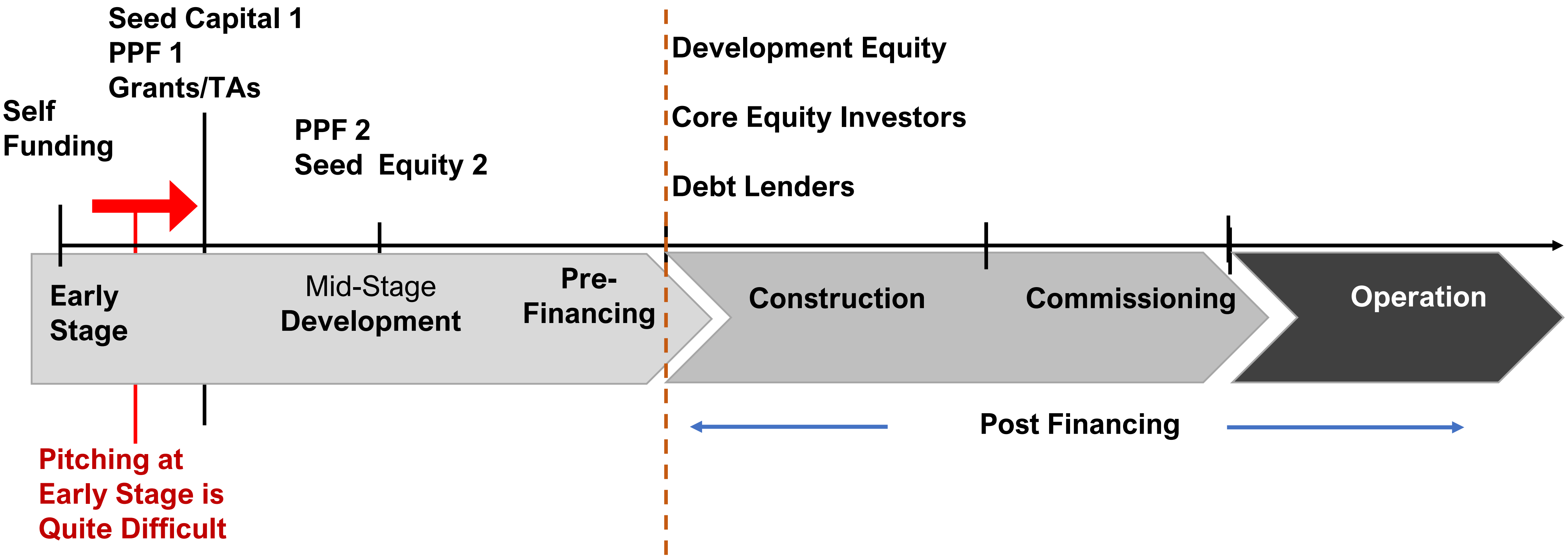
Early-stage project preparation is the point of highest risk in the project development cycle, as it is the farthest point from the project's actual implementation.

The costs incurred during this stage would typically be in the range of US$0.5-1.5 million depending on the project scope, scale and complexity.

Although, the amounts of financing required for the early stage forms a small proportion of the total project cost, the risk involved deters investors.



Pitching Infrastructure at Early-Stage



1 Conceptual / Feasibility Stage

2 Pre-Front-End Engineering Design (Pre-FEED) ⟷ 4 Detailed Engineering Design (DED) ⟷ 5 Construction, Commissioning & Handover

3 Front-End Engineering Design (FEED)

How we intend to Bridge the Gap

We intend to start bridging the gap using the **Capacity Development Programme for Early-Stage Investment Readiness in Large Scale Projects**

1. A **low-cost Open Learning Programme for building capacity of locally based project sponsors.**
2. To provide substantial infrastructure expertise for Project Sponsors to understand **project preparation, financial structuring and have a workable development plan** for the project sponsor to be taken seriously within the investment community.
3. To use the Open Learning programme as a basis of selection for early-stage investors to single out **projects that have traction, show bankability and a sponsor team that can raise pre-development capital**.

Introduction

The African Catalyst: Overview

We are focused on Accelerating Early-stage Investments in Infrastructure through Capacity Building, Investment Readiness and Ecosystem Development

The African Catalyst's mission is to be **Africa's Largest platform engagement, facilitation and deployment of Early-Stage Infrastructure investments in Africa**

Our Three (3) main areas of Impact for Early-Stage Infrastructure Investments includes

a) Capacity Building
b) Investment Readiness
c) Ecosystem Development

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Why Gas Commercialization Projects?

- Gas commercialization plays a vital role in reducing the release of methane and other harmful greenhouse gases into the atmosphere. Methane is a potent greenhouse gas, and by capturing and utilizing flare gas, emissions can be significantly minimized, supporting climate change mitigation efforts.

- Rather than allowing this gas to be flared and wasted , it can be **harnessed for various productive uses such as power generation, industrial application, and even local community projects.**

- Balancing economic development with environmental sustainability remains a major challenge. It is imperative for the sector to embrace change, adopting innovative approaches and fostering sustainability for resilient growth in the industry.

- Gas commercialization represents a promising pathway toward low-carbon infrastructure. It produces fewer carbon emissions than traditional systems and contributes to climate resilience particularly in vulnerable countries by reducing exposure to the impacts of extreme climate events.

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Why Gas Commercialization Projects?

The Early-Stage Investment Readiness for Gas Commercialization Projects focuses on the following

Gas Processing/Gas to Power

Purify the captured gas for sale to third parties to Substitute higher-cost fuels, such as gasoline and diesel currently being used in captive power generation.

Gas to Energy Fuels

Converted to CNG or LNG depending on the relative prices of liquefaction and could be transported through virtual pipelines.

Gas to Liquids

Convert captured gas into longer-chain hydrocarbons, such as GTL fuel (GTL naphtha, GTL normal paraffin, GTL gasoil and GTL base oil) or Petrochemicals or Fertilizers

Making Gas Projects Bankable

Our Approach to Bankability

We approach project bankability using the **Brickstone Project Bankability Framework**

1 Predictable Cashflow

2 Construction and Operations

3 Governance and Sustainability

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SECTION 3

Gas Pitch Projects

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Gas Pitch Projects

A – Gas Processing Facility, Ondo

B – 2.0MMTPA Urea Fertilizer Plant, Ondo State

C – 10MMSCF/D LCNG Station, Ogun State

D – CNG Mother Station, Lagos/ Ogun State

Project A

Gas Processing Facility, Ondo State

Project A

Gas Processing Facility, Ondo State

Project Summary

Project Alpha is developing a fully integrated gas monetization project in Ondo State, Nigeria, which the project sponsor currently intends to supply Gas to a Free Trade Zone in Ondo State as well as a Fertilizer Plant

Project Status:

- Currently Negotiating a 15-year Gas Sales and Purchase Agreement (GSPA) for 10
- Project site and EIA approval
- Detailed feasibility studies and OEM quotations

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Project A

Gas Processing Facility, Delta State

Transaction Overview and Terms

To bring this project to fruition, Project Alpha seeks to **raise $65 million through a mix of debt and equity:**

Total Project Cost:	US$ 45 million
Early Stage Requirement:	US$ 0.5 (US 500,000)
Debt Tenor:	7 years
Revenue Drivers:	Gas offtake into Free Trade Zone
Repayment Source:	Contracted gas and energy offtake
Security Package:	Asset lien, cashflow lockbox, GSA/, State Government guarantees

Project Sponsor

The **Project Sponsor is a pure play early stage backed player in Advancing the Africa's transition to Alternative Fuel Options**

Together, they offer a powerful blend of technical execution and commercial strength to deliver bankable gas-to-power solutions.

This project focuses on **purifying the captured gas for sale to third parties to Substitute higher-cost fuels, such as gasoline and diesel currently being used in captive power generation**

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Project B

2.0MMTPA Urea Fertilizer Plant, Ondo State

Project B

2.0MMTPA Urea Fertilizer Plant, Ondo State

Project Summary

Project Nitro is developing a 2.0 million metric tons/year Urea Fertilizer plant in Ondo State to leverage Nigeria's abundant natural gas. Over 80% of output earmarked for high-demand markets, including ECOWAS, Brazil, India, and Southeast Asia.

Project Status

- **Concept Definition, Technical Feasibility, and Business Planning** are fully completed.
- **Financial Modelling & Investment Memorandum** have been finalized.
- **Equipment Design, Gas Reserve Estimation, and EPC Procurement** are currently in progress.

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Project B

2.0MMTPA Urea Fertilizer Plant, Ondo State

Transaction Overview and Terms

To bring this project to fruition, Project Nitro seeks to raise $2.34 billion through a mix of debt and equity:

Total Project Cost:	US$ 2.34 billion
Early Stage Requirement:	US$ 1.5 million
Gas Supply Agreement:	25 years fixed-price contract
Offtake Agreements:	60–65% of production under multi-year forward contracts
Equity IRR:	>14.7%

Project Sponsor

The Project Sponsor leadership team brings decades of multidisciplinary expertise across infrastructure development, industrial operations, financial structuring, and public-private partnerships.

The sponsor's competence is anchored on the following pillars:

- Proven Track Record in Infrastructure & Energy
- Strategic Leadership & Governance
- Operational Excellence & Logistics Expertise

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Project C

10MMSCF/D L/CNG Station, Ogun State

Project C

10MMSCF/D LCNG Station, Ogun State

Project Summary

PNL is developing a 10mmscf/d LCNG station along the Sagamu–Benin Express Road in Ogun State, Nigeria. The project aims to enhance energy accessibility and affordability **by converting LNG into CNG for distribution** to industrial, commercial, and transportation sectors, especially in off-pipeline areas

Project Status:

- Site visit and route surveys completed.
- Environmental Impact Assessment **(EIA)** study initiated.
- License to Establish (LTE) is being processed.
- Negotiations ongoing for **Gas Sale and Purchase Agreement (GSPA) with GACN.**

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Project C

10MMSCF/D LNG-CNG Station, Ogun State

Transaction Overview and Terms

Total estimated cost is $57.90 million (₦92.64 billion) with **Early Stage needs of $1.5m**

- **MDGIF Equity Investment**: $17.40 million (₦27.80 billion). In exchange for 30% equity stake in the project.
- **Sponsor Equity**: 10% of total CAPEX.
- **Debt Financing**: 60% of total CAPEX.
- **Return Metrics** include:

36.9%
IRR

$25.91M
NPV

4.28 yrs
Payback P

32%
Discount rate

Project Sponsor

- PNL's Board and technical partners have successfully executed multiple projects across the midstream and downstream sectors of the Nigerian gas industry. Their experience spans: **CNG and LNG operations, LPG operations, Energy support services, Oil and gas terminal operations, Transportation and logistics, Retail outlet development, MISTDO (Minimum Industry Safety Training for Downstream Operations).**
- The management team comprises professionals with deep expertise in: Gas terminal management, Maintenance and technical services, Finance and accounting, Sales and marketing, Legal and regulatory compliance, IT and corporate services

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Project D

CNG Plant in Lagos / Ogun State boundary

Project D

CNG Plant in Lagos / Ogun State boundary

Project Summary

Geosine Synergy Resources Ltd is a limited liability company, which is desirous to set up a Compressed Natural Gas (CNG) Plant at Odo-Ajogun Village, Mojoda Okemola (Lagos / Ogun State boundary Toll gate), Lagos State, Nigeria , as part of its strategic commitment to Nigeria's clean energy transition.

This project aligns with national initiatives such as the Presidential CNG Initiative and the Decade of Gas, aiming to reduce dependence on petrol and diesel while promoting cleaner, more affordable energy alternatives.

Project Status:

- Detailed design and equipment specifications have been finalized.
- Permitting phase outlined but not yet completed.
- Executed a 20-year Gas Sale and Purchase Agreement (the Agreement) with NGML and TGL to supply the company with natural gas.
- Sourcing and importing 2 units of Gas Compressors from China

Project D

CNG Plant in Lagos / Ogun State boundary

Capital Need and Growth Plans

Geosine Synergy Resources Limited's planned expansion of the Compressed Natural Gas (CNG) business within Nigeria requires strategic planning forecast, infrastructure investment, and market positioning. Here are key strategies for the company successful expansion.

✓ **Securing Adequate Gas Supply:** Partnering with existing gas producers to ensure a continuous flow of gas supply. The company intend to buy additional gas from Chevron and Shell.

✓ **Infrastructure Development:** Expanding CNG refueling stations across major cities to improve accessibility and partnering by upgrading existing filling station infrastructure for efficient gas distribution.

✓ **Market-Driven Pricing & Incentives:** Implementing competitive pricing models to attract customers and leverage government fiscal incentives to reduce operational costs.

From the initiation of this project till the commencement of operations, the project will need **N3.160 billion out of which N660.7 million has been expended by the company**.

A further amount of **N2.500 billion** is required to kick-start the operation, which hopefully the Investors will provide as equity participation

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Early Stage Infrastructure Investment Readiness for Gas Commercialization Projects

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