

FULL ARISE INTERVIEW TRANSCRIPT:

Rolake Akinkugbe-Filani: Thank you so much for joining this Arise exclusive, it's great to have you.

Olu Verheijen: Thank you for having me.

Rolake Akinkugbe-Filani: I know we've been trying to do this for such a long time, but I guess no surprises, you've been so busy in the last few years. Looking at the sort of policy and directors coming out of the government, we were like, she's been really, really busy and I hope we'll get to talk a bit about that today. But congratulations on some of the milestones so far.

Olu Verheijen: Thank you very much.

Rolake Akinkugbe-Filani: So I guess that leads me to my first question, which is really around what is the Nigerian government strategy for the energy sector?

Olu Verheijen: It's really simple. And I like to say that, even though it's a complex execution, but it's really to leverage all of our abundant energy resources, to drive economic growth and diversification, to eradicate energy poverty, and to create high paying jobs for millions of Nigerians.

Rolake Akinkugbe-Filani: Yeah, it sounds very simple, but maybe not really reflecting the complexities of trying to navigate policy in the energy sector. So what would you say the government's strategic imperatives are right now today?

Olu Verheijen: So there are a few levers that we're trying to prove as strategic levers to execute that very simple strategy. One is the elimination of regressive and wasteful energy subsidies that have become such a drain on our fiscals, and making sure that we redirect some of those savings into investments in much needed infrastructure and in the social sector.

The second one, and to also improve the targeting of those energy subsidies for those who actually really need them. The second strategic lever that we're trying to pull is really around the restoration and growth of oil and gas, which remains a critical element of our ability to earn foreign exchange in the short term, and our ability to grow our fiscal income. So the strategic lever there is to make sure we restore the production to the levels that they were before, and grow them and the associated fiscal income from that sector.

The third piece is leveraging our gas as our energy transition fuel to diversify our economy, and make sure that we displace diesel, PMS, heavier hydrocarbons in the use of various end uses, whether that's in electricity, whether that's in transportation, whether that's making sure that we add more value to that gas via gas-based industries and exporting from that, displacing it in heavy transport, like I said, and also clean cooking, making sure that we enable our energy transition and

diversify our economy leveraging that gas. The last piece is really making sure that we are able to industrialize by growing the reliability of our on-grid electricity. And the key focus for the administration is really how to resolve the financial liquidity challenges in that sector to ensure that we're able to attract much-needed private sector capital to that sector.

I mean, looking at the second lever, I think it was really around getting our production back to where it was. It's almost an existential thing for Niger if all production is not where it was meant to be, because we depend so much on it. The government has an ambitious target, and ambitious, I think, is an understatement, because at the end of last year, I think we were maybe at around 1.5, 1.6, but the target is really to get Niger to four million barrels a day by 2030.

From where we are now, that's over a 200 percent increase. And then to increase gas production by 20 percent or thereabouts. How are we realistically going to get there? Well, as you said, it's an ambitious target, but it's grounded in data.

Rolake Akinkugbe-Filani: So let's take a step back to where we were during even the campaign, or when the president assumed office. We're about 1.2 million barrels.

Olu Verheijen: Yes, you're right, at the end of last year, we were averaging 1.5, but we did hit a high of 1.8 at some point.

The average for January under the NUPRC numbers, condensate and crude, is about 1.73. That's January 2025. January 2025. Right.

Okay. So in less than two years, we've grown 500,000 barrels. So if we continue to do some of the things that we're trying to do, which are the main issues around security and deploying a data-driven approach, where we collaborate with the Office of the National Security Advisor and Ministry of Defense, work very closely and collaborate with the operators that actually manage that infrastructure, get data around where they need specific intervention, I think we will continue to see those gains.

One of the things that you saw was that the terminal factor for one of the—when we deployed that sort of strategy, we saw on the Trans-Niger pipeline, the eastern part, there's a major truck line in the eastern part. We took this approach and said, let's try it out on the Trans-Niger pipeline. Terminal factor, when we assumed office, was about 10%.

At the end of last year, it was close to 90% by working very closely with the National Security Advisor, the operators, and the Ministry of Defense. In addition to that, you have—in addition to making sure you're very data-driven and very targeted about how you approach security, that you are also engaging the deployment of the host community fund and making sure that much-needed development is being deployed into those communities so that people have an

alternative as opposed to attacking pipelines. So that two-pronged approach, we're seeing it yield outcomes.

You can actually measure and see that outcome. And I think the second piece is really understanding that we needed to stem the decline in investments. Some of that was driven by the security issues, but also we were not an attractive destination for capital.

And so we've taken a look at some of the presidential directives that were aimed at making us a lot more attractive as a destination for capital. First one was mainly a fiscal incentive and saying, what do we need to make sure that we are a top destination for non-associated gas investments? PIA has done something, but there is still some work to be done. And so we've looked at that and made sure that as of last year, within a few months of releasing those incentives in February 2024, a few months later, Total and NNPC took an investment decision on a non-associated gas field.

So that's a direct correlation between making sure that you're able to grow production. That's a \$550 million investment. That's critical for our ability to meet our onshore targets for gas production.

We have to unlock non-associated gas because 76% of our remaining reserves are in non-associated gas. So those incentives now make sure that we're now a top three destination globally in terms of fiscal attractiveness. The other piece that we needed to unlock was the fact that our costs for the cost of delivering projects is usually around, if you look globally and regionally, it's supposed to be around \$20 per barrel for BOE.

We are almost double that. So we needed to take a very close look at the main drivers, again, taking a very data-driven approach, but also sitting down with the operators and understanding their numbers, modeling, benchmarking. And we found certain things to be a major issue.

One of them was the fact that we needed to eliminate middlemen who were increasing the cost of local, the execution element of our contracts that allowed you to have, for the local content piece, that that law was being abused and we had a few briefcase businessmen who were driving up costs without local capacity. And we wanted to make sure that that law was actually being used in the way it was intended to do, which is to make sure that we have Nigerian entrepreneurs who have invested in capacity, who win these jobs and are able to execute competitively without necessarily having to go through middlemen and make sure we could reduce our costs. We think that's about 50% of that 40% premium that we saw in Nigerian costs. And there are a few other issues that we needed to resolve as well, security being one of them.

Well, you know, I mean, looking at all this, you know, some would say, well, this sounds all well and good. But when you look at some of the security and operational challenges in the Delta, is it a case of we're still just addressing the symptoms of insecurity or the operational challenges and not the underlying fundamentals?

Rolake Akinkugbe-Filani: You talked about the host community fund, their longstanding inequities or perceptions of inequity, fundamentally, how do you hope to address those things over the long term? Because if we ramp up production, we need to sustain that over the long term if we're going to get to 4 million barrels by 2030.

Mrs. Olu Verheijen: Absolutely. No, you're right. You have to go to the root causes.

And the root causes are the lack of activity and lack of investments over the last 10 years meant unemployment showed up in the Niger Delta, poverty increased in the Niger Delta, predominantly there because, you know, fabrication yards, catering services, what Port Harcourt and Warri used to be, this used to be major economic hubs. But because investments dried up, there were less opportunities and we have a restive youth population. So part of what we decided to do is make sure that we unlock the investments that allow those opportunities and employment opportunities to return to the Niger Delta so that people have opportunity, economic opportunities and better alternatives than hacking into pipelines.

If someone has a job to go to, it's very difficult to recruit them to undertake some of these very dangerous activities in the Niger Delta, lucrative as it may be. So that's definitely an important piece of it. I think the fact that we're also transitioning to local independence onshore because some of these investments are enabling us to make sure we can differentiate between the IOC strategies and the local independence.

Local independence, they have an ability to figure out how to deploy more tailor-made, homemade solutions to those communities. How do we create investment opportunities, host community funds, that we're deploying investments and engaging and making sure that we have solutions that enable opportunities for those communities in a much more sustainable manner. I believe that we are going to be able to leverage the independents who have much more close affinity and understand some of the solutions that are going to be required there while the IOCs move their high-powered capital and technical expertise to the offshore.

We're certainly seeing that shift and the emergence of local capacity over many, many years. I guess the question for you around maybe the local content and local capacity issue, are you happy with the ability or are you confident in the ability of local independence to really fill and plug the gap that's being left by the IOCs onshore, both in terms of really ramping, helping to ramp up production and helping the government meet its own goals? We see this as, the President takes

this very seriously. It's the first time that you've seen the regulator spend a lot of time looking through the financial and technical capacity of the new buyers or the new acquirers of these assets.

It was a very rigorous process. It's the first time that we've brought some international players to help us really define a framework for assessing that. Yeah, so it is critical that they have the ability to do so.

Not only that, we are going to be monitoring, it's part of, you have to think of it as a license to operate. Not only for on the regulatory side and what we are going to be monitoring, we set targets, we say you have to deploy capital. This is our production target.

We evaluate your capacity and your ability to deliver, whether it's technical expertise, enter into the relative financial arrangements or technical arrangements or partnerships that allow you to help us meet that target. We look into your portfolio and the reserves and set those targets and monitor it very closely. The NUPRC is spending quite a bit of its time doing that going forward.

It's a different approach. It's very different from the way we used to operate and from the previous acquisitions. The second piece is that, yes, I do think they can fill in some of those gaps.

The capital required, the onshore is a much more mature basin, much easier to execute. It's also a terrain that a lot of the acquirers understand. They've operated, a few of them have operated in these environments successfully for decades, so it's not unfamiliar territory to them.

They know these areas quite well and they know these communities quite well as well. They know that they will not be able to operate those assets if they do not share the benefits of those resources with those communities going forward. And so, they live here, so they have to really work very closely with those communities to deliver.

I believe they can on the onshore side. Indeed, the social license is just as important as the operational license to operate. But speaking of capital, just looking again, maybe a final question around the production targets.

The deep offshore, I would say, if anything, that is, in a sense, the breadbasket for ramping up production. Also, just in terms of the amount of reserves and capacity there is that are going into the future. It was maybe the first FID in 10 years.

Rolake Akinkugbe-Filani: Over 10 years.

Olu Verheijen: Over 10 years. Last one was 2013.

Rolake Akinkugbe-Filani: Last year, 2024, not since 2013. Yes. So, clearly, there was something very wrong in the industry if there was no single first investment decision that was taken on any project in an all-producing country like Nigeria for over 10 years.

There was something very seriously wrong under your oversight and the oversight of the president. Obviously, Nigeria achieved this.

Olu Verheijen: That was great. But going forward, the deep offshore is so critical to what IOCs want to do in this season. What is going to help us unlock the full potential of Nigeria's deep offshore projects? A few of the things that we've addressed through the executive order. So, let me start by saying that the president took this, he's a super analytical mind, right? So, very early, it became quite obvious that this sector was so strategic to our short-term and our medium-long-term ambitions, whether it's around fiscals or... And so, he personally has sat with more... I don't know if you've been keeping count of how many IOCs he's met and how many operators he's met.

Any opportunity to sit with them and ask them what they need for Nigeria to be competitive, and so for them to return to Nigeria and deploy their capital here, he's taken that very seriously and he's met with almost everyone at least twice. Right. All the IOCs.

All of the IOCs. Their international leadership, anytime they ask to meet him, he makes himself available. So, he takes it very seriously and he sits with them, tries to understand what those issues are, and so that tone set from the top has really helped.

For the deepwater, you're right, because in order to reach that very ambitious target of 4 million, the independents are very critical to our short-term targets and they can help us on the But the medium and long-term targets of that 4 million, you have to do it with deepwater. There's no other way around it. So, in sitting with those operators, we asked what was required and we analyzed what was required.

And very quickly, we knew that fiscal incentives needed to be unlocked and improved for us to be much more competitive for our large oil accumulations as well as our small oil accumulations. We needed to eliminate a lot of the bureaucracies that led to long project execution timelines, whether that's contracting processes and other things like that. The stability and clarity of the regulatory framework between the two regulators were other things that they identified.

And obviously, the cost structure. Because Bonga checked a few of these things, the cost was much more competitive and closer to what IOCs are seeing elsewhere. Because the fiscals made sure that we were one of the top destinations to put capital, to deploy capital.

And that they saw the progress that they hadn't seen. The president selected some of these projects as his blueprint projects to execute, to drive the implementation of those executive orders. It signals something.

It signals something to a lot of these IOCs. And also, it was the fact that we were able to drive that execution and that implementation because of the strategic direction very clearly set by the president. It meant that everyone, whether it was NUPRC, FIRS, the Ministry of Finance, and MPC, all collaborated to make sure that we executed within.

So for the first time, you had deep offshore incentives for non-associated gas. We've never had that. And that the fiscal incentives that we designed were implemented in Bonga and any other projects that are lined up.

And so you saw investors respond to incentives. They do. And especially because we're such an established domain.

The resources are here. You would rather take the resources that you know are there in Nigeria versus going to explore in Namibia.

Rolake Akinkugbe-Filani: So you're not worried about competition with other offshore basins around the world?

Olu Verheijen: Oh, we are.

That's why we... No, we're very much... So if you look at the way we designed our incentives, it was by... It's because we took a very competitive approach. So a global approach. We benchmarked ourselves to our regional peers.

We benchmarked ourselves to our global peers and said, what are the others doing that is making 80... We looked at over the last 10 years, we saw 80 billion go elsewhere. Same operators in our markets. We deployed 80 billion in other markets.

We looked at those markets and really studied what they did differently and where we fell short. And we tried to close those gaps. So we've had five major asset acquisitions.

I think I don't remember a time in the history of me studying the oil and gas sector where we've had so many asset acquisitions in such a short space of time. So I guess as Nigerians, our expectation is that 2.06 million barrel a day target that the budget has will be met because we have all these assets changing hands and we have local players who have the capacity to deliver, right?

Rolake Akinkugbe-Filani: Are you confident, first of all, that we will meet that budget target of 2.06 million barrels a day for 2025? And can you then also tell us a bit

about why some of those approvals on the acquisitions by local players took so long?

Olu Verheijen: Okay. So I think the 2 million barrel per day target is ambitious and if there's something that has now been established over the last 18 to 19 months is that it's a very ambitious government and an administration, but we also try to deliver as close to that stretch target as possible.

So 2 million barrels, as I said, we've grown 500,000 since we came in, close to 500,000. So you need to grow another 200k per barrel if you look at the January average. Let's be clear that 2 million barrels also includes condensate.

So that is, you know, sometimes people think that it's just a crude number, but it's crude and condensate that we are hoping will average around 2 million barrels per day. In January, the NUPRC numbers show that we've averaged 1.73. So we're not too far off, provided a few conditions are met, obviously. One, that these acquisitions, that there is a safe transition between the IOCs and the new acquirers and a very seamless transition at that.

And that we are pretty confident that we have, that the President has granted consent in his capacity as the Honorable Minister to people who have the technical and financial capacity to grow production. Two of those acquisitions are going to be critical to our ability to meet that 2 million barrel per day target. The SBDC Renaissance transition is critical.

The SEPLAT ExxonMobil transition will be very critical. Those are massive assets that we are hoping will deliver significant, maybe half of that production, the 200,000 gap that we're looking at for this year. And the SPDC Renaissance was in the news so much.

Rolake Akinkugbe-Filani: Why did that approval take quite a while? It seemed like to the layman looking at it on the outside, there was just this back and forth. There was a lot of speculation. What is going on? Are there assets that are too big to change hands in Nigeria? What was the issue? Help us understand and unpack that a bit.

Olu Verheijen: So I think when people say it took long, I think I look at the Exxon transaction that we inherited and I look at the speed at which the other transactions that are within the life of this administration that he started for, that started from ministerial consents within the life of this administration, which are the four orders. I think granting those consents within the same calendar year is a record for us as a country. Again, data.

So it took a bit longer and you should scrutinize. I think it's in our national interest to scrutinize such a strategic acquisition. SPDC has operated Shell as the parent company, has operated onshore since 1938.

They were sitting on, it was about 16 licenses that needed to move from one licensee to the other. You needed to make sure this was a skill that had never been done before. So the rigor, a regulatory rigor that needed to be applied to make sure that we were handing this over to the right people who understood what the national objectives were around growing production as quickly as possible, as we talked about earlier, how important that is for this government, who have the financial and technical capacity that requires rigor, that requires a level of interrogation and comfort and assurances that were required.

And I still think that was done within a reasonable time frame compared to our previous transactions that seem arbitrary or some of our decisions. We wanted to make sure that this didn't seem arbitrary. We wanted to make sure we learned from our past where assets were handed over to certain operators that did not have the financial or technical capacity to grow production in line with the national objectives.

And so within the time frame that it was done, within the same calendar year, I think five in a year, including the one that was hanging before this administration started, is a record. Yeah. And I mean, now that you mentioned that, my mind goes back to the 2014 assets, marginal-filled, and a lot of where many of those operators got stuck or the acquirers got stuck was on the funding and the financing.

Rolake Akinkugbe-Filani: So is it safe to assume that was one of the critical areas you looked at with the decision-making at government level?

Olu Verheijen: Absolutely. Because if you've set an ambitious target of four million, the ability operators that are going to be holding these assets and executing your overall strategy, you need to be sure that they have the technical and financial capacity to do so. Yeah.

Rolake Akinkugbe-Filani: Okay. So I guess finally on the asset acquisition, you know, Nigerians are very, I guess the average Nigerian feels like they own the oil and gas sector because it's so important to us as a people. So what sort of commitment or guarantee that can the government give around scrutiny of these types of deals? What has changed fundamentally about the way the administration is looking at this so that it seemed to be above board when it comes to scrutinizing assets that are changing hands in such a strategic sector? Yeah.

Olu Verheijen: I think we've done a great job of making sure that our regulatory environment, our legal environment, and especially on the policy side, that we're very consistent, transparent, and stable. Right. So when we say we want to evaluate people's technical capacity, there are certain criteria that we try to make sure.

Again, it's not perfect. Rome wasn't built in a day. We're constantly learning and engaging on ways to improve.

But the intent is to be as transparent and as clear as possible so that we are developing an environment that fosters investment and confidence compared to other areas. For the average Nigerian, they can be sure that what keeps this president up is making sure that every resource that is within Nigeria's territory delivers value for every Nigerian and making sure that we have the right legal framework, the right regulatory framework, the right policies that enable the investments in a much more consistent and stable manner.

Rolake Akinkugbe-Filani: Yeah, you know, Special Advisor...

Olu Verheijen: Speaking of resource, one resource that I think we're all looking to deliver value is gas. Nigeria also has a very ambitious target around gas. I think it's a 20% increase by 2030. We're currently around 6 billion cubic feet a day.

We want to round that up to somewhere below 10 billion cubic feet. How are we going to get there? We've been talking about being a gas-rich country for so long, but we need to start to see the product of that.

Rolake Akinkugbe-Filani: Absolutely.

Olu Verheijen: We've been talking about things for so long, and the difference between this administration and previous administrations is how do you translate plans, ideas into actual deliverables and execution? How do you execute and make sure they're tangible deliverables? We've been talking about removing a subsidy for so long. How do you make sure that you do so, but also enable gas as a replacement for certain critical sectors, long-haul transport? That's where the PCNGI initiative, for example, is important in helping drive and developing frameworks, enabling and designing the incentives, whether they're VAT waivers, fiscal incentives that attract private sector investment into not only the upstream, as we've done with the presidential directives, but also in the midstream and the downstream area. How do you make sure that people who want to invest in critical infrastructure that actually drive the ability to turn this into a gas country, as we say we are, that we actually have those incentives in place as quickly as possible, make it very painless and easy for people to access those incentives and process them? Since the end of 2023, when a lot of those incentives for PCNGI or for investments in gas infrastructure were unveiled, whether that is for CNG or LPG, we've processed about 700 million dollars of investment interest in my office, because I'm usually, the directive says that I have to issue a letter of support, so I'm sort of the first line reviewer of those incentives.

I barely, I've never met anyone, very few people of the people who've made those investments have had to come to my office to process or chase me. It's all online

and it's very easy for people to access it, so that's a very important piece for us. When it comes to exports, we are the sixth largest LNG exporter in the world.

We want to maintain that position or even grow it. What that means is that we have to make sure that we are a reliable supplier of LNG into the market. On that side, what that means is that the infrastructure issues that we're dealing with onshore with security, when it comes to attacking of oil and gas infrastructure, because a lot of our gas in an LNG is supplied as associated gas, it impacts our ability to reliably supply LNG to the market.

So the issues we're trying to resolve with TMP, for example, is to ensure that security. The Transniger pipeline. The Transniger pipeline, to ensure that you have reliable uptime on this critical infrastructure that supply oil so that we can evacuate associated gas into LNG.

But beyond that, we've made sure that for the first time in our history, that most of our non-associated gas fields are investable. For a long time, they weren't. So we had projects that I personally worked on for 20-something years that never ranked for anybody's capital because our fiscal framework just did not make it attractive and we hadn't differentiated enough between associated gas and non-associated gas. With the fiscal incentives that we issued in February last year, non-associated gas, 76% of our remaining gas reserves, are now investable. And you're seeing the traction.

And you're seeing a lot of investors dusting off those projects and trying to invest as quickly as possible. Because we benchmark ourselves to about 14 regions to make sure that gas-bearing regions to make sure that we were competitive and a top destination. So that's on the gas side.

On the power side, domestically, most of our gas is consumed in the power sector. There is this legacy and a long history of not being able, for gas suppliers, not being able to collect the monies that they are owed from supplying gas to generation companies. And it's because the gas-to-power value chain has such financial liquidity challenges and that we are now trying to resolve within this administration so that we can ensure not only can you supply gas reliably to the power sector so we can drive our industrialization, but that you can also diversify your energy mix on grid.

And you know, before we come to the gas-to-power side and look at the domestic power sector, I just want to talk about many of these project announcements we've been seeing for cross-border gas projects. I mean, there was a recent announcement around the, I believe, is the Trans-Saharan Gas Pipeline. And many people wonder, you know, do we need to sort of start the charity at home and ensure that we have stable domestic supplies of gas, we have a strong gas infrastructure network with CNG, LPG, LNG, before we start to look overseas? What is the strategic imperative, really, for some of these projects, these piped gas to

Europe by Algeria and Niger? Can you tell us what the government is really thinking around those projects? So like every other, so NMPC and the government is still trying to, there are multiple options in terms of your monetization options that you always map out.

Different phases, obviously, of priorities. So if I could articulate very clearly what our immediate and short-term priorities are, we have NLNG strains one to six, and now train seven, that is almost complete. That must be full.

That would take precedent over, it doesn't mean that you can't explore an option to monetize gas to Europe via pipeline, but our current monetization option to Europe, which is via NLNG and via LNG, we need to make sure that that is robust and secure and that those trains are full for the term of the contract. So we are reliable suppliers, because imagine if you currently supply to a customer in Spain via LNG, and most of the time you're not even able to do so because of the onshore issues that we've just discussed. How credible are you going to be when you say you're undertaking a massive complex pipeline project to deliver gas into the same market? So we need to earn the right and the trust of our customers by focusing on monetizing and making sure that the ongoing projects are reliably meeting the demand of those customers.

So NLNG is keeping those trains, those seven trains full is priority. Then the next phase is making sure that we are driving our industrialization, making sure that the gas to power value chain is a financially viable one, and that we make sure that most of the gas that is supplied to generation companies and to the power sector company, that the power sector just becomes a much more credit worthy off-taker of gas, 60% of the gas that you have, so that most of the power plants that we have in Nigeria are fully, especially the gas ones, are fully engaged. That's priority, almost sort of the same priority as you have as with NLNG.

So you earn your foreign exchange revenue from LNG, you also drive industrialization and diversification and economic growth with your existing gas to power pipelines. We need to build the infrastructure that we need to complete critical infrastructure here, whether it's connecting the East to the West via OBOB and making sure that we loop the Alps and improve the capacity there, that we keep WAGP full and supply the West Africa gas pipeline to make sure that as a regional player, we have existing infrastructure that must be leveraged first for people, again, to believe that you can extend to other countries. And then you also then need to make sure that we connect the North of this country via the AKK pipeline to much more reliable gas supply so that you can power economic growth and economic diversification and create jobs as well in the North.

If you don't do that, it's very difficult to earn the credibility of any other customer.

Rolake Akinkugbe-Filani: Absolutely.

Olu Verheijen: And so it's good to explore. I mean, you have to keep all of your options open. We have 208 TCF of gas. So you have to look at all the various sinks that are available, but there's also a phase in and a prioritization.

Rolake Akinkugbe-Filani: Yeah, it makes sense. And every time I read a news story in a paper about Qatar signing a 25-year contract with China, I'm like, that could be Nigeria. But you do make a lot of sense around the need to ensure that we get it right domestically around the infrastructure piece.

Olu Verheijen: Absolutely. About 67% of Nigeria's gas goes to one sector, the power sector. And looking at it from an energy economist analyst hat, it's not the most sustainable way to operate your gas or leverage your gas resources.

We need to diversify the uses of our gas.

Rolake Akinkugbe-Filani: The power sector has been so problematic. What is the government doing to really tackle the issues at the heart of the power sector challenge?

Olu Verheijen: No, thanks for asking that.

It's a critical one, and it's one of the conundrums that we want to finally resolve. So the bulk of our gas actually goes to export via NLNG, but 60 to 70% of our domestic consumption goes into the power sector. So as you said, from an analyst perspective, that's a concentration of risk.

You need to figure out how you diversify, but you can't diversify if you don't solve for the problem that currently exists with gas to power. So what are the challenges? When you look at the power sector, especially on-grid, if you look at the off-grid, we've made significant progress there in trying to drive access. But you cannot industrialize or grow income and transform your economy fundamentally without necessarily improving the reliability and growing energy consumptions at levels that are not economic when it comes to off-grid, deployment of off-grid.

So you need your on-grid. And when we look at our on-grid, we look at our, you look at the entire value chain and see where essentially any investor that needs to deploy capital will look at your cash flows and the financial liquidity of that sector and judge its relative attractiveness. Roughly what we did on the upstream oil and gas side to say if I wanted to deploy capital, and a lot of us in my office have that investment background.

If I was going to deploy capital, what kinds of things would I need to see in place? And then we put on our policy Nigeria hat and say, if I'm Nigeria, this is how I need to position. So when we look at our power sector, as you said, 80% of it thermal generated. You need to diversify, but you can't diversify if the cash flows don't work.

The distribution companies, back to this issue of when privatization happened and we started unbundling our energy, our power sector, we did not go through the rigorous exercise that we've just done on the upstream side to ensure that the people who were buying these assets had the financial and technical capacity to make the investments that were required to drive reliability and grow access on grid. So as a result of that, distribution capacity has stagnated except for one or two DISCOs for the last 10 years. There are a few DISCOs who are now, and so you've had a few of change in ownerships and things like that that need to sort of improve.

So you need a regulatory intervention similar to what we have, policy and regulatory intervention similar to what's being done in the upstream oil and gas side, on the power side, to make sure that we have clear, transparent rules around who should own assets, what level of financial and technical capacity they need to demonstrate, that we are also clear about our ambitions, so that is what we're judging that capacity against. So that is ongoing on the distribution side. But before that, there's also the need to look at ways to make the government, so for the government to intervene in the short term.

So we've looked at our ATCNC losses, technical, commercial, and collection losses. It's almost double what, sometimes in some cases triple, in some distribution companies triple what the global average is.

Rolake Akinkugbe-Filani: So how do you resolve that?

Olu Verheijen: The government is intervening in the short term by making sure that each DISCO has, and the registered customers within DISCOs have meters.

Because if you, no matter what your tariff is, you need to make sure that you're able to collect and reduce your collection losses. And so that's one of the interventions you've heard about, the Presidential Metering Initiative, which looks to consolidate all the different metering initiatives that are funded by different and governed by different entities. One by the World Bank, another one really with the DISCOs at NERC, and then one that is by the Federation, to make sure that every customer that is registered has a meter.

And so we have an ability to know what your consumption is, what you can afford to pay, and make sure that we're collecting the revenues from that and improving cashflow that way. It's a first approach to making sure that DISCOs have the financial capacity or cash flows that are required to drive investments in reliability and growing access. Then the second piece is to say, because of the history of making sure that there's been a market shortfall, which is that the distribution companies usually don't collect enough of the revenues that they're allowed to collect.

And then the difference between what they're allowed to collect, regulated tariffs, and what their actual costs are, the government is supposed to bridge that gap. A combination of those two shortfalls has led to illiquidity because sometimes the government can't pay what it has promised to pay, and the DISCOs aren't collecting what they're supposed to collect. So that means that generation companies aren't paid, transmission companies don't have enough cashflow coming back from the DISCOs, and then the gas suppliers do not have the reliable cash flows that they need from their off-taker, which is the GENCO.

So one of the things that we've looked at, and that has piled up into a history on 10, 15 years of debts that have accumulated as a result of these two things, that the government has decided to take a holistic approach and say, we will clear those legacy debts and make sure that GENCOs, GASCOs are paid what they're owed so that you can boost investor confidence across that sector and make sure that there's, again, more incentives to invest. Because as you know, you're not gonna be able to go back to your boardroom and say, I need to make more investments in Nigeria and the power sector. Well, if you have a pile of debt that hasn't been paid.

So that's the second piece of intervention that the government is trying to go through at the moment and look at ways that we can clear that debt with a combination of cash and some instruments. So that's the second part. And then the third part is looking at how we actually transition to cost-efficient tariffs for people who have the capacity to pay, but make sure that we end the regressive subsidies in the energy sector, which don't reach benefit a lot of the people who don't really necessarily need it.

Sort of what you've done on the PMS side, but we have an opportunity to make sure that the intervention for the poor and the vulnerable is what we lead with. To make sure that the subsidies that they need for the people who need to be protected from price increases are protected and that the government intervention is smart and targeted. And then for those who have capacity to pay, we allow them to pay what they should be paying so that there's sufficient cashflow coming from the end users, various end users that allow you to drive more investments into that sector.

So those are the three short-term interventions that we believe if you're able to do that for gas supply, then it should be attractive for renewables.

Rolake Akinkugbe-Filani: Yeah, well, you know, I mean, that's a lot of interventions and that's also a lot of money. You're spending, I think, almost \$400 million on the presidential metering initiative or thereabouts?

Olu Verheijen: No, combined it's a lot because you're borrowing.

So it's different sums, right? So there are different interventions across. For the federation one, it's about 700 billion Naira.

Rolake Akinkugbe-Filani: Okay, but there's a lot of money going into all the interventions in the power sector to block the leakages, to improve efficiency.

But at the end of the day, what should Nigerians expect in terms of the actual delivery of electricity?

Olu Verheijen: So, you know, from a data, you talked about data, which is really important. So we throw money at these issues. What is the result or the outcome you're expecting at the end of the day?

Rolake Akinkugbe-Filani: Okay, so absolutely important.

So what would the average Nigerian feel?

Olu Verheijen: What we're hoping that you, what we're going to be monitoring that we need you to see is one, that the end of estimated billing, nobody will show up with a bill that you are not sure that you have actually consumed and that you would actually have a meter and the ability to monitor. And the meter shows you yourself. And the meter would show you and that, and you would actually not have to incur the prohibitive upfront cost of acquiring that meter.

So that is a tangible benefit for an average Nigerian that the government has looked for other forms of concessional financing to intervene in ways that the discos do not have the capacity to do because these investments typically are usually supposed to be done by the discos, right? You don't, wherever you live overseas or travel, the disco, when you show up and you want to connect your apartment to the grid, you probably never even saw your meter, right? It was just there. But here, because the discos didn't have the capacity, there was a lot of pressure on the end user to pay for that meter upfront. So the government is making sure two things, that one, we take that burden off average Nigerian citizens who are already stressed by us accessing much more concessional financing at scale and that you procure those meters in bulk so that you can drive down the cost of that meter as well.

So it's a smart intervention because it's not everything that you can do. And this then allows the discos, you allow the discos to, the second thing that you want to be able to see is that as the cash flows to the discos are improving, that the discos are now using that additional cash flow to pay for capital recovery of those assets, but also invest in more reliability and improved service for Nigerians. So whether you're a business, you should be able to see, if you're in an industrial cluster, you should see improved distribution capacity, improved reliability, and improved access, and that the discos now have the capital and the cash flow to deploy more investment and infrastructure.

So you should feel the difference in terms of service levels. The goal is that most customers in Nigeria become band A customers, i.e. they get over 20 hours of service. So you should be able to see that from these interventions.

Rolake Akinkugbe-Filani: I think that's important because every day we see these headlines, grid collapse, and there's an issue. So I guess what you're saying is we shouldn't be seeing those headlines anymore.

There's another aspect of reform that was really making the news around the decentralization of electricity markets with the Electricity Act of 2023. What results have we seen from that transition to that new model of operation for the sector?

Olu Verheijen: We've seen about six states enabled by quick regulation, a good regulatory framework from NERC at the federal level. We've seen six states start to move towards that. I think Ekiti, Ondo, Edo, Lagos, Enugu, and one other that I'm forgetting.

But about six states who have jumped at that opportunity to say, maybe we move away from this centralized approach and we as states take full control of our regulatory framework and our ability to deliver power to our citizens and invest in infrastructure. So the federal government is enabling that with the regulatory framework that's enabling the states to take over that, to take on these regulatory roles. But it is important to also note that they still need, the state governments will also still need quite a bit of support.

And that we're providing with partnering with our development partners to make sure that through the Governor's Forum, there is support, whether it's around capacity building, because that now means that you need to replicate the capacity of a NERC. That was one central agency across the six states. And in some states, apparently some of them are looking to even devolve even further into creating sub entities.

So you need significant support and to help states really understand the gains, but also the liabilities and challenges and also then help them build the capacity. And we're partnering with the development partners to enable that. But I think we, as you've seen with the Presidential Metering Initiative, the one that is funded by the Federation, this is a government that believes in state autonomy and really looks to collaborate with them and find ways to enable, where it makes sense to centralize certain policies, we collaborate and make the case for that.

And where it makes sense for them to drive it because they're much closer to their people, to the citizens and average Nigerians in those communities and in these states. Then we work very closely with them and try and attract development capital at a federal level to help support their capacity to deploy investments and

build capacity. So we took the opportunity to clarify those objectives and those goals in one of the presidential directives that was issued last year.

14 years after the NCDMB Act, or NOJC as it's called, we noticed that we had built capacity, but there was now an extra layer where there was an unintended consequence of that law and the objectives, which was that we had enabled certain briefcase businessmen who add no value and added unnecessary costs to the process. And so the directive was meant to clarify what the original intent of that act was, which is to ensure that businessmen across Nigeria, particularly in the Niger Delta as well, and the job opportunity creation and our ability to really embed some of the technology, enable skills transfer, create millions and millions of jobs, build regional oil and gas services companies, but also companies that are Nigerian and can work across the region, but even globally, so that we enable the businesses that have real capacity to make those investments without necessarily having to deal with the middlemen. And so we took the opportunity to make sure that it was clear what that intent is so that we can actually build out those businesses and create the jobs that are required.

Rolake Akinkugbe-Filani: And do you see a specific role for women in terms of women empowerment within the local content?

Olu Verheijen: Absolutely, absolutely, because there is no way to drive the level of economic growth, the accelerated economic growth diversification that we want to see without women. It's just not possible. As you've seen that when we are given the opportunities and we're trusted with our roles, we do have the capacity to execute, whether it's on a policy level, whether it's in business, whether it's in media, wherever we are positioned, where people have the capacity and women have the capacity to execute, they execute and they do it flawlessly.

And so in order to achieve any of our objectives, job creation, growing investments, growing production, it is important that women participate in every strata, whether that's in business, whether that's in project execution, whether that's in policymaking. I want more and more people to work with me. We have increased, we're seeing more women, female leaders in whether it's in IOCs or whether it's in the indigenous operators.

You need to see more of that because we bring value to the table and we have the capacity to execute. I endorse that message, by the way. But looking at the global energy landscape, so much of that is happening.

Rolake Akinkugbe-Filani: The Trump administration and the US is pushing its own drill baby drill agenda, America first in so far as energy security is concerned. I guess my question to you is maybe two or threefold. The first one is, does the Trump administration's energy security policy teach us anything about how we should pursue our own energy security policy in Nigeria? And then secondly, are you perhaps concerned in any way that that might also impact global goals around

climate or the energy transition, if that's something that's a priority for the Nigeria administration?

Olu Verheijen: I think Trump's approach is not very different, to be honest, from ours and from many other countries who have chosen to prioritize energy security in the face of increasing global uncertainty.

So the drill baby drill message resonates for almost every country that has decided to make sure that it can shore up its own resources to ensure energy security and ensure abundance of energy for its own citizens, assure that it is affordable. But I think the way to then marry it with climate is really the fact that the way that we are doing it, we are focused on energy security as well. If you look at our policies, it's very energy security focused.

How do we make sure there's more energy that we are able to export to other markets? How do we make sure that we are consuming more energy to drive our industrialization and job growth creation and income growth? So they're very similar in that regard. And you see that increasingly globally where even the drive for renewables, it's driven by people who want to secure energy within their borders, whether it's making sure that if they have a lot of sun, that it's happening to that instead of importing hydrocarbons from elsewhere. So it's all driven by focus on energy security.

When we marry it to climate and our environment is that we are focused on making sure we're so energy poor and we don't contribute much in terms of climate, in terms of emissions. And so the things that we are focused on with our energy transition plan and our climate act is to make sure that as we develop any resource that we're doing so sustainably, that we're lowering our emissions and that we are incentivizing, whether it's through policy or through regulation, the ability of operators within the energy sector across the energy value chain to be much more conscious about how they incorporate emission reduction targets. The NUPRC has released a number of guidelines around this.

That's where you see the gas flares commercialization plan being driven as well to make sure that more and more folks are spending more time thinking through all the range of emission reduction policies or things that enable us to leverage all of our energy resources but to do so sustainably. You find NLNG, for example, replacing its shipping fleet, right? You find more operators spending more time looking at where their emissions are coming from and what innovative solutions they can deploy. So we looked at NLNG and I was godmother to one of their first fleets where it's a much that reduces the 25% of their emissions come from shipping.

So they're looking to replace their old steam engine ships with much more energy efficient ones. They're looking at carbon capture. How do we capture carbon and in some cases monetize it using old reservoirs where mature basing, how do we do

that and enable and what are the sort of incentives that are required policy-wise or regulatory-wise to drive that? But it is focusing on energy security, making sure that we are reducing emissions as we grow our energy consumption, but more importantly that we are building the resilience that we need for climate, right? We are severely and adversely impacted by increasing climate change and we've not really contributed much to it but you cannot build that resilience without being energy secure.

So that is a message that, you know, we are aligned in terms of, you know, the idea of energy security, which is what I think really summarizes the drill baby drill in terms of how it impacts our budget. If everybody's drilling baby drill, that means there's going to be a lot of volumes and there's going to be pressure on pricing. And that's something we're monitoring closely, obviously.

It's one of the reasons that we've set this very ambitious production targets as well.

Rolake Akinkugbe-Filani: Of course, very important. So I guess it's right to say that the Nigerian government's net zero target, I think it's 2060 there, is still on track?

Olu Verheijen:

Absolutely, absolutely. Because if you look at some of the things we're doing, whether that's via clean cooking, whether that's enabling incentivizing electric vehicles, whether that is displacing PMS and diesel in decentralized power generation with renewables and with gas, we are taking active steps to make sure that we are able to align and deliver on that net zero target in 2060.

Rolake Akinkugbe-Filani: Yeah, so Special Advisor, I think it's fair to say that having observed the work that you've been doing with the president on the energy sector, that you're a woman on a mission, clearly.

Olu Verheijen: So I guess maybe something a bit more personal.

Rolake Akinkugbe-Filani: What is your own personal aspiration for Nigeria's energy sector? You've been a professional working with an IOC before you defected to the public sector, if you like. So based on the fact that you sat across, on the other side of the aisle, you're now in the public sector. Putting all those experiences together, being a professional woman in the private sector, now in the public sector, what is your personal aspiration and ambition for Nigeria's energy sector? And what mark or legacy do you hope to leave by virtue of this role? Very important tasks that you've been given.

Olu Verheijen: Thank you. So there's 10 years of my career with an IOC, but there was a career before that and a career after that, after the IOCs before I even joined public sector. And in all of those things, I've always looked for the nexus of public sector and private sector, because I think you can really do some transformational things.

You can transform human beings' lives at scale when you have very productive collaboration between private sector and public sector. So I've always sought to work in that nexus. So prior to the IOC, I worked in the US in public sector finance, then worked at the IOC, but mostly looking at ways to drive energy consumption and energy security in Nigeria and finding the right balance between, and in export revenues, but also using our energy resources or getting the IOCs to think about how to drive industrialization in Nigeria with the resources that we had and building a commercial case for that and working with government to incentivize them.

And then went into distributed renewables, because I thought maybe this is the quickest way to end energy poverty and drive economic growth and income growth for Nigerians and for Africans. And that has, it enables access at a rapid space, but it has its limitations about what my personal aspirations are. What are my personal aspirations? That every Nigerian has the right and who wants to, who is willing to work hard for it, and Nigerians are hard workers.

Every Nigerian who wants to work hard for the life that they deserve, that we, whether you're in private sector or in public sector, do what is required to enable those opportunities. And in the energy sector, we are uniquely positioned to do that and enable a lot. Whether it is a Nigerian, when I wonder what's my dream for every Nigerian, that they're able to send their kids to school effortlessly, that they are able to access healthcare and they're able to put three square meals on the table for their families.

Energy enables a lot of that, because if we energize our economy, grow productivity, grow job creation, grow incomes, we are able to move millions and millions of hardworking Nigerians into the middle class. And if we create that opportunity and enable energy and allow energy to drive that, that's something to be proud of. That's something that you can leave life, feeling like you've poured everything out for and be fulfilled, yeah? You can leave empty in a way, if you're able to do that for millions and millions of people in your own little way.

And so that's what drives me. And I believe that for women, we always look for, we're uniquely positioned. We tend to look for the beneficiary of our output.

I do a lot. And I know that a lot of my female personal board of directors or friends tend to look for that as well. So at the end of every policy that I'm designing, I wonder, how is this going to transform Nigerians' lives? It's the thing that my boss thinks about a lot.

So it's an incredible opportunity to have someone who has that sort of strategic overview, but also that very personal touch. For him, the ability to enable all of the opportunities for Nigerians who are willing to work hard for it is the thing that he works for day and night. And for the rest of us in his team, that's what keeps us up, and that's what keeps us motivated.

Rolake Akinkugbe-Filani: Fantastic. Well, you're clearly a woman on a mission. Special Adviser to President Bola Ahmed Tinubu on Energy, Mrs. Olu Verheijen, we thank you so much for granting us this exclusive interview.

Olu Verheijen: Thank you. Thank you very much. Thanks for having me.