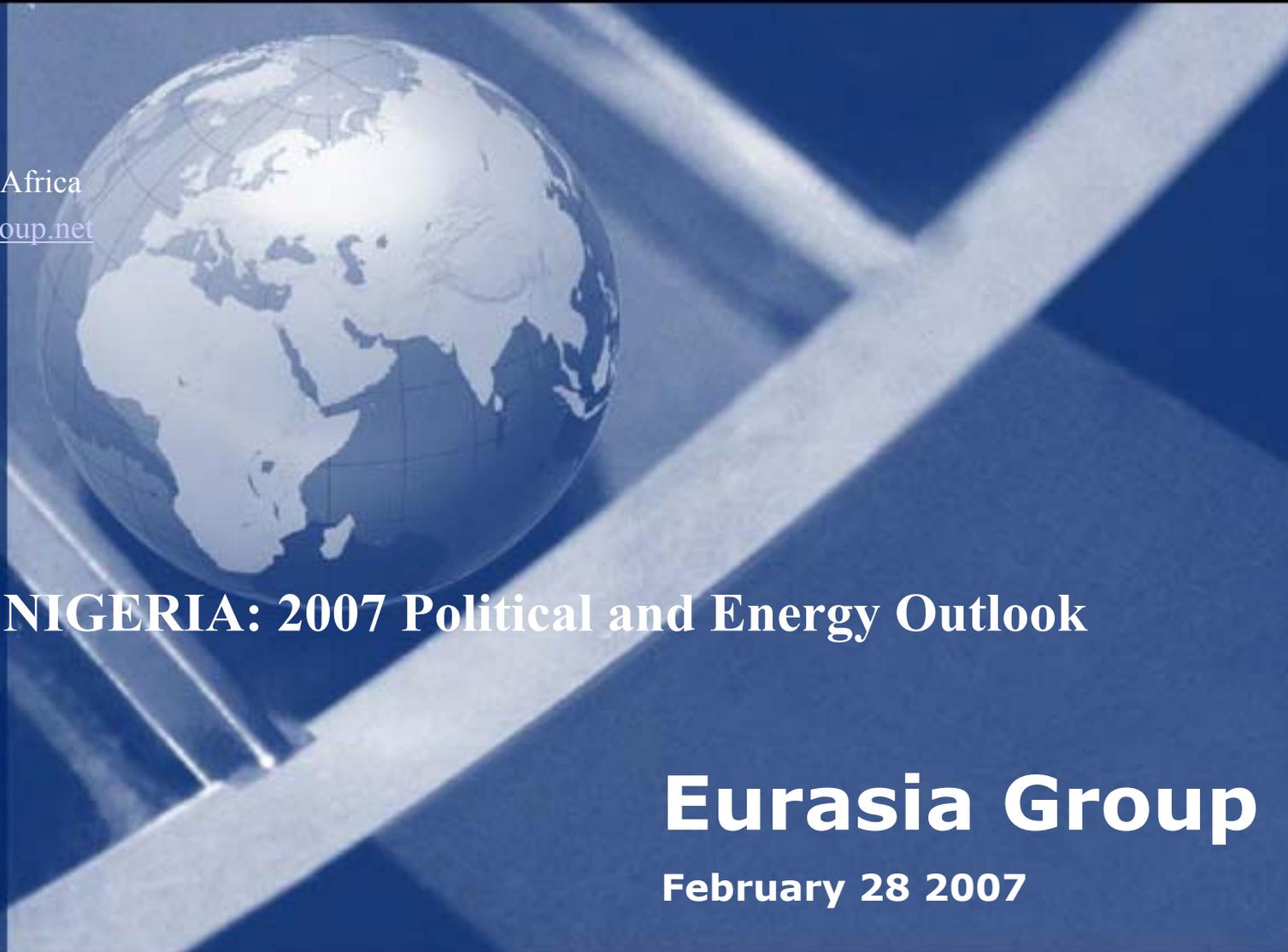


Defining the Business of Politics



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## **NIGERIA: 2007 Political and Energy Outlook**

**Eurasia Group**

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# 2007 Outlook



### Political:

“It is increasingly likely (~30%) that the much anticipated April 2007 elections may be postponed. However if elections preparations continue on its current somewhat chaotic course, with Vice President Atiku Abubakar still barred from running, the ‘questionable’ victory of President Obasanjo’s protégé Gov. Musa Yar’Adua could either significantly diminish the Yar’Adua presidency, trigger a political crisis or a military coup after Obasanjo steps down in May.”

### Energy/ Niger delta:

“Despite the resent mayhem in the Niger delta which has shut in about 500,000bpd since late 2006, improving offshore production will likely add almost 600,000bpd to Nigeria’s production capacity by late 2007/ early 2008. Also north-south political dynamics in new administration (no matter which of the three major Northern Muslim candidates wins), will be catalytic in reducing tensions in the Niger delta after May. Militia leader Asari Dokubu however remains an “X-factor” in supply/ stability situation. Rivers and Bayelsa: states to watch for electoral violence

## Nigeria – world market significance

Oil production: 2.5 million bpd (total liquids)(2/2007E)

Crude oil: 2.3 million bpd (2/2007E)

OPEC crude oil quota: 2.3 million bpd (since 1/2005)

Oil consumption: 0.3 million bpd (2007E)

Net oil exports: 2.2 million bpd (2/2007E)

LNG Exports: 429 Bcf



### **Nigeria overview – Risks heighten around ?April? polls**

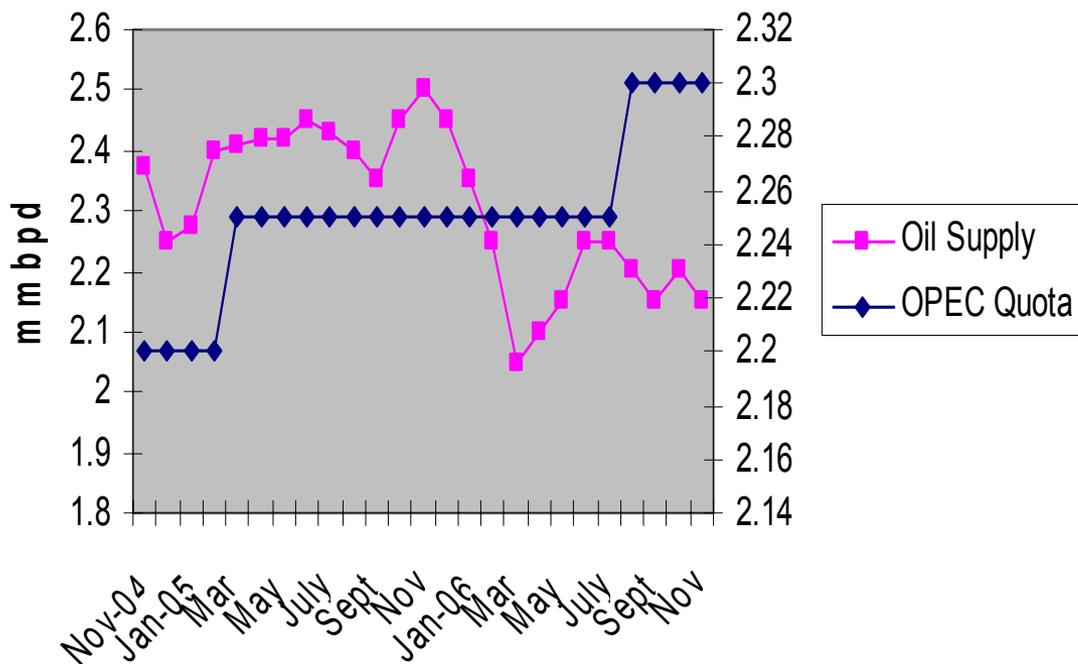
- **Upcoming election in April 2007 has heightened tensions in the oil-producing Niger Delta region - however market has grown more sanguine about additional pre-election deterioration. Market not prepared for election postponement**
- **Absent security outages Nigeria would be well above quota; tensions with OPEC due to capacity expansion goals. Tensions with OPEC in 2007 to increase**
- **About 500,000 bpd of production capacity currently shut-in, since February 2006. Could delay in coming back online if elections postponed**
- **Government reluctant to take strong military action in the Delta region before election, heightening short-term vulnerability. Rivers/ Bayelsa states to remain vulnerable**
- **Outages concentrated in Western Delta; Shell has largest production impact; violence has recently spread into Eastern Delta; kidnappings to have impact on operating costs; amphibious attacks & remote-controlled bombs an escalation; threatening near off-shore, Bonny LNG Island. Major violence in East still low probability due to ethnic factors**
- **All three major candidates for the presidency are northern Muslims; concessions likely after election to Delta region, which would increase stability & production**

### **Different agendas – Niger delta truce, key**

- **Nigeria production unpredictability a complicating factor for OPEC and for NNPC's IOC partners in 2007 & beyond**
- **Fears of overproduction in 2<sup>nd</sup>Half 2007 and tensions with OPEC over quotas (especially if crude prices fall)**
- **How will presidential candidates differ with Obasanjo on energy policy – local content requirements, OPEC, Asian players, Niger delta, environment, NNPC**
- **Yar'Adua won't stray too much from Obasanjo script; Buhari to increase public/ social sector investments in Niger delta, push on OPEC, harp on environment; Abubakar more likely to craft a political deal, but push local content issues & Asia**
- **Pressures on Western majors over “local content” requirements and competition from new Asian rivals to persist. All three major candidates have more favorable view of Asia and may tilt that way – in future energy deals, sales of oil/ gas blocks**
- **Western Europe/ US environmental regulations, refining capacity issues to increase desirability of Nigerian light sweet crude**
- **Tensions with OPEC likely to rise if oil prices fall, and offshore production increase**

# Nigeria near-term capacity increases

### Fluctuation of Nigerian Oil Supply vs OPEC Quota



Pending Nigerian Supply Increases  
(eventual capacity)

- XOM: Ehra 200,000bpd (2007)**
- CVX: Agbami 250,000bpd (2007)**
- XOM: Bosi 120,000bpd (2007)**
- TOT: Akpo 225,000bpd (2008)**
- TOT: Usan 150,000bpd (2010)**

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