



AFRICAN INFRASTRUCTURE INVESTMENT MANAGERS



CASE STUDY: UQUO INTEGRATED GAS BUSINESS

THE COMPANY:

ACCUGAS™

Company: Uquo Integrated Gas Business (UIGB)

Region: West Africa

Country: Nigeria

Sector: Midstream Gas

Technology: End-to-End Gas Processing & Distribution

Size: USD59.1m

Investors: AIIF3, Savannah Petroleum

Investment: Equity

IMPACT HIGHLIGHTS

- Accugas operates a gas supply field, a 200mmscf/d gas processing plant and over 270km of pipeline network with a transportation capacity of 600mmscf – enough to supply between 2.5GW and 3GW of power generation capacity.
- Accugas currently supplies gas to around 10% of Nigeria’s power generating capacity.

UIGB’S STORY

Accugas began as a wholly-owned subsidiary of Seven Energy, an independent oil and gas company which was co-founded by Amaya Capital in 2004 with the aim of utilising the vast gas reserves in the Niger Delta to propel the expansion of Nigeria’s domestic gas market. The company enjoyed the backing of strategic long-term investors including the International Finance Corporation (IFC), Standard Chartered and Petrofac.

Its main offices were in Lagos and London and it boasted 198 employees, of which 92% were Nigerian.

Following the declining price of crude oil, Seven Energy faced considerable pressure in its upstream portfolio. Furthermore, Nigeria’s key crude oil export pipeline in the Niger Delta, Trans Forcados, was attacked in February 2016, meaning Seven Energy was unable to export crude oil until October 2016, resulting in liquidity issues.

In July 2016, AIIM was approached to act as lead investor in a consortium to acquire a majority equity interest in Accugas. In November 2019, AIIM concluded the transaction with an enlarged perimeter to include primary gas supply field creating end-to-end Uquo Integrated Gas Business utility.

Via its AIIF3 fund, AIIM acquired a 20% interest in Seven Uquo Gas Limited, which holds the operatorship and gas interests in the Uquo gas field and a 20% interest in Accugas Limited which owns the gas processing and distribution infrastructure.

Accugas is the largest independent gas processing and distribution company in South East Nigeria. It owns and operates a gas supply field, a 200mmscf/d gas processing plant and over 270km of pipeline network with a transportation capacity of 600mmscf – enough to supply between 2.5GW and 3GW of power generation capacity.

It has long-term offtake agreements supplying power plants which generate more than 10% of Nigeria’s on-grid power supply as well as leading industrial offtakers.

To date, Accugas delivers processed gas with cumulative daily contracted take or pay volumes of 161mmscf/d to three key customers:

1. The 560MW, World Bank PRG-backed Calabar NIPP,
2. Lafarge Africa cement factory, and
3. The 150MW state owned Ibom Power Plant

Accugas is aiming to increase its contract volumes by developing a 20mmscf/d gas distribution pipeline network to bankable commercial and industrial customers in and around the Calabar Free Trade Zone.



THE ROLE PLAYED BY PRIVATE EQUITY

AIIM partnered with Savannah Energy, an entrepreneurial UK-listed energy company, backed by some of the largest institutional investors, including Capital Group, Standard Life, IFC, Fidelity, and Legal & General.

UIGB gives AIIM and Savannah access to an end-to-end gas utility structure and equal ownership across the value chain. The partnership brings together Savannah's pragmatism and "can-do" attitude as an industrial partner, and AIIM's in-depth expertise as an infrastructure partner.

The Nigerian gas market is characterised by fast growing domestic demand, which is expected to reach up to 7200mmscf/d by 2025, therefore requiring processing capacity of up to 4000mmscf/d forecast in the medium term. This is driven mainly by

the nascent, privatised power industry, as well as by industrial feedstock requirements.

This midstream gas opportunity in Nigeria has been identified as a key strategic investment theme for AIIM's AIIF3 fund. Despite having the ninth largest gas reserves in the world and largest in Africa, Limited infrastructure consisting ~4000km of pipeline network and ~1300mmscf/d processing capacity remains insufficient to support current demand of ~2300mmscf/d in Nigeria.

The significant proven reserves but a lack of transportation and processing infrastructure, gives rise to significant investment opportunities to support increased low carbon power production and displacement of existing diesel powered power generation as part of Nigeria's energy transition.

A FORCE FOR GOOD

AIIM's investment in Accugas marks Nigeria's transition from high-carbon, high-cost generating capacity to low-carbon, low-cost alternatives.

With electricity generation per head 25% below sub-Saharan African averages, the country spends USD12bn annually on diesel generators, which comes with severe health and environmental hazards. AIIM's investment in Accugas helps bridge this gap, creating positive outcomes for businesses, communities and individuals on the ground whilst reversing negative environmental trends.

A robust environmental and social management system was implemented

by AIIM, with key elements including identification of risks and impacts; management programmes; organisational capacity and competency; emergency preparedness and response; stakeholder engagement; and monitoring and reviewing.

An Environmental, Social and Governance (ESG) Subcommittee was established with the mandate to monitor and assess ESG performance in the Company.

Moreover, UIGB has created job opportunities for up to 1,680 employees as at August 2020 – 11% of which are women. To ensure our impact is even greater, AIIM will continue to have a focus on ESG risk management, job creation and gender equality.



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