

HOW TO MAKE MONEY FROM COOKING GAS



Consider this: Nigeria consumes only about 70,000 metric tonnes of cooking gas (LPG). It is startling but true that only this amount of cooking gas circulate a population of 150 million people.

Nigeria is one of the lowest in cooking gas consumption with less than 0.5kg per capita compared to 3kg per capita in Ghana; 1.90kg in Cameroun; 5.50kg in South Africa and 44.40kg in Morocco.

This is the situation in the cooking gas market in Nigeria. So many encumbrances

stood in the way of reviving this multi-billion naira industry and for a while, it seemed that our country of over 180 trillion cubic feet worth of gas reserves would lose grip on efforts to provide clean, safe fuel for cooking. The environment and health of the citizenry have been dealt the heaviest blow through tree cutting and fume hazards from kerosene burning.

In its bid to save the situation, Nigerian LNG in 2007 dedicated 150,000 metric tonnes of cooking gas annually. That has changed the market and life is beginning to come back to the ailing industry as NLNG effectively guarantees product availability. New



storage infrastructure and cylinders have started evolving with more users returning to the use of cooking gas.

Currently, there are efforts by the government to up the volume of cooking gas supply to 1 million metric tonnes in the next four years. What does this mean for Nigerians? Investments. It takes money to make big money and it is about time the multi-billion naira industry began to blossom.

Interested in cooking gas business? There are three levels you can plug into — Suppliers; Distributors; Retailers.

Want to be an Off-taker? Below are the conditions:

- * Do you have the financial capability to support your purchase with a Bank Guarantee or Letter of Credit?
- * Do you have a sound HSEQ/ Management system in place?
- * Do you have LPG Industry experience or ability to hire experienced hands?
- * Are you directly involved in the LPG value chain or through a partnership?
- * Do you have requisite DPR licence/permits and other regulatory authority approvals?

Want to be a distributor? Contact the following off-takers (see back of leaflet)

Want to be a retailer? Contact the nearest distributor in your area.



Domestic LPG Supply Chain

NLNG Supply Model

NLNG & Other
Suppliers



Direct lifting from the
Suppliers' Jetties/
Terminals

Medium Vessel



Medium size vessel able to
load from any Supplier &
discharge into many
Terminals

Terminal /
Coastal Storages



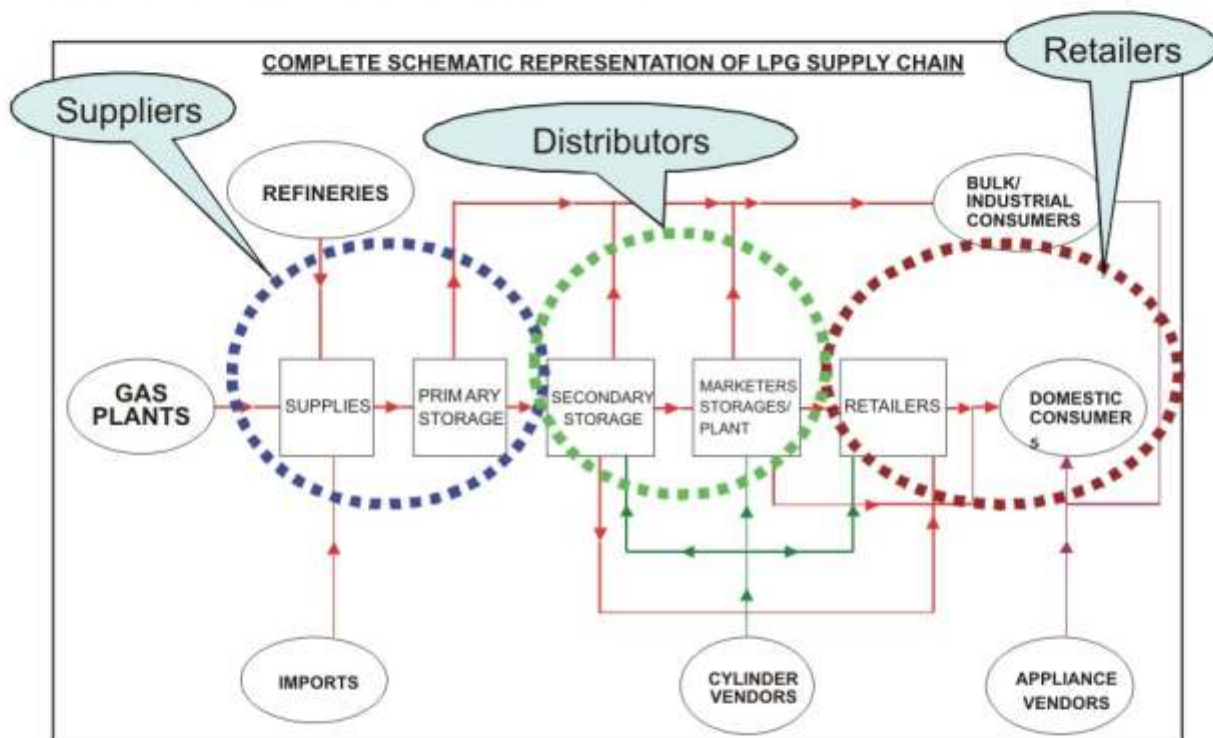
Dedicated Terminals
(NOJ, NAVGAS, SAHARA
& Others)

Distribution



Investment in new
Trucks & Cylinders by
Marketers

Typical Domestic LPG Supply Chain



OPPORTUNITIES FOR INVESTMENT

Jetties/Coastal terminals and storages

There are only four jetties or coastal terminals that can take LPG in the country. Three in Apapa, Lagos and one in Calabar. This is grossly inadequate for the coastal supply of LPG, which has now become the panacea to the acute shortfall in LPG supplies. Investment is still required in this area to increase capacity to receive, store in

primary storages for onward movement to secondary storages. These terminals need to dot the country's coastal line.

Secondary/Inland Storages

Also known as butanisation tanks, they are situated inland. Gas moves from the coastal storages to inland storages. Nine 12,000 metric tonnes inland storages were built

and abandoned because of lack of cooking gas supply. Many of these storages will need resuscitation and expansion and new ones need to be set up across the country to enhance accessibility and expand distribution network.

Storages and Filling Plants

About 250 LPG bottling plants are registered with the Department of Petroleum Resources (DPR). Only 50% of these are functioning now. Although there is an increasing level of investments in this area but many still lie fallow due to lack of cooking gas supply. There is sense in reviving the filling plants and building new ones in the hinterlands to supply most of the people who depend on firewood for cooking fuel.

Railways

This is the most reliable transportation of cooking gas to inland storage tanks. Public-private partnership to resurrect the railways for this business would not be out of place in the scheme of things to turn around the market.

Trucks

Trucks carry the cooking gas from primary storages to secondary storages and to the filling plants. There are less than 150 trucks in operation.

Investments are needed in 20-25 tons bulk trucks and smaller 5-10 tons bobtail trucks. There is also an investment opportunity in mobile filling plants (mo



Cylinders

This is the most critical component of the value chain. With only 500, 000 cylinders to 150m people, there is only one cylinder to 300 people. Nigeria needs about 2 million cylinders annually. Investment is needed in the importation of cylinders or the importation of steel plates to manufacture cylinders in the country. There is also investment in businesses that involve distribution of cylinders. Different sizes of cylinders can be marketed depending on the market from 1.25kg to 50kg.



Piping Gas to Houses

As in other parts of the world which is also an opportunity.

Cylinder Accessories

Simple manufacturing techniques can produce accessories such as gas stove, burners, cylinder valve, gas hoses, regulators, etc.

Warehousing

This comes in handy for storing cylinders safely (wholesale) and getting distributors to market the products to the end-user. In some kind of



cylinder-leasing schemes to sell LPG, the system of warehousing will ensure a continuum in supply of empty cylinders.

Distributors/Retailers

Distributors can buy cylinders and distribute with their own margins. A fantastic way to go about this is leasing of cylinders.

Filling Station for Cooking Gas

Imagine you can now drive into a filling station to fill your cylinders like your car. With improved cooking gas supply, the downstream sector of cooking gas could be as rewarding as that of petrol and kerosene.

CONTACTS OF OFFTAKERS

Greenfield Integrated Energy Services Ltd

Elephant Cement House
Wing D2, 1st Floor
Alausa-Ikeja

Contact person: Alhaji Auwalu Ilu
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Chimons Gas Limited

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Victoria Island, Lagos

Contact person: Baylon Duru
chimons@chimons.com

Linetrale Gas Ltd.

3rd Floor, Lindev Plaza, 16 Amodu Ojikutu street,
Victoria Island, Lagos

Contact person: John Sylvester

Harig Oil Supply & Trading Company Ltd

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Contact person: Mohammed Gabdo
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Hyson Nigeria Ltd

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Le Global Oilfield Services Ltd

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Total Nigeria PLC

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Forte Oil Plc

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Algasco LPG Services Ltd

Algasco LPG Services Ltd, 3rd Floor,
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Ultimate Gas Ltd

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NIPCO Plc

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Contact person: Mr. C.M. Chandra Shekar
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