Reviewing the economic viability of LNG projects in African Nations

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Abstract

The economic viability of Liquefied Natural Gas (LNG) projects in African nations stands as a pivotal subject in the global energy landscape. This Review encapsulates a comprehensive review, shedding light on the multifaceted aspects that determine the success and sustainability of LNG initiatives across the African continent. The analysis encompasses key elements such as investment frameworks, regulatory environments, and socio-economic considerations, providing a nuanced understanding of the economic dynamics shaping LNG projects. Examining case studies and regional variations, the review delves into the challenges and opportunities that characterize LNG ventures in Africa. The study identifies the critical factors influencing economic viability, including infrastructure development, market dynamics, and governmental policies. It explores the impact of global energy trends on the African LNG market and scrutinizes the role of international collaborations in fostering economic success. Additionally, the review assesses the potential socio-economic benefits, job creation, and local community engagement stemming from LNG projects, adding a socio-economic dimension to the economic evaluation. Furthermore, the Review emphasizes the need for adaptive strategies that acknowledge the unique challenges faced by African nations, from political stability concerns to the varying levels of technological infrastructure. The economic viability of LNG projects is inherently linked to the alignment of national goals, industry interests, and environmental sustainability. In summary, this Review provides a succinct overview of the comprehensive review on the economic viability of LNG projects in African nations. It sets the stage for an in-depth exploration of the economic intricacies, offering valuable insights for policymakers, industry stakeholders, and researchers vested in the sustainable development of LNG projects across the African continent.

Keywords: Economic; Viability; LNG Project; Policies; Investment

1. Introduction

The global energy landscape has witnessed a transformative shift towards cleaner and more sustainable sources, with Liquefied Natural Gas (LNG) emerging as a pivotal player in meeting the world’s increasing energy demands (Litvinenko, 2020). As nations strive for economic growth and energy security, the exploration and development of LNG projects have become integral components of their strategic agendas. This review focuses on the economic viability of LNG projects in the context of African nations, addressing the crucial factors that determine their success in contributing to regional development and energy sustainability. Economic viability, in the realm of LNG projects, encompasses a comprehensive evaluation of financial, regulatory, and socio-economic factors. It involves an assessment of whether a project can generate returns that justify the investments made, considering the complexities and uncertainties inherent
in the energy sector (Urbano et al, 2022). The economic viability of an LNG project extends beyond profitability, encompassing its ability to contribute positively to the host nation’s economy, local communities, and overall energy security.

For African nations, the assessment of the economic viability of LNG projects holds immense significance. As the continent grapples with energy access challenges and seeks to stimulate economic growth, NG projects have emerged as potential catalysts for change (Adekoya, 2024). The exploitation of natural gas reserves in Africa, coupled with the global demand for cleaner energy sources, positions these nations to leverage LNG projects for economic development, job creation, and increased revenue streams. This review aims to delve into the multifaceted aspects that influence the economic viability of LNG projects in African nations. It will explore investment frameworks, regulatory environments, infrastructure development, market dynamics, governmental policies, and socio-economic considerations. By examining challenges and opportunities, as well as aligning with global energy trends, the review aspires to provide a comprehensive understanding of the economic landscape surrounding LNG projects in Africa (Amuda, 2023). Ultimately, this analysis seeks to offer insights that can inform policymakers, industry stakeholders, and researchers involved in shaping the future of LNG development on the continent.

2. Investment Frameworks and Regulatory Environments

African nations stand at a pivotal juncture in their quest for economic development and energy security, with Liquefied Natural Gas (LNG) projects emerging as key players in this transformative journey. The economic viability of these projects is intricately tied to the investment frameworks and regulatory environments within which they operate (Wang, 2023). This exploration navigates through the critical elements influencing the investment climate for LNG projects in Africa, examining both the attraction of Foreign Direct Investment (FDI) and the regulatory frameworks that shape their operations.

Foreign Direct Investment plays a paramount role in the economic viability of LNG projects in African nations. The continent’s abundant natural gas reserves have attracted the attention of global investors seeking strategic opportunities in the energy sector (Dhali, 2023). Countries with transparent and investor-friendly policies are better positioned to attract the necessary capital for developing LNG projects. The infusion of foreign capital not only supports the financing of these ventures but also brings in valuable technical expertise and project management capabilities.

While capital attraction is essential, it is equally crucial to create an environment that fosters long-term investments. This involves establishing stable legal frameworks, providing investment incentives, and ensuring protection against regulatory uncertainties (Keshavadasu, 2023). African nations that proactively address these elements bolster their appeal to international investors, enhancing the economic viability of LNG projects. The regulatory environment plays a pivotal role in shaping the economic viability of LNG projects. A robust regulatory framework provides clarity and predictability, reducing risks associated with project development. This includes permitting processes, environmental standards, and compliance procedures (El Kawam, 2023). Nations that streamline regulatory pathways, ensuring efficiency without compromising environmental and safety standards, create an environment conducive to project success.

Legal considerations, including contractual agreements and dispute resolution mechanisms, are equally vital. Well-structured legal frameworks instill confidence in investors, mitigating potential risks and fostering long-term partnerships (Zhao. and Munadi, 2023). A balance between investor protection and national interests is crucial to building a regulatory environment that facilitates economic sustainability in LNG projects.

In conclusion, the examination of the investment climate for LNG projects in African nations necessitates a dual focus on attracting foreign capital and establishing robust regulatory frameworks. Nations that strategically navigate these aspects are better positioned to harness the economic potential of LNG projects, fostering not only energy security but also contributing significantly to overall economic development.

3. Infrastructure Development

In the landscape of economic development and energy transformation in African nations, the pivotal role of Liquefied Natural Gas (LNG) projects hinges on robust infrastructure (Ting, 2019). The economic viability of these projects is intrinsically linked to the readiness and adequacy of the infrastructure supporting LNG development. This review delves into the critical aspects of infrastructure development, focusing on the analysis of infrastructure readiness, including LNG export terminals and facilities, as well as transportation infrastructure such as pipelines and shipping. The
establishment of LNG export terminals and facilities is a linchpin in the economic viability of projects in African nations. These terminals serve as key nodes for the liquefaction process, transforming natural gas into LNG for transportation and export. The readiness of these facilities is not solely about capacity but extends to efficiency, reliability, and adherence to international standards (Richey et al., 2023).

Investments in cutting-edge liquefaction technologies are crucial to ensuring the competitiveness of African LNG in the global market. Advanced facilities that employ state-of-the-art processes enhance economic viability by optimizing production, reducing operational costs, and meeting stringent environmental standards. A comprehensive assessment of infrastructure readiness involves not only the presence of terminals but also their technological sophistication and environmental sustainability. The transportation infrastructure forms the lifeline connecting LNG production centers to consumers, both domestically and internationally (Meza et al., 2022). This includes an intricate network of pipelines for domestic distribution and efficient shipping routes for exports. The economic viability of LNG projects relies heavily on the efficiency and reliability of these transportation mechanisms.

Pipelines play a crucial role in ensuring the smooth and cost-effective distribution of LNG within national borders. The development and maintenance of an extensive pipeline network contribute to accessibility and affordability, fostering domestic consumption and economic growth. In the context of international trade, the shipping infrastructure is paramount (Thompson, 2023). LNG carriers that navigate global shipping routes must be equipped with advanced technologies to ensure the safety and security of the transported cargo. Additionally, the optimization of shipping routes, aligned with market demands and regulatory compliance, enhances the competitiveness of African LNG in the global market.

In conclusion, infrastructure development stands as a cornerstone for the economic viability of LNG projects in African nations. Assessing the readiness of export terminals, liquefaction facilities, and transportation infrastructure is essential. African nations that strategically invest in and advance their infrastructure are better positioned to capitalize on the economic potential of LNG projects, contributing to both regional development and global energy sustainability (Meza and Koç, 2021).

4. Market Dynamics

In the pursuit of evaluating the economic viability of LNG projects in African nations, an in-depth understanding of market dynamics is paramount. The LNG market, characterized by intricate interactions of supply and demand, price volatility, and global competitiveness, plays a pivotal role in shaping the success of projects in the region (Christofilos, 2023). A crucial aspect of market dynamics lies in the equilibrium between LNG supply and demand. African nations venturing into LNG projects need to intricately analyze and anticipate these dynamics to ensure economic viability.

Global trends, influenced by factors such as economic growth, policy shifts, and energy transition initiatives, impact the overall demand for LNG (Litvinenko, 2020).

In recent years, there has been a noticeable uptick in LNG demand, driven by a global shift toward cleaner energy sources. Asian economies, in particular, have demonstrated a robust appetite for LNG, propelled by environmental considerations and the increasing role of natural gas in power generation and industrial applications. African nations, in positioning themselves within this market dynamic, should assess not only the current demand trends but also anticipate future shifts. This proactive approach ensures that LNG projects align with evolving market needs, contributing to long-term economic sustainability (Al-Haidous, 2022).

Price volatility remains an inherent characteristic of the LNG market, influenced by geopolitical events, natural disasters, and market fluctuations. For African nations, understanding and mitigating the impact of price volatility are critical aspects of ensuring economic viability. Competitiveness in the global LNG market is multifaceted, encompassing factors such as production costs, infrastructure efficiency, and geopolitical stability (Motaung, 2019). African nations must carefully analyze and optimize these factors to position their LNG projects as attractive and competitive on the global stage. Developing a pricing strategy that reflects both market dynamics and regional economic considerations is pivotal. Long-term contracts, spot market participation, and flexible pricing mechanisms can be employed to navigate the nuances of global competitiveness (Hampton et al., 2022).

The exploration of market dynamics holds significant implications for the economic viability of LNG projects in African nations. By aligning production capacities with anticipated demand, nations can avoid oversupply or undersupply scenarios, optimizing revenue generation. Furthermore, strategies that cushion against price volatility and enhance market competitiveness contribute to the overall resilience of LNG projects (Popkostova, 2022).
In conclusion, a nuanced understanding of market dynamics is foundational for the economic viability of LNG projects in African nations. By navigating supply and demand trends, addressing price volatility, and strategically positioning themselves in the global market, African nations can unlock the full potential of their LNG endeavors, fostering economic growth and sustainable energy development (Ayuk, 2020).

5. Governmental Policies and Incentives

The economic viability of LNG projects in African nations is intricately linked to the regulatory environment and the policies set forth by governments (Frynas and Buur, 2020). Examination of governmental policies and incentives reveals the foundational role they play in fostering a conducive atmosphere for LNG adoption and sustained growth. Fiscal policies form a critical component of the governmental framework influencing the economic viability of LNG projects. Governments in African nations can implement a range of fiscal measures and incentives to attract investment, stimulate exploration, and enhance the overall competitiveness of their LNG ventures. Governments can consider providing tax incentives, such as reduced corporate tax rates or tax holidays, to encourage companies involved in LNG projects. These incentives act as catalysts for attracting foreign direct investment (FDI) and promoting domestic participation (Mahbub et al., 2022).

Reducing or eliminating customs duties and tariffs on LNG-related equipment and technologies can significantly lower project costs. This measure facilitates the import of critical components, fostering the development of robust LNG infrastructure. Governments may enter into stability agreements with LNG project developers, assuring a stable fiscal and regulatory environment over an agreed period. This stability enhances investor confidence and reduces uncertainty, contributing to economic viability. Aligning LNG projects with broader environmental and energy policies is crucial. Governments can encourage the integration of renewable energy sources within LNG projects, contributing to cleaner and more sustainable energy practices. Establishing clear and stringent emission standards ensures that LNG projects adhere to environmental conservation goals (Serra and Fancello, 2020). Compliance with global emission standards contributes to the overall environmental sustainability of LNG operations. Implementing policies that promote local content in LNG projects stimulates economic development within the host nation. This includes the use of local labor, suppliers, and services, fostering economic growth and community involvement.

Governmental policies and incentives have far-reaching implications for the economic viability of LNG projects in African nations. By creating a favorable fiscal environment, governments attract investments, spur economic growth, and enhance the competitiveness of their LNG ventures in the global market (Kar et al., 2023). Additionally, aligning energy and environmental policies with LNG projects ensures that they contribute to broader sustainability goals, positioning African nations as responsible actors in the global energy landscape. In conclusion, a strategic and well-crafted set of governmental policies and incentives is instrumental in securing the economic viability of LNG projects in African nations. By fostering an environment conducive to investment, innovation, and sustainability, governments play a pivotal role in shaping the success of LNG initiatives, contributing to both national economic growth and global energy transition objectives (Ussene, 2020-2023).

6. Socio-Economic Considerations

In the evaluation of the economic viability of LNG projects in African nations, socio-economic considerations emerge as a critical facet. Beyond financial metrics, the socio-economic impacts of LNG ventures play a pivotal role in determining their overall success and sustainability (Measham et al., 2019). This section delves into the multifaceted dimensions of socio-economic considerations, emphasizing the importance of job creation, employment opportunities, and local community engagement. LNG projects, from exploration and extraction to transportation and distribution, necessitate a diverse range of skilled and unskilled labor. These projects create direct employment opportunities for local communities, contributing to poverty alleviation and economic empowerment.

Beyond direct employment, LNG projects stimulate the growth of supporting industries, generating indirect employment opportunities (Voigt-Graf and Odhuno, 2019). This includes sectors such as logistics, construction, and service industries, fostering a multiplier effect on job creation. The demands of LNG projects often require specialized skills. As local workers engage in these projects, there is an opportunity for skill development and capacity building. Training programs can be implemented to ensure the local workforce acquires the expertise necessary for various roles within the LNG value chain. The implementation of LNG projects necessitates robust infrastructure, including roads, ports, and utilities (Molnar, 2022). Investment in such infrastructure not only supports the LNG project but also contributes to overall regional development, enhancing accessibility and connectivity. LNG projects can establish community investment programs, channeling a portion of their revenues into initiatives that benefit local communities.
These may include education, healthcare, and social welfare programs, fostering sustainable development beyond the project’s operational life. Respecting and incorporating the cultural fabric of local communities is crucial. Engaging with communities to understand their values, traditions, and expectations helps create a mutually beneficial relationship, minimizing potential conflicts and promoting positive socio-economic outcomes (Salvioni and Almici, 2020).

Socio-economic considerations are not ancillary but intrinsic to the economic viability of LNG projects in African nations. The successful integration of these considerations contributes to the holistic development of regions hosting LNG ventures (Hafner and Luciani 2022). As local communities experience improved living standards, educational opportunities, and healthcare facilities, the support for LNG projects tends to strengthen, ensuring long-term social acceptance and sustainability.

In conclusion, the socio-economic impacts of LNG projects extend far beyond profit margins, encompassing the lives and livelihoods of the communities involved. By fostering job creation, skill development, and community engagement, LNG projects can become agents of positive change, contributing not only to the economic prosperity of African nations but also to the well-being of their people. The judicious consideration of these socio-economic dimensions is fundamental to securing the economic viability and societal acceptance of LNG projects in the African context (Vivoda, 2023).

7. Challenges and Opportunities

As African nations navigate the landscape of LNG projects, an assessment of economic viability unveils a spectrum of challenges and opportunities. Understanding and addressing these factors are crucial for ensuring the success and sustainability of LNG ventures in the region (Bugaje et al.). The economic viability of LNG projects is intricately linked to political stability. Uncertain political environments can pose significant challenges, affecting investor confidence and project continuity. The risk of policy changes, regulatory uncertainties, and geopolitical tensions can hinder long-term investments. Many regions in Africa face security challenges that can directly impact LNG operations. The threat of civil unrest, terrorism, or geopolitical conflicts can lead to project delays, increased operational costs, and heightened risk perceptions among investors (Jiménez, and Lupton, 2021). The successful implementation of LNG projects requires advanced technological infrastructure. African nations may encounter challenges related to the readiness of technology and the need for significant investments in research and development. Establishing an effective transportation and distribution network for LNG, including pipelines and shipping facilities, can be a logistical challenge. Inadequate infrastructure can impede the efficient movement of LNG from production sites to end-users.

Collaborating with international entities, both public and private, can bring in expertise, technological know-how, and financial support (Vermicelli, 2021). Partnerships with established players in the global energy market can mitigate risks and enhance the economic feasibility of LNG projects. Encouraging PPPs can be a strategic approach. Governments and private entities working together can pool resources, share risks, and jointly address challenges, fostering a conducive environment for economic viability. Recognizing the unique socio-economic and geopolitical contexts of African nations, LNG projects can benefit from adaptive strategies. Tailoring project plans to fit local conditions, needs, and challenges ensures a more sustainable and contextually appropriate approach (Mahajan et al., 2021). Investing in local capacity building, both in terms of skilled labor and technological capabilities, creates a more self-sufficient ecosystem. This not only addresses technological gaps but also contributes to long-term economic development.

Balancing the challenges and opportunities in economic viability requires a nuanced and adaptive approach. While challenges pose obstacles, leveraging opportunities can lead to innovative solutions. Collaborative efforts, both domestically and internationally, become key catalysts for overcoming barriers and ensuring that the economic viability of LNG projects contributes positively to the development goals of African nations (Okafor-Yarwood et al., 2020).

In conclusion, the economic viability of LNG projects in African nations is a dynamic interplay between challenges and opportunities. By proactively addressing political, security, and technological challenges and embracing collaborative and adaptive strategies, African nations can position themselves to harness the vast potential of LNG as a driver for economic growth and sustainable development (Nalule, 2022).

8. Global Energy Trends and Collaborations

The economic viability of LNG projects in African nations is significantly influenced by global energy trends and the extent of international collaborations. These factors play pivotal roles in shaping the trajectory of LNG initiatives, determining their success, and contributing to sustainable economic development on the continent (Hao et al., 2020).
The global energy landscape is witnessing a paradigm shift towards cleaner and more sustainable sources. As the world emphasizes decarbonization, LNG, being a relatively cleaner-burning fossil fuel, stands as a strategic choice for meeting energy demands while addressing environmental concerns. The surge in global demand for LNG, driven by its cleaner attributes, opens up opportunities for African nations with substantial natural gas reserves. Aligning LNG projects with the global trend towards cleaner energy positions these nations as contributors to the broader energy transition. Ongoing advancements in LNG technologies globally have a direct impact on the economic viability of projects in Africa (Anwar, 2022). Improved liquefaction processes, storage solutions, and transportation infrastructure contribute to cost efficiency and environmental sustainability. Collaborations with international partners facilitate the transfer of cutting-edge LNG technologies to African projects. This not only enhances project efficiency but also ensures that African nations remain at the forefront of technological innovation in the LNG sector (Steuer, 2019).

The economic viability of LNG projects in Africa often hinges on securing substantial investments. International collaborations, especially with established players in the global energy market, provide access to capital, reducing the financial burden on African nations. International partnerships contribute to risk-sharing, making LNG projects more attractive to investors. By sharing risks, international collaborators enhance the economic feasibility of projects, particularly in the face of uncertainties or challenges (Heinzlef et al., 2020). Collaborating with international entities fosters knowledge exchange, particularly in project planning, execution, and management. This knowledge transfer accelerates the learning curve for African nations, improving their capability to handle complex LNG projects. International collaborations contribute to skill development by offering training programs and educational initiatives. This not only addresses the shortage of skilled personnel but also empowers local communities and enhances the overall socio-economic impact of LNG projects (Claramunt Torche, 2019).

The intersection of global energy trends and international collaborations paints a landscape where African nations can position themselves as key players in the LNG market. The economic viability of projects in these nations is intricately tied to their ability to align with global shifts towards cleaner energy and leverage collaborations for sustainable development (Singh, 2023). In conclusion, as African nations embark on LNG projects, they must actively engage with global energy trends and foster international collaborations. By embracing cleaner energy dynamics and leveraging partnerships, African LNG projects can contribute to both local and global economic development, positioning the continent as a significant player in the evolving energy landscape (Chidolue et al., 2024).

9. Conclusion

The economic viability of LNG projects in African nations is a dynamic landscape that demands nuanced strategies, robust policies, and international collaborations. As we conclude this comprehensive review, key findings underscore the multifaceted nature of factors influencing economic success in African LNG initiatives. The investment climate and regulatory frameworks play pivotal roles in determining the economic feasibility of LNG projects in Africa. A conducive environment that attracts foreign direct investment (FDI) and provides clear regulatory guidelines is foundational for success.

The development of infrastructure, encompassing LNG export terminals and transportation networks, is a critical determinant of economic viability. Projects that prioritize comprehensive infrastructure planning are better positioned to capitalize on global market opportunities. The understanding of regional and global LNG market trends, coupled with supportive governmental policies, is integral. The alignment of policies with fiscal incentives and environmental considerations significantly contributes to the sustainability of LNG projects. The socio-economic impacts of LNG projects, including job creation, community engagement, and local development, underscore the holistic nature of economic viability. Successful projects strike a balance between economic gains and positive social contributions. Identifying challenges, ranging from political instability to technological gaps, provides insights into potential barriers. However, recognizing opportunities for collaboration, adaptive strategies, and partnership-building presents avenues for overcoming these challenges. The impact of global energy trends and collaborations cannot be overstated. The alignment of African LNG projects with the global shift towards cleaner energy, coupled with collaborations for investments and technology transfer, augurs well for economic viability.

Policymakers need to create an enabling environment that encourages investments, fosters regulatory clarity, and aligns with international best practices. Continuous dialogue with stakeholders and periodic policy reviews are essential for adapting to evolving global dynamics. Industry stakeholders, including project developers, investors, and operators, must prioritize comprehensive project planning. Collaborations with international partners, attention to infrastructure development, and community engagement strategies are pivotal for long-term success. Researchers play a crucial role in informing evidence-based decision-making. Future research should delve deeper into understanding
socio-economic impacts, refining technological solutions, and exploring innovative financial models to enhance the economic viability of African LNG projects.

The outlook for economic viability in African LNG projects is promising but requires strategic interventions. Continued efforts to strengthen investment climates, infrastructure development, and collaborations will shape a future where African nations emerge as key players in the global LNG landscape. Leveraging the transformative potential of LNG, policymakers, industry stakeholders, and researchers can collectively contribute to sustainable economic growth and energy security in the region. As we embark on this journey, the challenges are met with opportunities, and the lessons learned become catalysts for informed decision-making. The future of economic viability in African LNG projects is not only an imperative for the continent’s energy security but also a testament to the collaborative spirit required for navigating the complexities of the global energy landscape.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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