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Nigeria CNG rollout stalls on funding, infrastructure gaps

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Nigeria's transition to Compressed Natural Gas is being undermined by persistent infrastructure deficits and inadequate funding mechanisms, stakeholders have warned, raising doubts about the pace and viability of the country's CNG adoption programme.

Stakeholders speaking to BusinessDay identified the twin constraints as the most critical barriers to scaling CNG uptake across Nigeria. The absence of a sufficiently dense refuelling station network means that even vehicle owners and fleet operators willing to convert to CNG face practical obstacles that make the fuel switch impractical. Without accessible fuelling infrastructure, demand cannot consolidate, and without consolidated demand, private capital has limited incentive to build out the network — a classic infrastructure deadlock that has stalled similar transitions elsewhere on the continent.

Funding mechanisms are an equally acute problem. Nigeria's CNG ambitions require upfront capital across multiple layers: conversion kits for vehicles, compressor and dispensing equipment for refuelling stations, feedgas supply infrastructure, and grid connectivity where applicable. Stakeholders indicated that current financing structures — whether government-backed or commercial — are not calibrated to absorb these costs at the scale and speed the transition demands. The absence of blended finance instruments, concessional lending windows, or credible offtake guarantees makes it difficult to attract the institutional investors and development finance institutions whose participation would be essential to unlocking a bankable project pipeline.

The broader context matters here. Nigeria holds some of the largest natural gas reserves in Africa, and CNG represents a domestically-produced fuel that could reduce the country's chronic dependence on imported petrol, ease foreign exchange pressure, and lower urban transport emissions. The government has publicly committed to CNG as a pillar of its domestic gas utilisation agenda. However, the gap between policy intent and on-the-ground delivery remains wide. Stakeholders appear to be signalling that without structural intervention — in infrastructure planning, project financing, and regulatory certainty — the transition will proceed far more slowly than official timelines suggest.

For the energy services sector, the near-term story is one of a market that is directionally correct but operationally immature. The CNG value chain — from wellhead to compression, dispensing infrastructure and vehicle integration — requires engineering, project management, and equipment supply capabilities that international service companies possess. The question is whether Nigeria's CNG programme will generate a bankable, contracted project pipeline within a timeframe that justifies active commercial positioning, or whether it remains a monitoring story for the medium term.

Why this matters to partners and clients of Saga

The programme has not yet generated signed contracts or open tenders, so Norwegian service companies should monitor rather than pursue procurement outreach at this stage. Relationship-building with Nigerian midstream operators, development finance institutions active in Nigeria, and government agencies such as the Nigerian Midstream and Downstream Petroleum Regulatory Authority (MDPRA) would be the appropriate activity now. Partners with compression equipment supply, small-scale gas infrastructure engineering, or project finance advisory capabilities should track funding mechanism developments closely, as a shift to bankable structures would create procurement opportunities relatively quickly.

PARTNER ANGLES

- **LNG/Gas:** Compression and small-scale gas infrastructure suppliers should map Nigeria's CNG station pipeline and engage MDPRA to understand the regulatory procurement framework before tenders are issued.
- **Pipeline:** Feedgas supply line and last-mile distribution engineering firms should assess whether existing pipeline right-of-way can be leveraged to reduce CNG station connection costs, a key bottleneck identified by stakeholders.
- **Service:** Project finance and feasibility advisory firms could position to support blended finance structuring for CNG refuelling station clusters, filling a gap explicitly flagged by Nigerian stakeholders.
- **Subsea/FPSO:** Limited direct relevance at this stage, but operators handling associated gas processing offshore should monitor whether domestic CNG demand growth affects flaring reduction obligations and gas monetisation requirements.

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