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Subcommittee on African Affairs
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Chairman Coons, Ranking Member Isakson, and Members of the Subcommittee, thank you for the opportunity to testify today about the U.S. Trade and Development Agency's experience in advancing U.S. trade and investment interests in Nigeria. USTDA's unique trade and development mandate positions our Agency to create jobs here at home, while promoting sustainable infrastructure development in markets around the world, such as Nigeria. We welcome the Subcommittee's interest in USTDA's work in Nigeria, and we look forward to outlining some of the opportunities and challenges that we have faced while working in Nigeria, particularly in the energy sector.

Chairman Coons, we know that you and U.S. Senators Durbin and Boozman, among many others, are committed to creating U.S. jobs and increasing U.S. exports to Africa. We also know that you are committed to improving America's competitiveness throughout the continent. We wholeheartedly agree with these objectives, and that African development and trade must be a priority. These objectives are precisely in line with the mission of USTDA – to create opportunities for U.S. exports and U.S. jobs, while promoting economic development in developing countries such as Nigeria. Nigeria, despite its challenges, is a market that offers significant commercial opportunities for U.S. firms and should be at the forefront of any strategy to increase U.S. exports to Africa.

Mission of the U.S. Trade and Development Agency

In carrying out our dual trade and development mission, the Agency is unique among U.S. Government agencies in the way it brings U.S. equipment, technology and expertise to bear in advancing economic development and U.S. commercial interests overseas. Specifically, USTDA relies on the U.S. private sector to carry out project-specific feasibility studies; technical assistance programs; and reverse trade missions. Each of these activities is designed to assist countries to make informed investment decisions while also better positioning U.S. companies and their goods and services for use in new infrastructure construction or expansion. It is important to note that USTDA focuses its program on sectors where U.S. firms are competitive such as energy, with a particular focus on clean energy; transportation; and information and communication technology. Much of USTDA's program in Nigeria has centered on the energy sector, in particular.

Working with private industry and trade associations such as the U.S. Chamber of Commerce, the National Association of Manufacturers, and the Corporate Council on Africa, USTDA has developed a successful program that matches the development needs of our partner countries with the best U.S. expertise and ingenuity in the manufacturing and services sectors. Using this model, we have seen the benefits that exports provide to both host countries and the U.S. economy. The success of this approach is demonstrated by a historical return of over \$58 in exports of U.S.-manufactured goods and services for every program dollar expended worldwide. In total, USTDA's program has directly contributed to over \$17.9 billion in U.S. exports over the past 10 years.

USTDA's Program in Nigeria: Challenges and Opportunities

Opportunities

Nigeria's energy sector offers tremendous opportunities for U.S. firms. As we are all aware, Nigeria possesses significant oil and gas reserves -- in fact, the country is one of the top five exporters of crude oil to the United States. Still, Nigeria imports around 70 percent of its refined fuels. Under the right market conditions and regulatory environment, Nigeria possesses the potential to attract significant

new U.S. private sector investment and technologies for oil exploration and refining.

We understand from our U.S. private sector partners that Nigeria's gas reserves even outstrip its reserves of oil. However, Nigeria's gas sector is in a relative stage of infancy, needing significant investments for growth, including technologies that can be sourced from the United States.

USTDA sees export opportunities related to extending Nigeria's gas pipelines, gas processing, and gas storage infrastructure. In these areas, USTDA has been active with the private Nigerian company, Oando, PLC, which is one of Africa's largest energy companies. In June 2011, USTDA supported a reverse trade mission to the United States for Oando officials who are looking to the United States for gas storage and processing solutions. Following this visit, USTDA and Oando entered into an agreement to jointly fund a feasibility study on the development of a new gas pipeline that will service the southwest part of the country. The objective of this activity is to highlight U.S. technological solutions in a sector that offers tremendous opportunities for U.S. firms.

Another significant area of promise for U.S. companies in Nigeria is power generation. Nigeria suffers from frequent power outages, and there are opportunities related to the refurbishment of existing power plants, as well as the construction of new power plants. About 50% Nigerians have access to power, although it is unreliable and intermittent. Under the right market conditions, we see opportunities for independent power producers to feed power into the grid; we also are aware of opportunities in remote locations that are not currently served by the grid, as well as business opportunities with larger-scale private sector electricity consumers.

The lack of reliable and efficient electricity has forced many Nigerian companies to turn to expensive and polluting diesel fuel generators. USTDA has recently funded studies with several Nigerian private sector companies that are looking to reduce their reliance on diesel fuel by investing in renewable energy technologies from the United States, including solar and wind power solutions.

Another potentially important area for U.S. technology and investment is in Nigeria's electricity transmission and distribution grids. There are locations in Nigeria's power grid that lose up to 40 percent of the power that is being generated. These losses are mostly due to old infrastructure that is not being maintained, as well as theft (aka non-technical losses). In addition to supplying new equipment for the power grid, U.S. companies are world leaders in the development of smart grid technologies. These technologies help power utilities to better manage the power grid, to improve the stability of the grid, to minimize power losses, and to improve customer service. In this area, USTDA is currently working with three power distribution companies in Nigeria, in Abuja, Eko, and Ikeja, to identify suitable technologies and infrastructure requirements to make these state-owned companies more efficient, as well as more attractive to potential private sector investors.

Challenges

While there are significant opportunities in Nigeria, there are also some very complicated and difficult challenges that U.S. businesses and investors face.

The first challenge is one of country risk – both real and perceived. Stories of kidnappings of businesspeople, vandalism and theft of infrastructure assets and violent clashes between ethnic and religious groups have raised serious concerns related to security and to Nigeria as a business and investment location.

Another challenge relates to fuel and electricity subsidies that distort the market. Prior to January of this year, fuel subsidies – or, allowances – accounted for an astonishing 25 percent of Nigeria's government spending. In terms of building new oil refineries and power plants, it is exceedingly difficult to attract private sector investment if the market does not allow investors the ability to cover their costs and make a profit. While the Government of Nigeria has taken recent steps to roll back some of its subsidies and to provide guarantees to investors, it faces significant public opposition to some of these changes.

The Jonathan Administration announced a serious power sector reform strategy in 2010. This included the partial privatization of state-owned generation and

distribution assets and activities. Several U.S. companies have been shortlisted as potential buyers for these assets. The government is working to finalize model power purchase agreements and off-taker payment guarantees to support its major privatization program. Privatization efforts are moving slowly and the government recently announced that the privatization would be delayed until October 2012.

Another major challenge to trade and investment in Nigeria is corruption and a lack of transparency in government procurement. As my fellow panelists will be covering /have covered this subject in some detail, we will defer to their testimony on the subject.

And finally, there is tremendous talent and knowledge in Nigeria, but not enough to keep up with the demands of a growing infrastructure. Nigerians who have been trained in highly specialized fields are often recruited by firms in the Middle East, Europe, and even the United States. Training is costly, but without specialized technical and financial knowledge, it is a great challenge for Nigerian entities to negotiate complicated power purchase agreements and other business arrangements that help to build Nigeria's energy infrastructure. The need for specialized expertise also impacts U.S. companies' ability to operate in Nigeria as local content provisions require local sourcing of oil and gas supplies that normally not manufactured in Nigeria.

Conclusion

I would like to thank the Subcommittee for inviting me here today. I will end this testimony by repeating that despite its challenges, Nigeria is a market that offers significant commercial opportunities for U.S. firms and should be front and center of any strategy to increase U.S. exports to Africa. Exports to Nigeria benefit both Nigeria and the U.S. economy. We are proud of our Agency's history of opening markets and creating jobs through exports. We welcome the opportunity to work with you to encourage U.S. companies to avail themselves of opportunities in Nigeria, and throughout Africa, which will advance Africa's economic development and stimulate the U.S. economy in these challenging times.

Thank you.