



# Implications Of The Petroleum Industry Bill On The Nation

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**PETROLEUM** Industry Bill came into being following the attempt by the federal government to undertake a reform process of the oil and gas industry in order to improve the general efficiency of the sector. The reform process of the oil and gas industry would require a holistic approach. This, in effect, means that the existing laws governing the administration of the industry in the country would have to be repealed or reviewed. The present Petroleum Legislation and especially, the fiscal regimes were no longer in tune with the current realities of Nigeria and international best practices in the oil and gas industry.

The changes to the existing laws were specific as well as diverse

in many instances. For example, the laws sought to create a much more transparent administrative system where all interested parties could assess information and indicate

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interests on a given venture/projects in the oil and gas industry. It attempts to amend aspects of the Petroleum Profit Tax Administration, (PPTA), which treat information relating to the chargeable profits of companies as confidential and secret. The new laws also clearly state procedures for bidding processes and retention of licences and leases which were hitherto, not the case in the old laws. It also simplifies collection of petroleum revenues by emphasizing on rents

and royalties and less on taxes.

## Senator Lee Maeba To Speak At NOG Tech

**SENATOR** Maeba to speak about the recently signed Nigerian Oil and Gas Industry Content Development Bill during the conference session on Training and Local Content in Nigeria's onshore and offshore industry at Nigeria Oil Gas Tech (NOG Tech) Conference and Exhibition Eko Expo Centre - 8-10 June in Lagos. Senator Maeba was instrumental in first presenting the recently passed Nigerian Content Bill\* to the Senate back in 2005 and he has traveled the world to compare content development in the oil and gas industries. At the NOG Tech conference he will share his experience in this field, along with Ernest Nwapa, Group General Manager, Capacity Building & Local Content, NNPC. NOG Tech is a new partner event by the organizers of Nigeria Oil and Gas (NOG) which was opened by President Jonathan this February and attracts over 7000 participants annually. NOG Tech was developed in response to the growing need for a technical conference and exhibition and in Lagos at the heart of the oil and gas industry. The Exhibition has sold out and the number of online registrations to visit the exhibition is higher than for any other first time CWC event. The demand for speaker space is unprecedented and high level speakers include; Dr Emmanuel Egbogah P Engr, OON, Special Advisor to the President on Petroleum Matters Billy Agha, Group Executive Director Engineering & Technology, NNPC Engr F A Abbiyesuku, Group Executive Director Corporate Services, NNPC Lee Maeba JP, Senator, Federal Republic of Nigeria Engr (Chief) Olumuyiwa Alade Ajibola, President, Nigerian Society of Engineers Dr Olufemi A Lalude, Chairman, CresTech. The NOG Tech conference will focus on technology developments, innovation and training within the upstream, midstream and downstream oil and gas markets. It will bring together senior decision-makers and industry experts involved in the biggest projects in the region.

## Oil, Gas Exploration Begins in Lagos Soon

**INTENSIFIED** effort to explore oil resources off its coast yesterday yielded a major breakthrough as Lagos State Government announced that two oil exploration companies are poised to commence the exploitation of oil and gas in the state. In addition, two oil and gas firms namely; Folarin Petroleum Company Limited and British Gas Exploration and Production Limited briefed the strategic officials in the state Department of Mineral Resources about the oil finds, though the detail of the meeting had not been disclosed at the press time. The state Commissioner for Waterfront Infrastructure Development, Prince Adesegun Oniru, disclosed this breakthrough during a briefing to mark the third anniversary of Governor Babatunde Fashola (SAN). Speaking on the new discoveries, Oniru confirmed that a vast deposit of oil resources had been discovered off shore in Badagry area of the state, though the quantity of oil deposit in the state had not been quantified in barrels. However, the commissioner said oil production and exploration in the state had been largely constrained by a large volume of gas lying on the oil resources and explained that the constraints had been properly and technically addressed. He added that Department of Petroleum Resources, a federal agency had granted Yinka Folarin Petroleum Company Limited OML 113 and British Gas Exploration and Production Limited OPL 223 to operate on the oil fields in the state. He said: "Yinka Folarin Petroleum Company Limited had been prospecting for oil resources in the state for more than a decade. We have been meeting with Messrs Folarin and British Gas Exploration about the discoveries. "Oil production and exploration has not started.

It is no as simple as that due to some constraints. In the discovery, a vast deposit of gas was found lying on the oil resources. To exploit oil resources, there is a need to get the gas out first. "A gas exploration firm has already been engaged to remove the gas so that oil production and exploration can take off immediately. That has been achieved. We are going to flare gas. We are planning to explore it to generate more revenue and protect of environment," the commissioner explained.

## 40 Development Wells Drilled in 1Q 2010 - Federal Govt.

**FEDERAL** government has announced that 40 development wells were drilled during the first quarter 2010 as against 27 which was drilled during the same period of 2009. Two wells to one exploratory and one appraisal were approved for drilling during the quarter but none has been spudded. The Director also stated that about 19 seismic processing/reprocessing activities were ongoing by Total, Chevron, ExxonMobil, Allied Energy and Yinka Folarin during the quarter, while twenty-two rigs were in operation during the first quarter as against twenty-five recorded during the 1st quarter of 2009. "A total of 3,827 sq Km of 3D seismic acquisition was approved for six E & P companies during the quarter, and total of 147 Sq Km (3-D) of seismic data was between January and March 2010 as against 1,070.12 Sq km acquired in the 1st Quarter of 2009. Percentage decrease is 628 percent as only ExxonMobil acquired 3-D seismic data, in 1st quarter." Billy said. According to him, "The Technical Production Allowable for the first half of 2010 was 2,501,682 bpd compared to 2,605,618 bpd for the same period in 2009, And the production deferment for the first quarter of 2010 are as follow; January 2010: 522,869 bpd, February 2010: 507,199bpd, March 2010: 311,337bpd. The average deferment for the first quarter of 2010 is 447,135bpd as Chevron wells that were hitherto shut in came on stream in March 2010, thus bringing down the deferment in March. This was as a result of the Niger Delta crisis and operational problems."

## Govt Wades Into Mobil, Host Communities Oil Conflict

**AKWA IBOM** State Government has waded into the faceoff between Mobil Producing Nigeria (MPN) and its host communities of Eket, Ibeno Esit Eket and Onna over the recent oil spill in the coastal communities. It was gathered that the State Governor, Chief Godswill Akpabio, has scheduled a stakeholders meeting between the Managing Director of the oil firm, community leaders, and council chairmen in the affected localities. It could be recalled that hundreds of members of the host communities to MPN last Tuesday protested the frequent oil spills from the Qua Iboe oil fields operated by MPN. The protests, which disrupted operations of the oil, firm later spread to Eket and other neighboring communities in Onna and Eket local government areas in the state. Officials of the oil firm who were yet to report for work on the fateful day when the protest broke out were denied access to their offices. Community leaders reportedly prevented oil spill response workers deployed to contain the spill from applying dispersants to control the spill pending assurances of paying compensation for the losses incurred by fishermen in the area. Chairman of Eket local government, Hon. Emmanuel Udoh, said he had restrained the youths from taking laws into their hands to maintain peace. "It is true that the oil spill from the Qua Iboe Terminal has affected our people who fish at the Atlantic Ocean but the spill has found its way into the estuaries and creeks where mostly the artisan fishermen operate.

## Implications Of The Petroleum Industry Bill On The Nation

The PIB would encourage the development of small fields with significant low tax incentives having a bottom level of five percent royalty scale, based on daily oil production. This provision is a deliberate effort to encourage Nigerian entrepreneurs to partake in the oil and gas sector business. In addition, the local content provision has been incorporated into the new law which would require all projects and procurements to have Nigerian content elements in them. By this, all purchase of local goods and services in the oil industry would receive a significant boost, given that the PIB makes only 80 per cent of foreign costs deductible for Nigerian hydrocarbon tax purposes. The deregulation of the downstream sector coming alongside the reform is also expected to stimulate economic activities in the country, as new areas of local entrepreneurship skills would be promoted to enhance the operation and management of the downstream assets under a deregulated regime.

The provision of the bill provides adequate incentives to promote domestic gas utilisation in Nigeria. This is consistent with the National Gas Master Plan. Article 282, 335, 404 - 410 of the Gas Master Plan which highlighted the significance of encouraging the use of gas in domestic markets as well as ending gas flaring. As specialised bodies and institutions with distinct roles and responsibilities, duplications of functions are highly unlikely. The separation of the oil and gas value chain into Upstream, Midstream and Downstream, with clear demarcation of boundaries among the segments ensures that the institutions function properly without any recourse to overlapping responsibilities. The number of institutions being created is linked to the oil and gas value chain. Indeed, most of the institutions are already in existence, namely the Inspectorate, the Authority, the Fund, the Frontier Service and the Centre. In technical terms, therefore, only two new institutions were being created. The "Agency" and Directorate" all of which have clearly defined roles.

In order to ensure prudent management of resources and accountability, the institutions' running cost would be tied specifically to the sectors that they regulate and would not unduly put burden on Government finances. For example, the "Authority" would derive their fund from fees and levies on Petroleum Products and Gas sales. The policy and regulatory roles of the NNPC is to be excised and transferred into three regulatory entities for effectiveness and efficiency. Therefore, government would

still have strong oversight and control of the oil and gas industry.

NNPC would not be privatized but be fully commercialised. The reform would rather see the present NNPC transit from being a statutory Corporation into a Limited Liability Company under the Companies and Allied Matter Act, (CAMA). It would function as a purely commercial business entity but wholly owned by government. It would have freedom to enter into commercial ventures within and outside of Nigeria and pay taxes on its profit to the government. The PIB provides for the current Directorate of Petroleum Resources to be transformed into the National Petroleum Inspectorate, (NPI), which is an autonomous regulatory body empowered with financial and operational independence to regulate the activities in the upstream petroleum sector.

The new laws request each oil and gas producing company in Nigeria to supply a certain proportion of gas for use in the domestic market under the domestic gas supply obligation to be issued by the Minister of Petroleum Resources. All the provisions in the previous downstream gas bill had been incorporated in the PIB. The three regulators would regulate the Gas sector: Agency, Inspectorate, and Authority.

Under the Corporate Social Responsibility section of the Bill, an elaborate presentation on the roles and responsibilities of companies and what constitutes their corporate social responsibilities to their host communities recommends stiff penalties for any act of environmental pollution by companies. In addition, it also spelt out provision for effective engagement and participation of host communities in the economic spin-offs, arising from oil and gas activities in their vicinity. Companies are required to present a well articulated sustainable community development plan consistent with the PIB guidelines for effective sustainable engagement programme. The reform process of the oil and gas industry is more or less about creating opportunities for Nigerians. The various institutions to be created would seek to engage Nigerians from all walks of lives to be involved throughout the entire value chain of the oil and gas industry. Moreover, the bill compelled oil and gas companies to employ host community members in their employments and contract awards, especially on community related development projects.

The bill mandates oil and gas companies operating in Nigeria to be guided strictly by the PIB Local Infrastructural Development

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and Maintenance Guidelines. It also stipulates for a Mandatory Consultation with host communities in the development of infrastructure and all related development initiative under SCR to be undertaken by company operating in an area. The bill mandates that all oil and gas companies must ensure support for educational and skill acquisition training programmes for indigenes of the host communities. The sole aim is essential to create a highly skilled manpower as well as provide the unskilled persons with skills that would provide employment for them, especially, in the operational segments of the oil and gas industry.