CASE STUDY

The United Africa Republic (UAR) is a country in South-East Africa and the most populous democracy in that part of the world. It is also an oil rich country and all the international oil companies (IOCs) have operations in the country. Their constitution provides for a federal structure like the Constitution of the Federal Republic of Nigeria 1999 (As Amended).

The government has been working assiduously to transform the oil and gas industry to empower its citizens and accelerate development of the country from a third to a first world country by 2030.

The country's parliament recently enacted a Petroleum and In-Country Value Added Management (PICVM) Office Act that mirrors the PIA and NOGICD Act, but stakeholders are yet to fully understand and implement the provisions.

Task:

Please identify the issue(s) in the scenarios of your choice below.

What should have been done differently and what processes will you recommend going forward to deepen the oil & gas industry of UAR?

Scenario 1

The Peoples Redemption Congress (PRC) which is one of the leading political parties in the country has amended its manifesto to provide a timetable of 5 years ending in 2027 when all IOCs will be expected to stop operating in the country by virtue of the PICVM Office Act.

The National Secretary of the party is also advocating for (i) a special guideline for winding up of the IOCs within the timeline, (ii) all PPLs and PMLs should be controlled, developed, and managed by the PICVM Office.

Scenario 2

Three (3) state governments have issued regulations relating to the exploration, prospecting and mining of the oil and gas deposits in their respective states. They have also issued a manual on ground rent, tenement rent, and consent fees for OML lands located in their states.

Scenario 3

The office of the auditor general has reviewed the Concession Agreement of 30 years between the Central Government (as Employer) and the British Petroleum (as the Concessionaire) and directed that it should be terminated in its 7th year for being unfavourable to the country.

The opposition party which controls the parliament has resolved to amend the PICVM Office Act to vary the terms of the Concession Agreement because according to the Speaker of Parliament, "*the lackluster President and his loquacious Attorney General are dragging their feet in terminating the Concession Agreement*."

Scenario 4

Astute Drilling Co. UAR Ltd which is an Incorporated Joint Venture (IJV) between an Italian company and one Chief Bendu Kaoro won a drilling contract in OML 130 operated by an indigenous oil company. A draft report by some officials of the Auditor General's office raised an alarm that PPT has not been paid by Astute Drilling Co. UAR Ltd even though the company drills in the upstream sector of the economy.

The draft report also indicted the national oil company for not disclosing cash calls in respect of a deep offshore PSC it signed with an IOC. An audit investigation has been commissioned by the national tax authority against the IOC for not paying upto 85% PPT.

Scenario 5

A special project undertaken by an IOC is grounded because the ICVM Office insists on 85% engagement of locals, but the IOC says it is unable to find locally qualified hands up to that threshold.

Scenario 6

An IOC has posted an aggregate of $366 million deductible expenses comprising of bank charges, EDT, international arbitration fees, parent company expenses for the purpose of adjusting its HCT.