

Overview of the Oil and Gas Industry in Nigeria

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Outline

- Introduction to Nigerian Oil & Gas Industry
- The Oil & Gas Value Chain
- Pre-PIA Laws and Regulatory Framework
- The PIA Regime
- Upstream, Midstream and Downstream Operations
- Host Communities Development
- Fiscal Framework
- Administrative Changes



01

**Introduction to Nigerian Oil & Gas
Industry**

Where are we from?

Agriculture was Dominant

● The Nigerian economy flourished as the sector accounted for 98% of our food, 64.1% of our GDP, and employed over 70% of Nigerians.

Created an Export-Focused country with the groundnut pyramids in the North; cocoa in the West and palm oil in the eastern region.

● These were the main sources of revenue, export and foreign exchange for the government even during the Nigerian civil war (1967-1970).

Funded the development of social, health and economic infrastructure from the mid-1950s to the early 1970s.

● Did this not last long. With oil growth, the economy saw a descent into an abysmal overdependence on imports.

Where are we from?

1956 - Oil was discovered in commercial quantities in Oloibiri, Bayelsa State of Nigeria.

The discovery was made by Shell Darcy, the sole concessionaire at the time.

By the late 60's and early 70's, Nigeria witnessed more participation in the petroleum industry.

1969 – Petroleum Act was enacted.

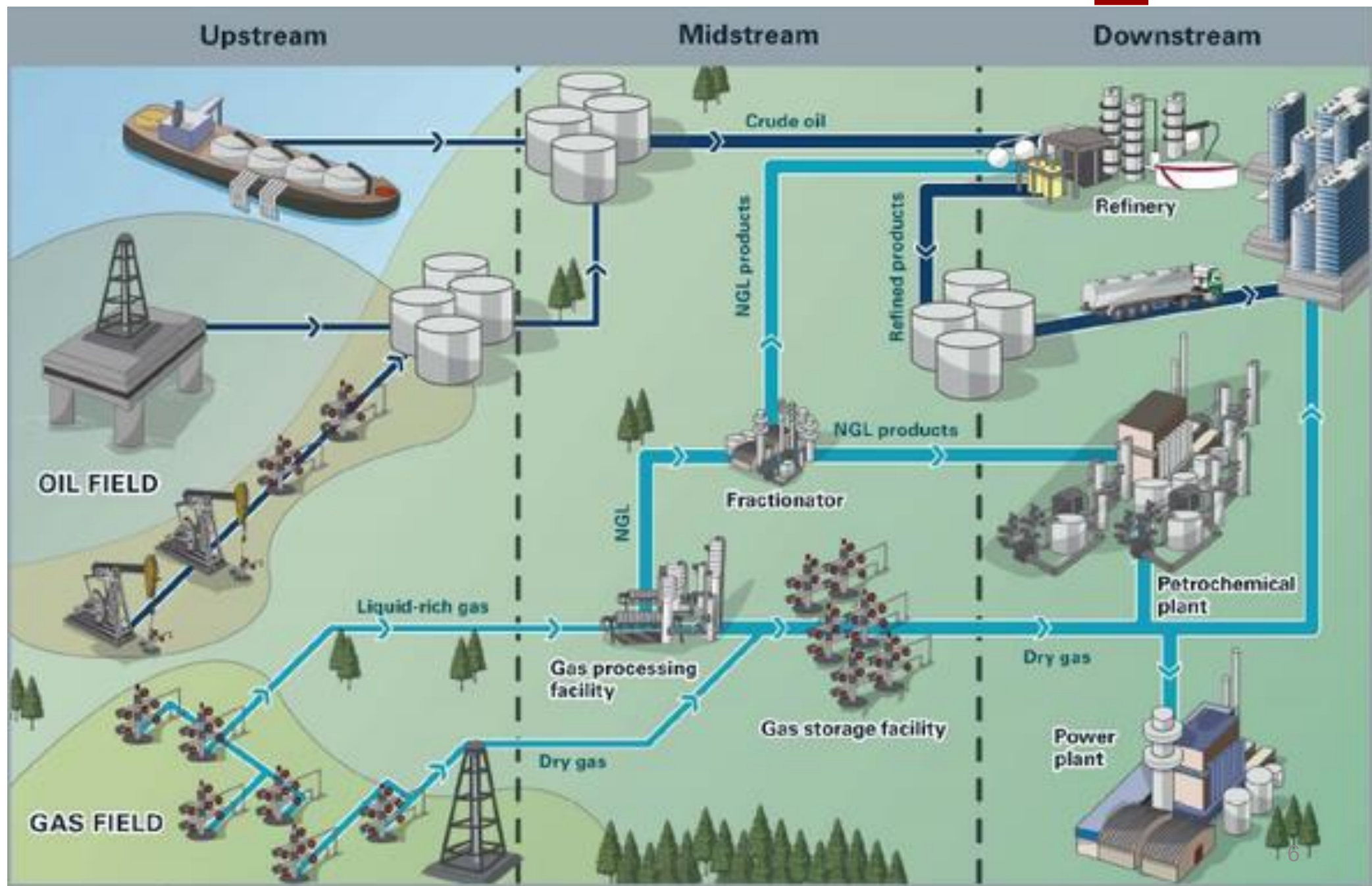
Today - 37 billion barrels of proven crude oil reserves, 13th largest oil producer in the world; the largest in Africa (EIA).

1971 - Organization of Petroleum Exporting Countries (OPEC).

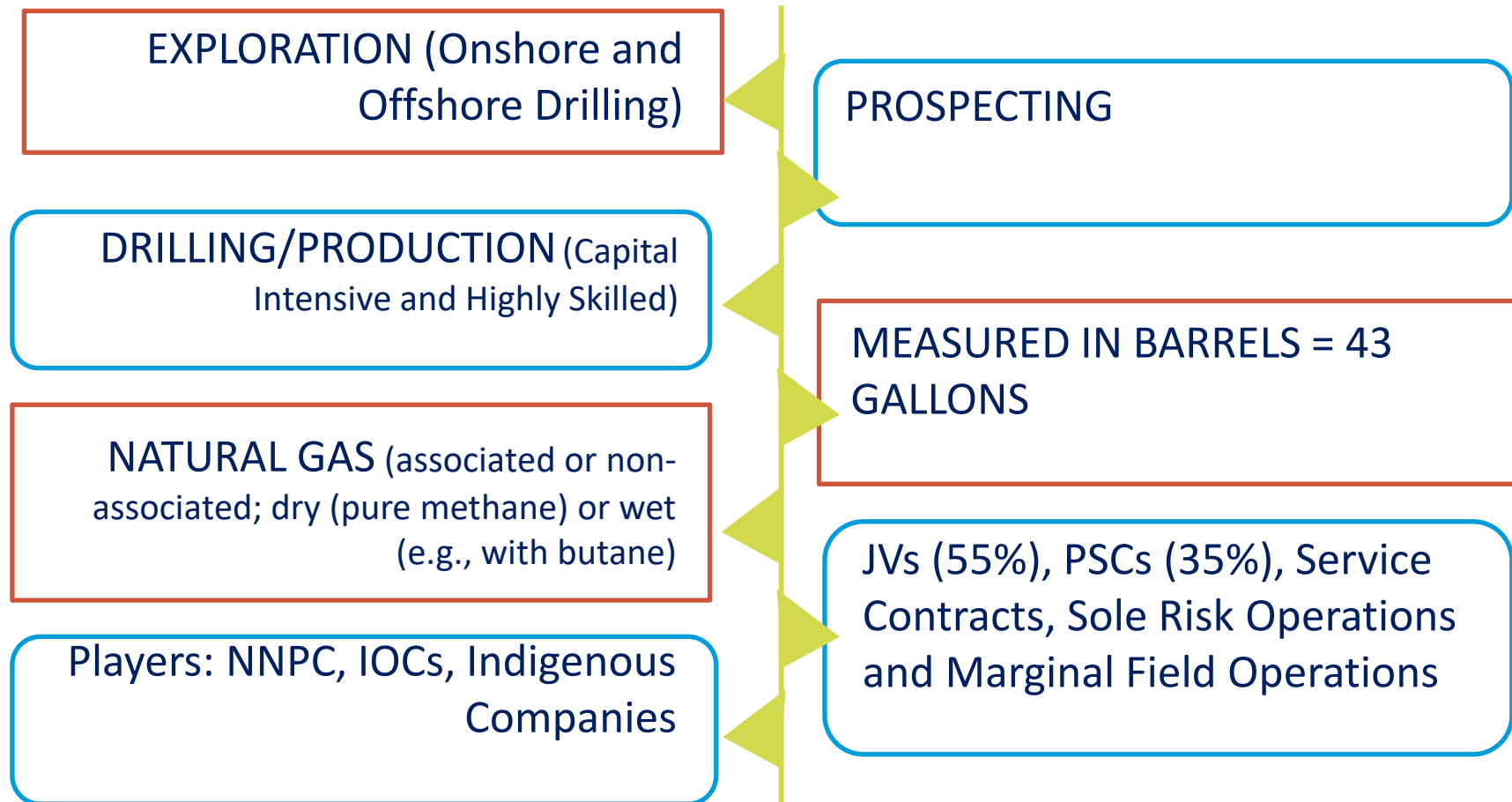
65% of FGN revenue and 88% of Nigeria's forex earnings are from the oil and gas industry ; but GDP >10% (NEITI).

Today - 200.4 trillion cubic feet (Tcf) of proven natural gas reserves; 10th largest in the world; the largest in Africa (EIA).

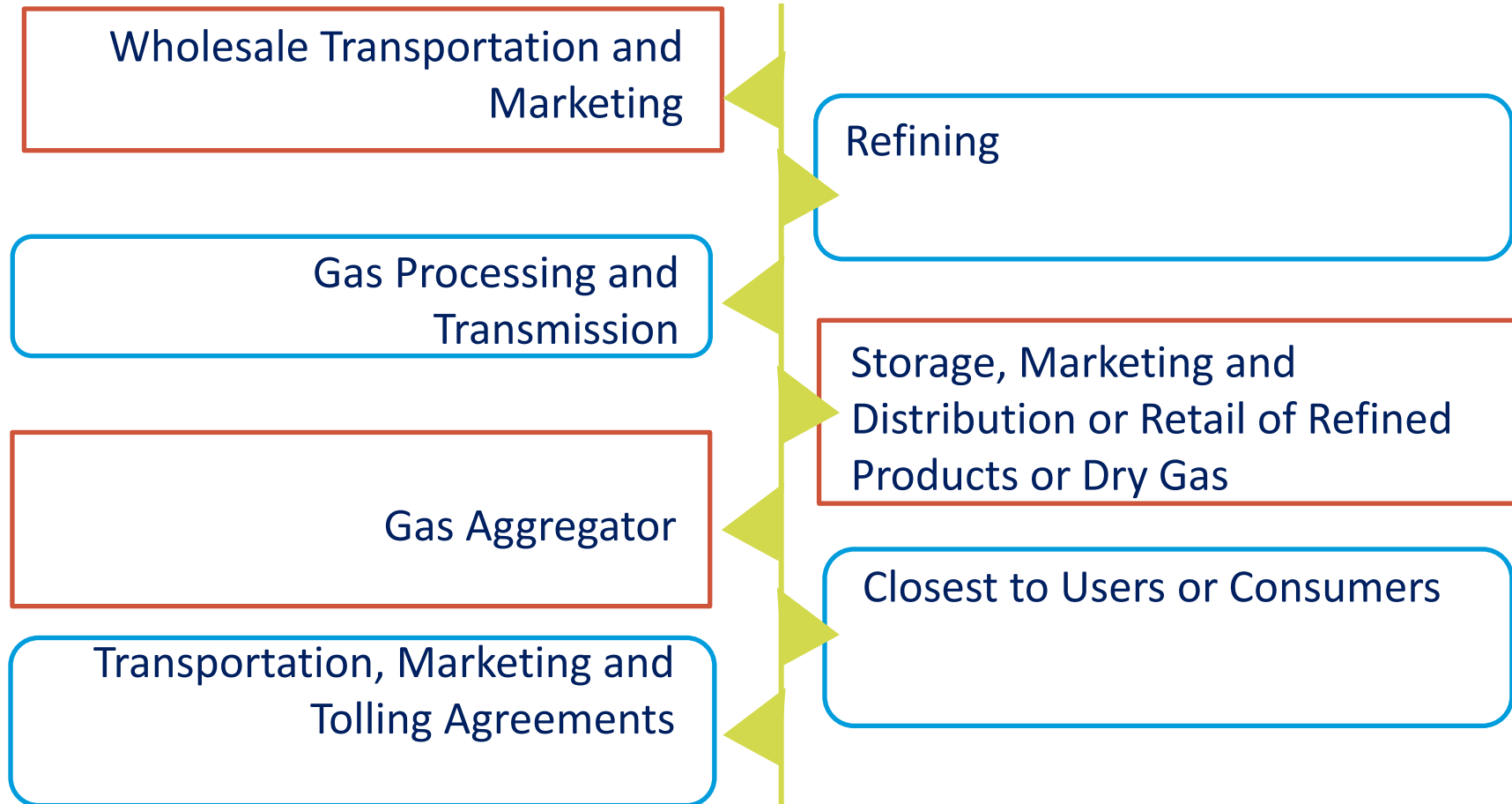
The Oil & Gas Value Chain



Upstream at a Glance



Midstream and Downstream



Crude Oil or Petroleum Products - Refinery

- Gasoline, PMS or petrol – 50% of Crude
- Diesel Oil
- Asphalt
- Jet Oil – 10%
- Waxes and Lubricating Oils
- Kerosene or Paraffin
- Petrochemical feedstock

NGL Products – Liquids separated from Natural Gas

- **LPG - Cooking and heating fuel**
- **Electricity – Least Carbon dioxide in Thermal Power than petroleum or coal**
- **Fertilizer**
- **Plastics, plastic bags, water bottles, detergent**
- **Synthetic rubber for tyres**
- **Pharmaceuticals and fabrics**

LNG – Natural gas converted to liquid by cooling for ease of transportation

- **LPG - Cooking and heating fuel**
- **Electricity – Least Carbon dioxide in Thermal Power than petroleum or coal**
- **Fertilizer**
- **Plastics, plastic bags, water bottles, detergent**
- **Synthetic rubber for tyres, paints, glass**
- **Pharmaceuticals, fabrics, dyes**



02



Pre-PIA Laws and Regulatory Framework

The 1999 Constitution

The 1999 Constitution (As Amended) is the bedrock of the legal and regulatory framework for the Oil & Gas Industry

Section 44(3) - Vests the entire property in and control of all minerals, mineral oils and natural gas in, under or on any land in Nigeria and its territorial waters and exclusive economic zone in the Government, to be managed in the manner prescribed by the National Assembly. Ditto – **Exclusive Economic Zone Act**

Section 4(2) - Confers on the National Assembly the power to make laws for matters listed in the Exclusive Legislative List.

Item 39 of Part 1 of the Second Schedule - Matters relating to oil & gas are contained in the Exclusive Legislative list.

Section 251(1)(n) and 251(3) – Grants the Federal High Court the exclusive jurisdiction in civil and criminal causes and matters relating to mines and minerals (including oilfields, oil mining, geological survey and natural gas).

The Petroleum Act, 1969

The Petroleum Act, 1969 (now repealed?)



The Petroleum Act created the office of the Minister of Petroleum Resources (the “Minister”) who exercises general supervision of the operations carried out in the industry.




Any qualified person wishing to carry out operations must do so only with the authorization of the Minister. In that regard, the Minister was empowered to grant Oil Exploration Licence (OEL), Oil Prospecting Licence (OPL), and Oil Mining Lease (OML).




The Petroleum Act restricts any person from constructing or operating a refinery in Nigeria without a license granted by the Minister. It generally restricts persons from importing, storing, selling, or distributing petroleum products in Nigeria without a license granted by the Minister.



Only a company incorporated in Nigeria can be granted a license by the Minister.



The Petroleum Act empowered the Minister to make regulations in furtherance of the Petroleum Act. The Minister may also delegate his/her powers to any person in writing save for the power to make orders and regulations.



The Petroleum Act

Marginal Fields

- 1** Defined as fields that the President will from time to time identify/designate as marginal fields.
- 2** Ten (10) years after the grant of an OML, 50% of the leased area shall be relinquished.
- 3** The holder of an OML may, with the consent of the President, farm out marginal fields lying within its leased area.
- 4** The President may cause a farm-out of a marginal field if it has been left unattended for a period of not less than 10 years of its discovery.

Other Laws

- **Petroleum Refining Regulations 1974**
- **The Oil Pipelines Act and the Oil and Gas Pipelines Regulations**
- **Environmental Impact Assessment Act**
- **Environmental Guidelines and Standards for the Petroleum Industry in Nigeria (EGASPIN)**
 - **EGASPIN covers environmental control of various petroleum activities in Nigeria including exploration, production, terminal operation, oil and gas transportation and marketing.**
 - **DPR issues permits for all aspects of oil-related effluent discharges from point sources (gaseous, liquid and solid), and oil-related project development.**

Petroleum Regulations

- **Deals with the importation, transportation and storage of petroleum products**

Other Laws

NNPC Act

- **Established the NNPC to participate in petroleum operations on behalf of the Federal Government.**
- **NNPC, directly or through its wholly owned subsidiary, Nigerian Petroleum Development Company Limited (“NPDC”), participates in partnerships with IOCs typically under Joint Operating Agreements (“JOAs”) or Production Sharing Contracts (“PSCs”).**
- **NNPC, through the National Petroleum Investment Management Services (NAPIMS), supervises and manages Federal Government’s investment in the oil and gas industry.**

Other Laws

- **National Oil Spill Detection and Response Agency (Establishment) Act** – implements and coordinates the National Oil Spill Contingency Plan for Nigeria
- **Associated Gas Re-injection Act** – prohibits gas flaring but empowers the Minister to issue gas flaring certificates where utilization or re-injection of associated gas is not feasible. Flaring without certificate may result in forfeiture of the concession.
- **PPRA Act** – to benchmark the pricing of petroleum products in Nigeria.

DPR Guidelines

- **Guidelines and Procedures for Obtaining Minister's Consent To The Assignment of Interest in Oil and Gas Assets, 2021** which sets the procedure for obtaining the consent of the Minister to any assignment of any right, power or interest in an OPL, OML, or Marginal Field.
- **Guidelines and Procedure for obtaining DPR Approval for Transfer of Licence, Rights or Interests in the Downstream Sector, 2020.**
- **Guidelines and Requirements for the Application of Oil and Gas Industry Services Permit**

- **Guidelines for the Release of Staff in the Nigerian Oil and Gas Industry 2019**
- **Guidelines for the Award and Operations of Marginal Fields in Nigeria**
- **Guidelines for the Establishment of Hydrocarbon Process Plants (Petroleum Refinery and Petrochemicals Plants) in Nigeria**
- **Guidelines for Approval to Construct and Operate Petroleum Products Filing Stations**
- **Guidelines for the Establishment of Natural Gas Plant Facilities in Nigeria**

Nigerian Gas Master Plan (NGMP)

The NGMP is aimed at growing the Nigerian economy with gas by:

Stimulating the multiplier effect of gas in the domestic economy.

Positioning Nigeria competitively in high value export markets.

Guaranteeing long-term energy security of Nigeria.

It comprises:

- **National Domestic Gas Supply & Pricing Policy** – The policy framework driving an increased domestic supply of gas in Nigeria: (a) Strategic Domestic Sector (Power – residential and commercial); (b) Strategic Industrial Sector (Methanol, Fertilizer) – feedstock, and (c) other Commercial sectors (Cement, Steel etc.) – fuel.
- **National Domestic Gas Supply and Pricing Regulations 2008** introduced Domestic Gas Supply Obligations, Domestic Gas Aggregator and Penalty – US\$3.50 and no export.
- **Gas Infrastructure Blueprint:** This provides for the establishment of three gas gathering and processing facilities, a network of gas transmission lines, which will result in a reduced cost of gas supply from Nigeria.

The Network Code

- **The National Gas Policy, 2017 intended to remove the barriers affecting investment and development in the gas sector.**
- **The Network Code was launched on February 10, 2020 to regulate the use of the gas transportation system.**
- **Key objectives of the Network Code include to:**
 - **ensure fair and non-discriminatory access to the gas network;**
 - **to promote gas trading, and**
 - **to deepen domestic gas penetration in-country.**
- **The Nigerian Gas Company is the owner/operator of the Code.**



03

Enactment of the PIA

Enactment of the PIA

1. First introduced in 2008
2. Eventually passed and signed into law by the President on 16 August 2021
3. The PIA repealed the following 10 (ten) laws:
 - The Petroleum Act
 - Associated Gas Reinjection Act
 - Hydrocarbon Oil Refineries Act
 - Motor Spirit Act
 - NNPC (Projects) Act
 - NNPC Act (once NNPC ceases to exist)
 - Petroleum Products Pricing Regulatory Agency Act
 - Petroleum Equalisation Fund (Management Board, etc.) Act
 - Petroleum Profit Tax Act, and
 - Deep Offshore and Inland Basin Production Sharing Contract Act.

Enactment of the PIA

Savings and Amendments

- The provisions of some laws will still apply until the termination or expiration of the relevant OPL or OMLs, these include The Petroleum Act, PPTA, Oil Pipelines Act, Deep Offshore and Inland Basin PSC Act.
- The PIA amended the Pre-Shipment Inspection of Oil Exports Act and Petroleum Equalization Fund.
- The Act has completely changed Nigeria's oil and gas administration and governance.



04

Upstream Operations

Licensing Regime

New Licensing Regime Under the PIA

- **Petroleum Exploration Licence** (“PEL”) – granted to licensees carry out petroleum exploration operations on a non-exclusive basis for a term of 3 years subject to renewal.
- **Petroleum Prospecting Licence** (“PPL”) – gives licensees the exclusive right to drill exploration and appraisal wells, do corresponding test production on an exclusive basis and a non-exclusive right to carry out petroleum exploration for a maximum of 6 years for onshore and shallow water acreages and 10 years for deep offshore and frontier acreages (comprising of an initial exploration period of 5 years and an optional extension period of 5 years).
- **Petroleum Mining Lease** (“PML”) – granted to qualified applicants to (i) win, work, carry away and dispose of crude oil, condensates and natural gas on an exclusive basis; (ii) drill exploration and appraisal wells and carry out the related test production on an exclusive basis; and (iii) carry out petroleum exploration on a non-exclusive basis for a maximum period of 20 years.

Old Licensing Regime Under the Petroleum Act, 1969

Under the Petroleum Act, upstream operations were operation under the following classes of licenses granted by the Minister of Petroleum:

- **Oil Exploration Licence** (“OEL”) – granted to licensees for the exploration of petroleum which terminates on the 31st of December following the date on which it was granted, with an option to renew for a further year.
- **Oil Prospecting Licence** (“OPL”) – granted to licensees to prospect for petroleum with a duration not exceeding 5 years (including renewal periods).
- **Oil Mining Lease** (“OML”) – granted to licensees to search for, win, work, carry away and dispose of petroleum with a duration not exceeding 20 years.

Conversion of Current Licenses

1. Current OPL and OML holders have the option to convert their subsisting interests to PPL or PML through a conversion contract and subsequently enjoy the fiscal incentives under the Act.
2. Conversion to the new licensing regime will terminate all unconcluded court and arbitration cases, guarantees and stabilisation clauses provided by NNPC including capital allowance on investments enjoyed for gas production will be null and void.
3. Upon conversion, OML holders will be required to relinquish up to 60% of their existing acreage. The size of the concessions under the PIA are further reduced by a relinquishment regime that reduces the surface areas retained by a PPL or PML holder.
 - where it makes a discovery, it is required, within 6 months, to indicate if such discovery merits appraisal or if it is not interested, if the latter, then it may be required to relinquish parcels of the acreage that cover such discovery.
 - after completion of the appraisal, if it does not declare a commercial or significant discovery, then it will relinquish parcels of the acreage that cover such discovery.

Conversion of Current Licenses

4. **FOR PML:** The PML is granted upon approval of a field development plan in respect of each commercial discovery within a PPL. The PML holder must thereafter commence commercial production within 5 years for onshore acreages and 7 years for shallow water, deep offshore and frontier acreages, failing which the lease would be recommended to the Minister of Petroleum Resources for revocation. Also, within 10 years of commencement of the PML, all parcels of the lease that fall outside the boundary of a producing field will be relinquished.
5. The conversions shall become concluded or effective at the earlier of expiry dates of the current licenses or 18 months from the effective date of the Act.
6. Where OPL or OML holders choose not to convert to the new licensing regime, the extant regime will continue to apply to them until the expiration of the licenses.
7. Upon expiration, the new regime will automatically apply to all renewed licenses.

Marginal Fields



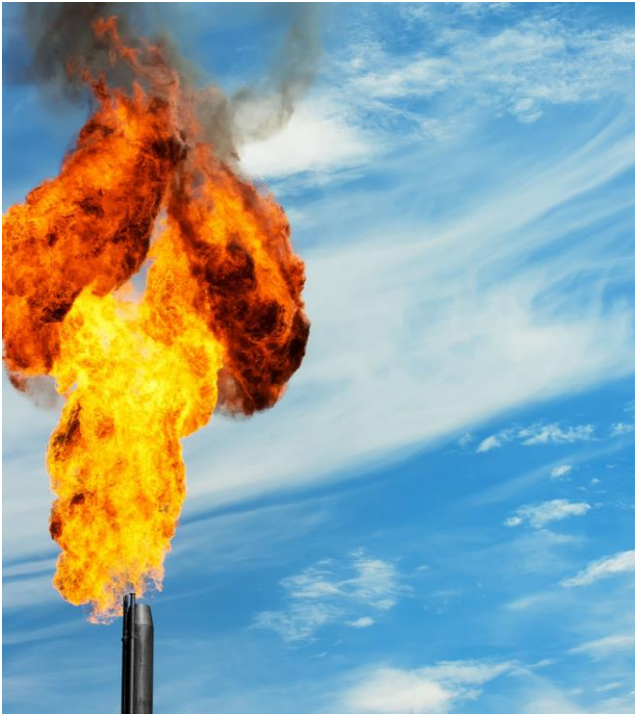
- Section 94 of the Petroleum Industry Act (PIA) defines a marginal field as *“a field or discovery which has been declared a Marginal Field prior to 1st January 2021 or which has been lying fallow without activity for seven years after its discovery prior to the effective date”*.
- All existing and producing marginal fields are permitted to continue to operate under the original royalty rates and farm out agreements but are required to convert to a PML within 18 months from the effective date of the Act.
- All marginal fields (**declared prior to the 1st of January 2021**) that are not yet producing are to be converted to PPLs and will benefit from the terms for new acreages under chapter 4 of the Act.

Marginal Fields



- The PIA brings an end to the marginal field regime and transforms these fields into substantive PMLs or PPLs within the next 18 months, except for new marginal fields that are farmed out privately by the OML holders that elect not convert.
- So, these are now proper licenses or leases depending and the question as to whether a marginal field under an existing OML will revoke alongside the main lease would appear to have been solved.

Gas Flaring



- The Act prohibits gas flaring except in the following circumstances: (i) in the case of an emergency; (ii) pursuant to an exemption granted by the Commission; or (iii) as an acceptable safety practice under established regulations.

Fine to be paid as prescribed in the Act.

- The Commission or the Authority are empowered to grant a permit to a licensee or lessee to allow the flaring or venting of natural gas for a specific period where it is required for facility start-up or for strategic operational reasons, including testing.
- Licensees and lessees producing natural gas are to submit a natural gas flare elimination and monetisation plan to the Commission within 12 months of the commencement of the Act.

Frontier Exploration Fund



"frontier basin" means basins where hydrocarbon exploration activities have not been carried out or previous commercial discovery oil and gas have not been made or an area that is undeveloped and includes Anambra, Dahomey, Bida, Sokoto, Chad and Benue trough or as may be declared by the Commission through a regulation;

- To promote the exploration of hydrocarbon in Nigeria's frontier basins, the Act establishes the **Frontier Exploration Fund** which will be funded by **30% of NNPC Ltd.'s profits** from oil and gas from production sharing, profit sharing and risk service contracts.
- The Frontier Exploration Fund has been misinterpreted to mean the exploration of crude oil in the North. Frontier basin acreages exist all over Nigeria and the exploration is for both oil as well as the substantial amount of gas reserves yet to be appraised.
- The Act defines "**frontier basins**" as basins where hydrocarbon exploration activities have not been carried out or previous commercial discovery oil and gas have not been made and includes Anambra, Dahomey, Bida, Sokoto, Chad and Benue trough or as may be declared by the Commission.

Sections 95(1) - (4); (15)

Every assignment, novation or transfer of PPL and PML or any right, power or interest, including shares in an incorporated joint venture (“IJV”) must be done with the written consent of the Minister, upon the recommendation of the Commission.

The consent for the assignment, novation or transfer of a PEL is with the prior written consent of the Commission.

Section 95 (7)(a) & (b)

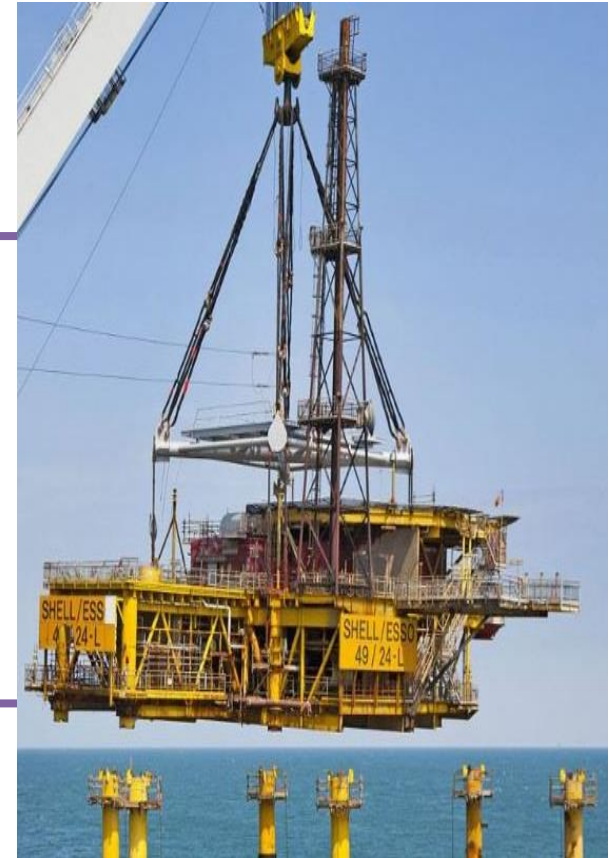
The Minister is required to provide reasons for rejection; and if there is no response on the application within 60 working days from the receipt of the Commission’s recommendation, his consent shall be deemed granted.

Sections 95(5)

Security interests over a PPL and PML may be created in whole or in part, by way of assignment, pledge, mortgage or charge, provided that the prior consent of the Commission has been obtained.

Decommissioning and Abandonment

- Decommissioning and abandonment of onshore and offshore petroleum wells, installations and structures are to be conducted in accordance with good international petroleum industry practices.
- The written approval of the Commission or Authority is required for decommissioning and abandonment.
- Lessees and licensees are to **set up and manage a decommissioning and abandonment fund** held by a financial institution not affiliated with the lessee or licensee, which shall be in the form of an escrow account accessible by the Commission or the Authority.
- The decommissioning and abandonment fund shall exclusively be used to pay for decommissioning and abandonment costs.
- Contributions to the decommissioning and abandonment fund shall be based on the decommissioning and abandonment plan approved by the Commission and Authority, as the case may be.













05

**Midstream and Downstream
Operations**

Licenses for Gas Operations

-  Gas Processing Licence
-  Bulk Gas Storage Licence
-  Gas Transportation Licence
-  Gas Transportation Network Operator Licence
-  Wholesale Gas Supply Licence
-  Retail Gas Supply Licence
-  Gas Distribution Licence
-  Domestic Gas Aggregation Licence

Licenses for Petroleum Liquids Operations



Crude Oil Refining Licence



Bulk Petroleum Liquids Storage Licence



Petroleum Liquids Transportation Pipeline Licence



Petroleum Liquids Transportation Network Operator Licence



Wholesale Petroleum Liquids Supply Licence



Distribution of Petroleum Products Licence



Petroleum Products Retail Licence



Petrochemicals Production Licence

Midstream and Downstream Gas Infrastructure Fund



- The Act establishes the Midstream and Downstream Gas Infrastructure Fund as a body corporate.
- To be funded by a **levy of 0.5%** derivable from the wholesale price of petroleum products and natural gas sold in Nigeria which shall be collected from wholesale customers.
- The levy is paid into the Fund within 21 days from the sale of the product.
- The Fund will cater for the equity investment of the government-owned participating or shareholder's interest in infrastructure related to the midstream and downstream gas operations.

Competition and Markets Regulations

- Consent of the Authority is required for the transfer or assignment of any midstream & downstream licence and permit – **section 117 of the Act.**
- The Act introduces provisions that relate to the regulation of the market for the oil and gas sector, thereby promoting anti-trust and competition.
- The Authority may require a license holder to maintain separate management, accounting or legal entities for its licensed activities – **section 212 of the Act.**
- Mergers between license holders or acquisition of a license holder whether directly or indirectly, shall not be undertaken without the consent of the Authority - **section 213(3) of the Act.**



Competition and Markets Regulations

- **The Authority's powers to monitor competition with respect to midstream and downstream operations is subject to the provisions of the Federal Competition and Consumer Protection Act.**
- **The factors for consideration by the Authority in exercise of its powers to regulate competition:**
 - a. global trends in the relevant economic market;**
 - b. effect on the number of competitors in the market and their respective market shares;**
 - c. effect of the conduct on the cost and profit structures in the market; and**
 - d. The ability of an independent licensee/operator to make price or tariff regulating decisions.**

Competition and Markets Regulations

- The Authority is empowered to issue a “**cease and desist**” order where there is an abuse of the market, compel the disclosure of information from licensees, undertake investigations and levy fines.
- Where a licensee makes an application to influence the price of petroleum products, the Authority has the power to issue approval or directions to prevent or mitigate same. Where it issues approval, it reserves the right to withdraw same later.
- In safeguarding the markets, the Authority may also require the holders of licences to maintain separate management, accounts and legal entities of its licensed or permitted activities which may prevent such holder of license from holding direct holding licenses of another type.

Pricing Policy

- The Act mandates that the licensed activities between a holder of licence and an affiliate shall be undertaken in a manner that the transfer pricing between both entities is done on a transparent arm's length basis and must reflect the pricing principles under **sections 170 and 207 of the PIA** which include:
 - a. Charging prices that reflect the costs incurred in the provision of the activities.
 - b. Charging costs that permit a reasonable return on investment for the licensee.
 - c. Ensuring the prices do not discriminate between customers of similar characteristics such as size or consumption profile.
- To prevent monopoly by an excessively dominant supplier, the Authority wields the power to regulate the tariffs and prices charged by a licensee under **section 205(2) of the Act**.



06

Host Communities Development

Host Communities Development Trust



- Settlers (**holders of an interest in a PPL or PML whose area of operations is located in or appurtenant to any community**) or a group of settlers under a joint operating agreement with respect to upstream petroleum operations are to incorporate a Host Communities Development Trust (the “**Trust**”).
- The purpose of the Trust is to aid the development of economic and social infrastructure of the communities within the petroleum-producing areas of Nigeria.
- Any company granted a PPL or PML or an operating company on behalf of joint venture partners (settlor) is required to **contribute 3% of its actual annual operating expenditure of the preceding financial year** in upstream petroleum operations to the Trust established for the applicable host community.



07

Fiscal Framework

Objectives and Administration

- Petroleum Industry Fiscal Framework (PIFF) aims to, inter alia, establish a progressive fiscal framework that encourages investment in the Nigerian petroleum industry and enhances revenues to FGN.
- The monies due to the FGN shall include taxes, royalties, signature bonuses, renewal bonuses, rent, fines etc.
- All fiscal amendments shall only apply upon (a) conversion of OPLs and OMLs to PPLs and PMLs, (b) termination or expiration of unconverted licenses, and (c) renewal of OMLs.



Objectives and Administration

- The PIA splits the extant Petroleum Profits Tax (PPT) into two, namely: Hydrocarbon Tax (HCT) and Companies Income Tax (CIT) subjecting companies engaged in upstream petroleum operations to a dual income tax regime.
- The HCT rate will be graduated and dependent on the area of operation and the period the mining lease was granted. The income tax rate applicable to PMLs is capped at 60% while the income tax of PPLs is 45%, which is a reduction from the 85% rate applicable under the PPTA regime.
- Companies with downstream and midstream petroleum operations will only be taxable in line with the provisions of the CITA.



Objectives and Administration

All monies due to the FG shall be transferred to the Federation Account in a timely manner and are to be paid to the following collecting bodies.

The Federal Inland Revenue Service (the “Service”):

- Hydrocarbon Tax.
- Companies Income Tax.
- Tertiary Education Tax.

The Nigerian Upstream Regulatory Commission (the “Commission”):

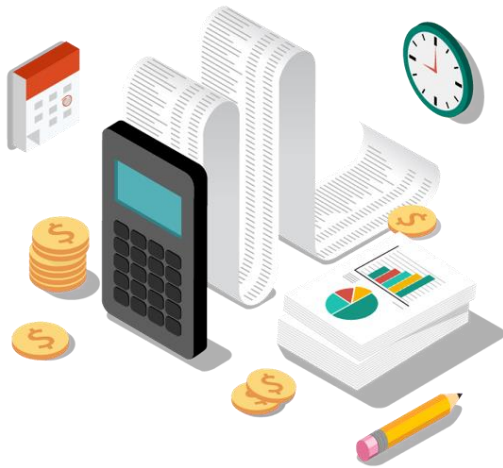
- Royalties, signature bonuses, rent and related payments.
- Related payments or production shares where the model contract includes provisions related to production sharing, profit sharing or risk service provisions

The Nigerian Midstream and Downstream Petroleum Regulatory Authority (the “Authority”) is to determine and collect the gas flare penalty arising from midstream operations.

Overview of Taxes

OLD TAXES	NEW TAXES
A. Petroleum Profits Tax	A. Hydrocarbon Tax (Upstream petroleum operations in the onshore & shallow water)
B. Companies' Income Tax	B. Companies' Income Tax
C. Tertiary Education Tax	C. Tertiary Education Tax

Hydrocarbon Tax



- **The Act introduces the Hydrocarbon Tax (HCT) which will be chargeable on the profits of upstream petroleum companies in the onshore and shallow waters.**
- **The Act excludes from HCT, deep offshore operations, associated and non-associated gas; and condensate and natural gas liquid produced from non-associated gas in fields and gas processing plants.**

Hydrocarbon Tax



Persons Chargeable

- A.** Any person not engaged in petroleum operations who benefits from the profits of petroleum operations shall pay HCT and be subject to penalties.
- B. JV PARTNERS** - Companies in partnership or joint ventures arrangements shall be assessed according to the equity interests of the parties in their joint agreement, and if there is no agreement, the Commission is to advise the FIRS on the equity interest of the parties.
- C.** Liquidators/Receivers of companies being wound up.

The FIRS may also make regulations on the assessable tax to be paid by companies in partnership with upstream operations.

Hydrocarbon Tax

The Act introduces the concept of reasonableness to the tax deductibility test for tax purposes. However, it fails to define what will qualify a cost as “reasonable”, thus leaving it to the interpretation of the court in the event of a dispute. Also, it is envisaged that this will give the tax authority a measure of discretion in rejecting expenditures not deemed “reasonable” for the purpose of petroleum operations.

Additional allowable expenses

- Any contribution to a fund approved by the Commission for decommissioning and abandonment
- Contributions to the Host communities’ Fund, Environmental Remediation Fund & NDDC Fund
- Costs of gas reinjection wells

Additional disallowed expenses

- Gas flaring penalty.
- Bad debt, financial or bank charges, arbitration and litigation cost.
- Signature or bonus paid on the acquisition of rights.
- Gross up tax provisions in contract.
- Education tax.

Ascertainment of Chargeable Tax

The Act provides that the chargeable tax for any accounting period will be the percentage of the chargeable profit for that period as follows:

License Type	Onshore & Shallow Waters	Deep Offshore
PMLs	30%	0%
PPLs	15%	0%

Where the chargeable tax calculated by a company for any period is less than the chargeable tax for crude oil for the same period, the company will pay the difference between the two amounts as additional chargeable tax (ACT). The chargeable tax for crude oil is determined as *the number of barrels of crude oil at the measurement point multiplied by the fiscal oil price per barrel* established by the Commission at each measurement point on an export parity basis.

It is expected the Commission will be able to balance the Government's revenue drive with investor interest in determining the fiscal oil price per barrel.

Appeals

The Tax Appeal Tribunal is empowered to entertain disputes arising from the HCT assessment of the FIRS within 30 days of the decision – **section 288 of the PIA.**



Where the “final tax” is not paid within the prescribed time the taxpayer shall be liable to penalty in the sum equal to 10% of the amount assessed and interest at the prevailing LIBOR rate or any other successor rate + 10% – **sections 289 and 292 of the Act.**

This is a change from the 5% charged as penalty under the Petroleum Profit Tax Regime

Collection, Recovery & Payment of HCT

- Payment and collection of HCT shall be stayed pending the determination of an objection or an appeal – **section 290 of the Act.**
- Payment of HCT is made in equal monthly instalments:

First Month – payment of equal to 1/12 of the amount of tax estimated is due not later than the third month of the accounting period

Every other monthly instalment – not later than the last day of the month in issue

Final instalment of tax – i.e., the amount of the tax assessed less the amount already paid before the due date of filing the self-assessment of tax

Application of Companies Income Tax



- Companies involved in petroleum operations shall in addition to HCT, also be subject to companies' income tax.
- Persons intending to operate in the upstream, midstream and downstream operations shall register a separate company for each stream of the petroleum operations and CIT would be payable by each of the companies.
- Companies who are engaged in domestic midstream petroleum operations, downstream gas operations and large-scale gas utilisation industries shall enjoy tax holidays for up to five years (3 initial years and possible additional 2 years), and investors in gas pipelines will be granted an additional 5-year tax holiday – **section 302 of the Act.**

Royalties

OLD ROYALTY RATES	NEW ROYALTY RATES
<p>A. Crude Oil Production – royalty by oil field:</p> <ul style="list-style-type: none"> i. Deep offshore greater than 200m – 10% ii. Frontier Basin & Inland Basin – 7.5% 	<p>A. Crude Oil Production – royalty by oil field-</p> <ul style="list-style-type: none"> i. Onshore Areas – 15% ii. Shallow waters – 12.5% iii. Deep Offshore and Frontier Basin – 7.5%
<p>B. Crude Oil Production – royalty by price –</p> <ul style="list-style-type: none"> i. From US\$0 – US\$20 per barrel – 0% ii. Above US\$20 and up to US\$60 per barrel – 2.5% iii. Above US\$60 and up to US\$100 per barrel – 4% iv. Above US\$100 and up to US\$150 per barrel – 8% v. Above US\$150 per barrel -10% 	<p>B. Crude Oil Production – royalty by price –</p> <ul style="list-style-type: none"> i. Below US\$50 per barrel – 0%; ii. At US\$100 per barrel – 5%; iii. Above US\$150 per barrel – 10% iv. Between (a) US\$50 and US\$100 per barrel; or (b) US\$100 and US\$150 per barrel - To be determined based on linear interpolation.
<p>C. Natural Gas Production –</p> <ul style="list-style-type: none"> i. onshore areas – 7% ii. offshore areas – 5% 	<p>C. Natural Gas Production – 5% or 2.5% if gas is to be utilised in Nigeria</p>

General Provisions

- **Fiscal Stabilisation clauses under PSCs entered subsequent to the commencement of this Act shall not affect the fiscal provisions in:**
- **Generally applicable taxes like withholding taxes, CIT, tertiary education tax, and value-added taxes;**
- **Levies, taxes or payments to comply with modern principles of environment, health and safety; and**
- **New taxes, levies or duties to implement Nigeria's commitment to climate change,**
- **If the changes are made in a manner that is not discriminatory to the petroleum industry.**



Revised Penalties

- The late filing of HT and CIT returns attracts a penalty of NGN10,000,000 for the first day of default and NGN2,000,000 for each subsequent day.
- Same as above where no penalty is prescribed for an offense.
- A person shall be liable upon conviction to pay a fine of NGN20,000,000 or any other sum as may be prescribed by the Minister of Finance and NG2,000,000 or such other prescribed sum, for each subsequent day of the offense's continuance. Alternatively, such a person may be subjected to imprisonment for a term of six (6) months.
- The above-mentioned penalties and fines are not tax deductible.





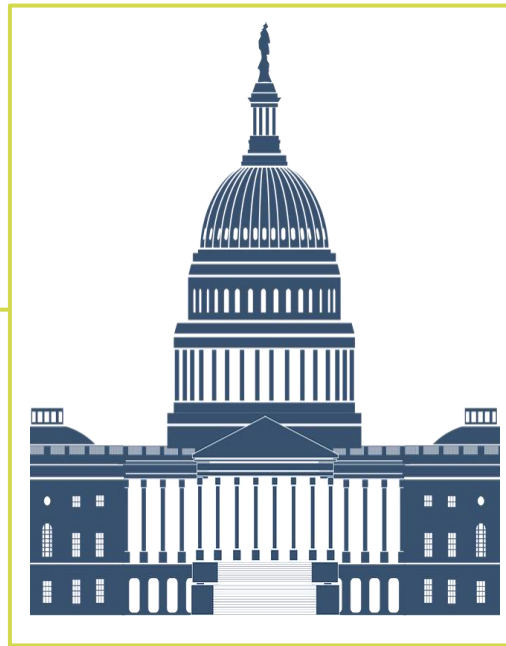
08

Administrative Changes

Administrative Amendments

President Muhammadu Buhari requested from the National Assembly certain administrative amendments to the PIA.

Increase the number of non-executive directors on the boards of the Commission and the Authority from 2 to 6



Removal of the Federal Ministries of Petroleum Resources and Finance from the boards of the Commission and the Authority

Exemption of serving public officers from the established confirmation process for political appointments

Questions?

