

Understanding the Role of Oil and Gas Companies

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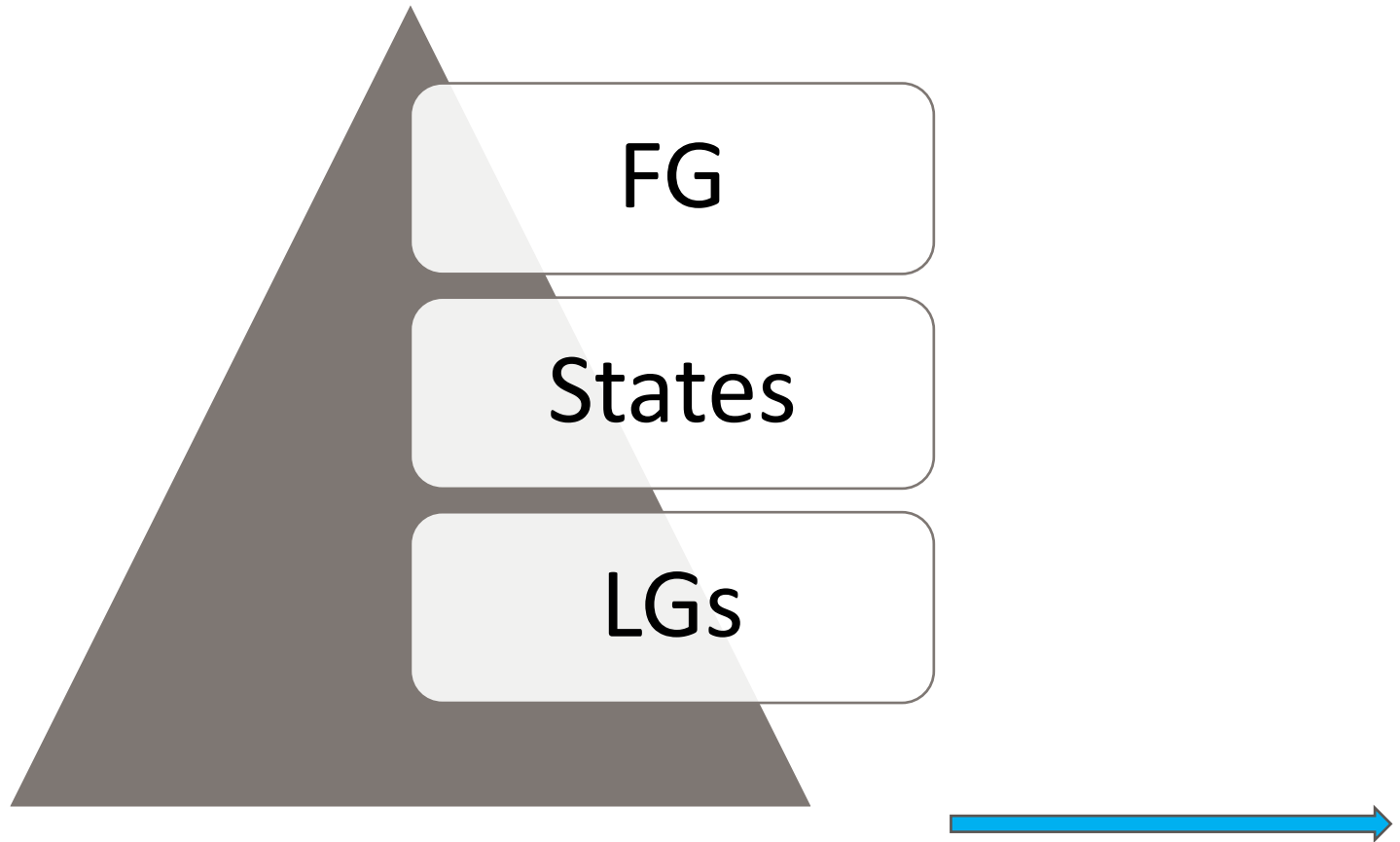




01

THE GOVERNMENT

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02

KEY REGULATORS

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The Minister

Policy formulation and general supervision of the petroleum industry



The Nigerian Upstream Regulatory Commission (the "Commission")

Regulator for all upstream petroleum operations including technical, operational, and commercial activities



The Nigerian Midstream and Downstream Petroleum Regulatory Authority (the "Authority")

Regulator for all midstream and downstream operations including operational, technical, and commercial activities



The Minister

- General oversight and supervision over the affairs and operations of the petroleum industry.
- The Commission and the Authority are to report to the Minister.
- Empowered to grant, revoke, and assign interests in petroleum licences and leases subject to the recommendation of the Commission.
- The power of the Minister to make regulations with respect to the upstream, midstream or downstream sector has now been ceded to the Commission and the Authority respectively.
- As it relates to commercial functions, the Minister is vested with a pre-emption right over petroleum and petroleum products in the event of a national emergency.
- Generally, the powers of the Minister have been curtailed but not as much as stakeholders would have expected.



The Commission



**PIA
2021**

- Assumes the regulatory functions hitherto performed by the Department of Petroleum Resources (DPR) in the upstream sector.
- Vested with assets, funds, rights, and liabilities of the Petroleum Inspectorate/the DPR.
- Regulates the technical, operational, and commercial aspects of upstream petroleum operations, including implementing environmental laws, regulations, and policies for the upstream sector.



The Commission (Cont'd)

- Issue permits for upstream activities (seismic and drilling operations, design, construction and operations of facilities for upstream operations).
- Responsible for the promotion and development of exploration strategies in addition to identifying, increasing information and undertaking studies within the frontier basins in Nigeria.
- Makes recommendations to the Minister for the grant, renewal, suspension and revocation of petroleum licenses and leases.



The Authority

- Responsible for the technical and commercial regulation of midstream and downstream petroleum operations in the petroleum industry.
- Assumes the DPR's technical, operational, and commercial regulatory functions in the midstream and downstream petroleum industry as well as licensing of players in that sector.
- Vested with assets, funds, rights, obligations, interests and liabilities of the DPR, Petroleum Pricing and Products Regulatory Agency and the Petroleum Equalisation Fund (Management Board).
- To determine appropriate tariff methodology for processing of natural gas, transportation, and transmission of natural gas, transportation of crude oil and bulk storage of crude oil and natural gas.



The Authority (Cont'd)

- Vested with the power to make regulations in respect of midstream and downstream petroleum operations in accordance with the Act.
- Administration of existing regulations and codes such as the Natural Gas Transportation Network Code issued by the DPR (which provides for open and non-discriminatory access to gas pipeline infrastructure).
- Vested with the sole power to grant, issue, modify, cancel, or terminate all licences, permits and authorisations for midstream and downstream petroleum operations.



Others

- **NESREA**
- **NOSDRA** - National Oil Spill Detection And Response Agency – 2006 in compliance with the International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC 1990).
- **NEITI** - Nigerian Extractive Industries Transparency Initiative Act 2007 - imposes reporting and disclosure obligations on all oil and gas companies of revenue due to or paid to FGN.
- **NDDC** - 3 percent of annual budgets for the development of the Niger Delta areas where oil and gas are exploited.
- **FIRS**
- **CBN** – manages the Federation Account
- **NCDMB - GACN**





03

NNPC LIMITED

PIA Requirements



- The Minister is to incorporate **Nigerian National Petroleum Company Limited (NNPC Ltd.)** under the Companies and Allied Matters Act (CAMA) within 6 months from the commencement of the Act. This has been done.
- The Board of NNPC Ltd will be appointed by the President and the Board shall perform its duties in accordance with the PIA, CAMA and its articles of association.
- Ownership vested in the Ministry of Finance Incorporated and the Ministry of Petroleum Incorporated. NGN200 billion, in equal portions (50% each) on behalf of the Federation.
- The approval of the Federal Government and endorsement of the National Economic Council is required for the sale, assignment, mortgage or pledge of the shares held by the government in NNPC Ltd.



PIA Requirements



- The Public Procurement Act, Fiscal Responsibility Act and the Treasury Single Account are not applicable to the petroleum operations of NNPC Ltd.
- The sale and transfer of the shares of NNPC Ltd. shall be at a fair market value and subject to an open and competitive bidding process.
- NNPC Ltd. will pay tax and its share of royalties, fees, rents, profit oil shares, and other payments due to the federal government where it has a participating interest or 100% interest in a lease or licence.
- It is to pay dividends to its shareholders after retaining 20% of its profits as retained earnings for the purpose of reinvestment in its business and 30% for the frontier exploration fund.



Other Implications



- GMD to Group Chief Executive Officer (Group CEO or GCEO).
- Group CEO is Chief Accounting Officer – No FEC approvals for contracts.
- Unlocking Private Funding e.g. \$5bn corporate finance commitment from Afrexim Bank for investment in the upstream sector.
- Corporate Governance - 4 Committees in the works: Board Audit Committee (BAC), Board Establishment Committee (BEC), Board Finance, Strategy, and Investment Committee (BFSIC), and Board Sustainability Committee (BSG).
- Transfer of employees and conditions of service on the same terms.
- The transition of existing contracts – JoAs, etc.





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NIGERIA LNG LIMITED (NLNG)

NLNG



- Incorporated as a limited liability company on 17 May 1989 but production started in 1999 with export from Bonny Island to France.
- NNPC (49%), Shell (25.6%), Total (15%), and Eni (10.4%).
- To harness natural gas resources and produce Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs) for exports.
- Currently 16 long-term Sale and Purchase Agreements (SPAs) with 10 buyers and controls about 6 per cent of global LNG trade.
- Supply of Liquefied Petroleum Gas (LPG), or cooking gas, to the domestic market in 2007 under the NLNG DLPG Scheme.
- In 2019,-Final Investment Decision (FID) on its 7th train and EPC contracts in 2020 to increase capacity by 35 per cent from 22mtpa to 30mtpa and enhance NLNG's competitiveness in the global market.

NLNG Act

Nigeria LNG (Fiscal Incentives, Guarantees and Assurances) Act No. 39, 1990



- Pioneer Status of 10 years from the Production Day subject to an average sales price of \$3 million/mmbtu.
- Dollar accounting – books and records, income, expenditure, profits, and taxes to be calculated in dollars.
- Interest on loans and dividend payments are tax-exempt and not subject to WHT.
- Exemption from import tax for machineries and export duties for the company's products.
- No restriction on the set-off of capital allowances during its tax relief period.
- **Guarantees and Assurances as set out in the second Schedule to the Act.**



05

**INTERNATIONAL OIL COMPANIES
(IOCs)**

IOCs

- **The Shell Petroleum Development Company of Nigeria Ltd (SPDC)** - Originally Shell D'Arcy and later Shell-BP which was jointly financed by the Royal Dutch/Shell Group of Companies and the British Petroleum (BP) Group on an equal basis. The Company discovered the first commercial oil field in the country at Oloibiri Bayelsa State, in 1956.
- TOTAL - a French multinational integrated oil and gas company active in Nigeria for more than 60 years.
- Chevron – an American multinational energy corporation.
- ExxonMobil
- Eni S.p.A - an Italian multinational oil and gas company headquartered in Rome. Eni operates in Nigeria through subsidiaries, NAOC, NAE, AENR in both the onshore and offshore areas of the Niger Delta.
- Others such as Conoco Philips, Brass Exploration, Addax Petroleum, Esso, Statoil, Texaco, etc.





06



**INDEPENDENT AND INDIGENOUS
OIL COMPANIES**

Independent and Indigenous Oil Companies

- NNPC Ltd
- NLNG
- AFREN
- SAPETRO
- Amni International
- Famfa Oil
- Conoil
- NDPR
- Oriental Energy
- PanOcean
- Yinka Folawiyo
- Aiteo E & P
- Etc





07

ORGANISED LABOUR

Organised Labour

- **PENGASSAN**

- acronym for Petroleum and Natural Gas Senior Staff Association of Nigeria.
- founded in August 1978.
- affiliated to the Trade Union Congress of Nigeria (TUCN) and Industri-All Global Union located in Geneva, Switzerland.
- Unionizes senior to middle-level management employees of companies in the petroleum, natural gas, petrochemicals, and allied Industries.

- **NUPENG**

- Acronym for Nigeria Union of Petroleum and Natural Gas Workers (NUPENG).
- Registered in August 1978.
- Affiliated with the Nigeria Labour Congress and the Industri-All Global Union.

- **its membership is open to all junior workers in the oil well and natural gas well operations in the industry, including petroleum tanker drivers.**





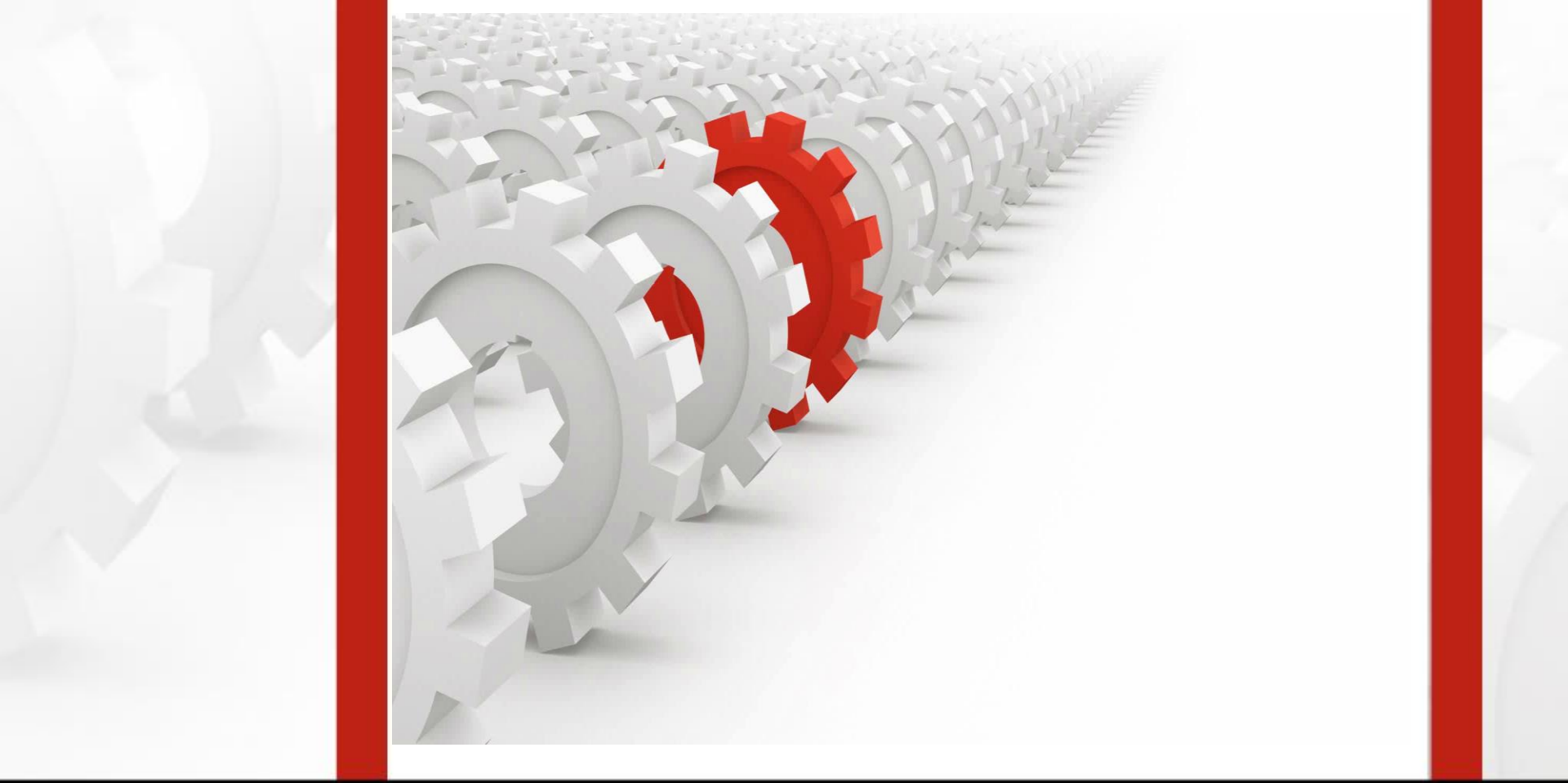
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OTHER STAKEHOLDERS

Other Stakeholders

- **Office of the Accountant General of the Federation**
- **PTDF**
- **Host Communities** – These are communities ‘hosting’ the petroleum resource in their land or people resident within the petroleum prospecting license or petroleum mining lease area. In Nigeria, most of the oil is found in the Niger Delta region.
- **Oil Servicing Companies** - These are companies that provide services such as drilling and formation evaluation, well construction and completion services – Schlumberger, Saipem, AMOSCO etc.
- **The General Public** – the consuming populace.





Questions?