

6

Infographics



2012

**PETROLEUM
INDUSTRY
BILL**

WHY THE PIB?

75%

of Nigeria's revenue comes from crude oil sales, royalties and taxes.

95%

of Nigeria's foreign exchange comes from the sale of oil and gas.

37bn

Value of Nigeria's oil reserves in barrels. This is the 10th largest in the world and it can last for at least 30 years.

1969

The major law guiding the Nigerian oil and gas industry was last enacted in this year.

182 trillion

Value of Nigeria's proven gas reserves in cubic feet. At current production level, it can last us for 80 years.

WHAT WILL THE PIB DO?

* section 1

ENERGIZING THE GAS SECTOR

To ensure that Nigeria produces more gas ready to meet domestic and industrial market demands

GROWING CRUDE OIL CAPACITY

Improved crude oil production both onshore and deepwater platforms

REFORMING INSTITUTIONAL FRAMEWORK

Improved dialogue and transparency for effective policy and regulatory oversight

ENHANCING BENEFIT TO BROADER ECONOMY

To ensure oil industry leads to boom in industries, create jobs and funds for community development

IMPROVED FISCAL TERMS

Increased revenues for government as operators in the oil and gas industry will pay Company Income Tax and increased royalties.

QUICK BENEFITS

80%

Government share of gas Joint Venture investments to rise from 30% to 80%

*OPTS

55%

Government share of deepwater production sharing contracts rise from 50% to 55%

*OPTS

92%

Government share of oil Joint Venture investments to rise from 90% to 92%

*OPTS



Improved domestic gas access to Nigerians

* section 183

QUICK NUMBERS

223

Number of pages in the Petroleum Industry Bill

12

Major laws and decrees that will be cancelled when PIB is signed into law

7

New institutions to be created in the oil and gas industry

36

Number of times "The President" was mentioned. He/She approves boards of regulatory agencies and has power to make discretionary awards of oil blocks.

187

Number of times the "The Minister" of Petroleum was mentioned in the Bill. He/She makes discretionary rules from time to time, chairing boards, making him/her the most powerful person in the Petroleum Industry.

7

Number of times "The National Assembly" was mentioned in the Bill. The National Assembly does not play any role apart from PTDF oversight and usual budget approvals for regulatory agencies.

2

Number of times Bureau of Public Enterprises was mentioned. There is no clarity on BPE's role in the privatisation of the new national oil and gas companies.

QUICK ANSWERS



Oil Companies will now pay Company Income Tax and Nigerian Hydrocarbon Tax. These taxes replace the Petroleum Profit Tax.

* section 353



Oil producing companies will remit on a monthly basis 10% of its net profit to operating community.

* section 116



Till a certain date, all companies involved in the gas industry will be mandated to supply certain gas volume to the Nigerian market.

* section 183



Indigenous oil companies with production less than 25,000 barrels are given few incentives.

* section 285



Gas Flaring

Natural gas will not be flared after "the flare-out date" prescribed by the Minister.

* section 275



Oil companies have a duty to restore environment to pre-existing state. Compensations and clear environmental guidelines must be followed.

* section 293

PIB & NNPC

1977

NNPC was founded replacing the Nigerian National Oil Corporation

1988

NNPC was reorganised into 11 strategic business units

CONFLICTING ROLES OF NNPC



AGENT

Acts on behalf of the Federal Government selling the government's share of oil production to third parties



REGULATOR

Regulates and supervises aspects of the oil industry on behalf of the Nigerian Government



CUSTOMER

Buys export crude from the FG and refines locally or swaps excess crude abroad



INVESTOR

Invests in Brass and Olokola LNG projects

COMPARING NATIONAL OIL COMPANIES

NIGERIA



NNPC

Established in 1977 and currently operates only in Nigeria with investments in four refineries and two LNG plants. NNPC targeted **\$43.6 billion** in revenues for 2013

BRAZIL



PETROBRAS

Founded in 1953. Recently named the fourth largest company in the world. Revenues of **US\$ 144.1bn** in 2012

NORWAY



STATOIL

Established in 1972, now present in 40 countries around the world. The Government of Norway is the largest shareholder in Statoil with 67% of the shares, while the rest is publicly traded. Revenues of **\$120.1bn**

MALAYSIA



PETRONAS

Founded in 1974. The 12th most profitable company in the world and the most profitable company in Asia. Revenues of **US\$ 97.4bn** in 2012

THE CHALLENGES OF NNPC



42%

NNPC could not finance 42% of its joint venture investments in the oil and gas sector. Alternative finance which carried an interest rate of 8% was used.

N1.3tn

Amount NNPC failed to remit to the Federation Account between 2009-2011.

OPACITY

NNPC account statements are not available as the current laws makes it directly accountable to the Presidency

NEW NNPC UNDER PIB



National Oil Company

It will be 100% government owned at the beginning but within six years, 30% of the value will be sold on Nigerian Stock Exchange

National Gas Company Plc

It will be 100% government owned at the beginning but within six years, 49% of the value will be sold on the Nigerian Stock Exchange



National Petroleum Assets Management Corporation

Agency will acquire and manage investments of the Government in the in the upstream sector

QUESTIONS THE PIB DOES NOT ANSWER?

- 1** Who will oversee the partial privatisation of the new national oil and gas companies after six years of existence?
- 2** How will the new national oil and gas companies fund their operations to ensure profitability?
- 3** Who are the board members of the new national oil and gas companies and how will they be nominated?

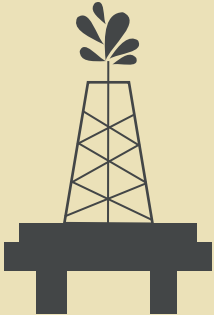
PIB INSTITUTIONS



THE MINISTER OF PETROLEUM

Role: He/She is in charge of the general oversight of the Industry. The Minister heads the boards of National Petroleum Assets Management Corporation, Petroleum Equalisation Fund and PTDF. He/she recommends boards to the President, determines royalty, gas flare out dates, penalties among other things. The PIB arrogates a lot of powers to the Minister and this needs further consideration.

* section 5



UPSTREAM

New Institution: Upstream Petroleum Inspectorate

Management: Director-General will report to the Board. The Minister recommends Boards to President

Role: This agency will regulate bidding, issuance oil licences and leases and also collection of government royalties and fees.

Old Institution: Department of Petroleum Resources.

* section 13

DOWNSTREAM

New Institution: Downstream Petroleum Regulatory Agency

Management: Director-General will report to the Board. The Minister recommends Boards to President.

Role: This agency will issue downstream licences, promote transportation facilities and facilitate the provision of gas to the domestic market.

Old Institution: Department of Petroleum Resources.

* section 43

ASSET MANAGEMENT

New Institution: NATIONAL PETROLEUM ASSETS MANAGEMENT CORPORATION

Governance: It will have a Board with the Minister serving as the Chairman and also a Managing Director.

Role: It will manage current investments of NNPC especially the Joint Ventures with International Oil Companies.

Old Institution: NNPC/NAPIMS

* section 120

OIL

New Institution: National Oil Company

Management: Not Specified

Role: This institution will act as agent of the Federal Government in the oil industry and will be registered with the Corporate Affairs Commission within three months of PIB being passed into law.





GAS

Nigeria Gas Company Plc

Management: Not Specified

Role: This institution will act as agent of the Federal Government in the gas industry and will be registered with the Corporate Affairs Commission within three months of PIB being passed into law.

Old Institution: Nigerian Gas Company

* section 159



RESEARCH ON FRONTIER EXPLORATION

New Institution: Petroleum Technical Bureau

Management: The Petroleum Technical Bureau is a special unit under the Minister.

Role: This agency supports Minister in defining opportunities that will stimulate investor interests in both old and new oil and gas fields.

Old Institution: Frontier Exploration Services of the NNPC

* section 9



PETROLEUM HOST COMMUNITIES FUND

Management: The Minister will regulate how the funds will be distributed.

Role: To ensure direct benefit of oil and gas revenues, 10% of after-tax revenues will be given to oil producing communities.

Old Institution: Does not currently exist.

* section 116



PETROLEUM TECHNOLOGY DEVELOPMENT FUND

Management: The Minister heads the Board. An Executive Secretary will manage the organisation

Role: It will continue to be mainly funded with signature bonus (initial payments made for winning oil blocks).

It will provide funds for scholarship, training and other educational purposes.

Old Institution: Same as current organisation

* section 73



PETROLEUM EQUALISATION FUND

Management: The Minister heads the Board.
An Executive Secretary will manage the organisation

Role: This agency will remain to bridge the differences between prices of petroleum products across the nation. Upon full deregulation of the downstream sector, this agency will no longer to exist.

Old Institution: Same as current organisation

* section 100

Old Institution: NNPC

* section 148

PIB AND OIL REVENUE

WHAT GOVERNMENT GETS

- 1 Royalty:**
This is an initial share of the gross revenues taken even before production costs are deducted.
- 2 Hydrocarbon Tax & Company Income Tax:**
After deduction of costs spent on oil production and tax allowances, Hydrocarbon tax and Company Income taxes apply. This replaces the Petroleum Profit Tax.
- 3 Profit:**
The Remaining Profit is divided between new NNPC & International Oil Companies.
- 4 Additional Taxes:**
Signature Bonus, Education and NDDC taxes will also be paid.

How PIB will increase government revenues is very difficult to state as royalty is not defined and other terms seem complex.

JOINT VENTURE

DEPTH
< 200m



INVESTMENT
NNPC & Oil
Companies
jointly invest



TIME
Quick to reach first
production



COST
Less Expensive



TERRAIN
On land and
shallow waters

PRE-PIB

Royalty: 16.5%-20%

Petroleum Profit Tax : 85%

POST-PIB

Royalty: Not stated in PIB, The Minister will decide.

Company Income Tax: 30%

Hydrocarbon Tax: 50%



PRODUCTION SHARING CONTRACTS

DEPTH

> 200m



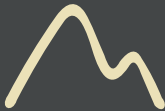
INVESTMENT

Oil Companies only.



TIME

Longer time to reach production



TERRAIN

Deepwater (On the Sea)



COST

More Expensive

PRE-PIB

Royalties: 0-12%

Petroleum Profit Tax: 50%

POST-PIB

Royalty: Not stated in PIB,
The Minister will decide.

Company Income Tax: 30%

Hydrocarbon Tax: 25%

Source: OPTS

NNPC could not solely finance 42% of its joint venture investments in the oil and gas sector. Alternative finance which carried an interest rate of 8% was used. The PIB does not resolve the cash call problems that the new National Oil Company might face.



Discretionary Awards (Section 191)

The President can still give oil blocks to whoever he likes even if companies do not have the technical and financial capacity to carry out operations.

Limited National Assembly Roles (Section 17 & 47)

Unlike CBN, FIRS and other key regulatory agencies, The National Assembly does not scrutinize board members of regulatory agencies.



The Oga At The Top (Section 17, 47, 77, 278, 303)

The Minister heads the boards of National Petroleum Assets Management Corporation, Petroleum Equalisation Fund and PTFD. He/She recommends boards to the President, determines royalty, gas flare out dates, penalties among other things.

Public Register of Contracts and Others (Section 213)

There will be a public register of all licences issued, revoked, suspended, surrendered or withdrawn and all modifications and exemptions granted. However, this still needs to include names of the owners and beneficiaries of the oil blocks to avoid another Malabu oil deal.



Power to Accept Gifts. (Section 63 & 92)

The regulatory agencies at the upstream and downstream levels have the power to accept gifts. Will this not conflict with their regulatory activities and also induce corruption.

Petroleum Host Community (Section 116)

The PIB Bill does not tell in details the structure and disbursement of funds to oil communities. How will the community manage it? We are told the Minister will decide.



Royalty (Section 303)

Royalty is not stated in the law with the Minister solely deciding what oil companies will pay. To understand the deductions and tax breaks that oil companies will get is not clearly stated.

Confidentiality (Section 174)

The summary of revenues and expenditure of the oil companies within three calendar years must be presented. The usefulness of summarized data is not convincing.



Exemptions Section 124, 149, 160

Institutions under the PIB are exempted from the Public Procurement Act and Fiscal Responsibility Act. Why are they different? This requires explanations.

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