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RECENT REFORMS IN THE NIGERIAN PETROLEUM INDUSTRY

Kenneth Jim

INTRODUCTION

The Nigerian Petroleum Industry is the largest in Africa and is among the world's top five exporters of Liquefied natural gas. It also has the largest natural gas and second

LEGAL QUOTES

The clearest way to show what the rule of law means to us in everyday life is to recall what has happened when there is no rule of law.

- Dwight D. Eisenhower (1890-1969)
Thirty-fourth President of the USA

Law, without force, is impotent.

- Blaise Pascal (1623-1662) French mathematician, physicist and philosopher

largest oil reserves in Africa with estimated known reserves of 37 billion barrels of crude oil and 5 trillion cubic metres of natural gas.¹ However, although the industry has great history and potentials, it is a fact that recently; the industry has been viewed by many as one that have consistently failed to

¹ Seplat Petroleum Development Company Plc's Annual Report and Accounts 2014: "Nigeria, the leading oil and gas country in Africa" – available online at http://ar2014.seplatpetroleum.com/assets/pdf/strategic_report/seplat_country_overview.pdf accessed on March 1, 2017.

record any real improvement in its overall set-up. Over the years, Nigeria and the international community have been consistently reminded of the fact that the Nigerian petroleum industry is in dire need of an overhaul, if the industry is ever going to achieve its vast potentials.

In a bid to improve the current state of the industry and to reposition it for massive development, the present administration took it upon itself to undertake crucial reforms in the industry. This article aims at analyzing some of the reforms that have been made in the industry under the present administration.

RECENT REFORMS IN THE INDUSTRY

As at 2015 the Nigerian petroleum industry recorded some achievements in certain areas that had been much awaited for. Some of these milestones include;

a) Restructuring of the NNPC

In order to turn NNPC into a more profitable world class business, the present administration restructured the NNPC into seven new divisions. Under the new structure, NNPC would have five core new divisions comprising the upstream, downstream, refining group, gas and power, as well as the ventures' groups. The other two are finance and services groups.

Some of the subsidiaries under the divisions include –

- **Upstream:** the Nigerian Petroleum development Company (NPDC) and Integrated Data Services Limited (IDSL);
- **Downstream Retail:** Nigerian Product Marketing Company (NPMC), which was formerly PPMC, (NPSC); Gas and Power: Nigerian

Gas Pipeline and Transportation Company (NGPTC), Nigerian Gas Marketing Company (NGMC), and gas and power investment; and the Refineries: Warri Refining and Petrochemical Company (WRPC), Kaduna Refining and Petrochemical Company (KRPC), and Port Harcourt Refining and Petrochemical Company (PHRC), while the ventures' company includes medicals, property, pensions, shipping, and wheel insurance.²

b) Liberalization of the Fuel Market

Liberalizing the downstream market was necessary to address the persistent fuel shortages that rocked the country between 2015 and 2016. The new framework meant petrol (PMS) would immediately retail at a band of N135 – N145 per litre, and any Nigerian entity is now free to import the product subject to existing quality specifications and other guidelines issued by regulatory agencies. In addition, Petroleum Marketers were required to procure FX from autonomous sources and accordingly, the Petroleum Product Pricing & Regulatory Agency (PPPRA) template will reflect this in the pricing of products. This policy led to improved supply, and it is hoped it will eventually drive down pump prices, as well as encourage investments in refineries and other parts of the downstream sector.³

c) Revised Industry Legislation

² Ibid

³ Proshare: *Downstream Oil & Gas Sector - Liberalization of Fuel Market, a Game Changer* Available online at <https://www.proshareng.com/news/Oil%20Sector/Downstream-Oil---Gas-Sector---Liberalisation-of-Fuel-Market,-a-Game-Changer/31065> accessed on March 2, 2017

A new version of the Petroleum Industry Bill (known as the Petroleum Industry Governance Bill) which seeks to eliminate the group structure of the NNPC, among other reforms was introduced and subsequently submitted to the National Assembly.

d) Cancellation of OPA

The management of the NNPC in 2015 discontinued the Offshore Processing Arrangement (OPA) and replaced it with Direct Sale-Direct Purchase (DSDP) programme. NNPC stated that the replacement of the OPA with the more efficient DSDP was aimed at enshrining transparency and eliminating the activities of middlemen in the crude oil exchange for product matrix. The Direct Sale-Direct Purchase alternative allows for the direct sale of crude oil by NNPC as well as direct purchase of petroleum products from credible international refineries.⁴

CONCLUSION

It is an undeniable fact that the present administration has already made some crucial changes in the petroleum industry which have inevitably lead to an improvement in the state of the industry. However, much still needs to be done if the industry is going to transition into a path of prosperity.

⁴ *Oil And Gas Industry's Many Changes Under Buhari* Published May 27, 2016 Available online at <http://www.blueprint.ng/2016/05/27/oil-and-gas-industrys-many-changes-under-buhari/> accessed on February 28, 2017

THE 7 BIG WINS IN THE NIGERIA OIL AND GAS INDUSTRY

Vivian Nwobi

INTRODUCTION

The focus areas for the 7 Big Wins represent short and medium term priorities which are geared towards the growth of the Nigeria oil and gas industry from 2015 – 2019. According to the Honourable Minister of State for Petroleum, Dr. Emmanuel Kachikwu, the 7 Big Wins to Grow the Nigerian Oil and Gas Industry is aimed at developing a stable and enabling oil and gas landscape with improved transparency, efficiency, stable investment climate, and a well protected environment.

FOCUS AREAS OF THE SEVEN BIG WINS⁵

1. The Niger Delta and Security

Public opinion on the state of the Niger Delta is to the effect that the area is in a continuous state of decline. At the centre of this decline is the security situation which has deteriorated over time as the threat to persons working in oil and gas operations as well as equipment and facility remained high. The implementation strategy in this regard is to collaborate with the Ministry of Niger Delta towards the development of a 10 year infrastructural plan for aggressive development of the region. This will involve the transition from empowerment models currently being carried out by oil companies to real infrastructure development model.

⁵ <http://petroleumresources.gov.ng/index.php/78-featured/173-7-big-wins> Accessed on March 6, 2017

Ultimately, the goal is to position the Niger Delta as regional hub for oil and gas based industries.

There will also be a drive towards capacity building and economic empowerment in the region, This will be achieved through various initiatives including but not limited to the conversion of Okerenkoko Maritime University to a HND awarding petroleum institute, the review of the amnesty program for an additional year, the expansion of NNPC and Partners' CSR project, and the establishment of National Petroleum Industry Innovation system to ensure effective linkage between academia, operators and agencies to spur the growth of the Petroleum Technology Association of Nigeria (PETAN) members.

The Federal Government is forging towards achieving this objective through ongoing negotiations with the Niger Delta militants which has culminated in two cease fire agreements aimed at bringing lasting peace to the region. There is also the Handover of Hydrocarbon Pollution Remediation Project (HYPREP) to the Ministry of Environment for the implementation the United Nations Environmental Report (UNEP) on Ogoni land.

2. Policy and Regulation

The focal point here is reviewing old and moribund policies, gazetting new policies and entrenching robust fiscal instruments and regulations with key attention given to the passage of the Petroleum Industry Bill. The implementation strategy for the achievement of this objective is through sustained engagements and

dialogue with all stakeholders in finalizing the bill; working closely with National Assembly leadership for quick passage of the bill; and articulating the transitional arrangement needed to ensure smooth take-off of the Petroleum Industry Bill. Other policies of importance include the National Oil Policy, the National Gas Policy, the Downstream Policy and the Fiscal Reform Policy.

Key successes recorded in this area include the Price Modulation framework for downstream petroleum pricing introduced to encourage responsiveness to market dynamics, the elimination of subsidy payments for petroleum products, the liberalization of the downstream sector to allow market forces determine product price and the commencement of policy reforms for gas monetization, flare out and infrastructure development to fast track power supply and economic diversification.

These initiatives have ensured the availability of Premium Motor Spirit (PMS) at an affordable rate for consumers and a 47% reduction in daily PMS truck loadout due to the elimination of product diversion. From a revenue perspective, the Federal Government has recorded a savings of N15.4 billion monthly.

3. Business Environment and Investment Drive

The oil and gas business industry encompasses the accelerated income streams, the upstream, the midstream and downstream sector. The goal for the government revolves around the unique opportunity which the industry presents for investors to gain

at-scale access to a substantial and growing energy resource base across the full value chain. The various initiatives are expected to encourage an influx of potential investors into a portfolio of high value projects of \$100 billion with healthy and diversified returns. A major success recorded in this aspect is the China Investors Roadshow held in June 2016 which resulted in over \$80 billion worth of MoUs signed.

4. Transparency and Efficiency

Transparency and efficiency is at the core of any transformation that can be successfully undertaken in the oil and gas sector. This is largely owing to the fact that oil and gas is the live wire of the Nigerian economy in terms of export and foreign exchange earnings. Improved transparency and efficiency will relatively de-risk the sector to an extent as investors are provided with fiscal clarity necessary for making investment decisions. The government will also be able to identify its revenue sources and provide the communities an equitable distribution of revenue sources to remove obstacles to safe and efficient operation. In the long term, it is the goal to ensure that all relevant agencies and companies comply with the requirements of the Extractive Industries Transparency Initiatives (EITI), embed new standard processes in normal operating procedures, and institute a performance driven mindset in the Ministry and all its parastatals.

5. Shareholder Management and International Coordination

Stakeholder management primarily involves restructuring the existing communication strategy whilst building and maintaining robust relationships with stakeholders within and outside the petroleum producing communities. This will be achieved through the institutionalization of approved communications policy for the Ministry of Petroleum Resources which will enshrine openness in the Ministry, its agencies and departments. The Ministry also aims to build a consensus in partnership with stakeholders in order to create a platform to engender a periodic discourse on policy formulation and implementation for the sector and the government. The aspect of international coordination will see the introduction of exchange programmes with member countries National Oil companies and bilateral technical cooperation with more technologically advanced Member Countries.

6. Gas Revolution

Despite the availability of natural gas in substantial quantities, it has not been meaningfully exploited over the years. It has largely been flared, when associated with crude, or left untapped when not so associated. Nigeria flares between 1.5 and 2 million standard cubic feet of gas daily, making the quantity of natural gas flared in Nigeria annually about the highest in the world, and certainly the highest among members of the Organization of Petroleum Exporting Countries (OPEC).⁶

⁶ See the African Development Consulting Group, “*The Nigerian Gas Industry: A Survey*”, Lagos, 1996, at 59. See also 2002 Oil and Gas Outlook, Chex & Associates, Nigeria.

The Gas revolution agenda is poised to introduce a significant boom in the oil and gas industry through the establishment of robust gas infrastructure, gas based industries (e.g. petrochemical plants, fertilizer/fertilizer blending plants, and methanol plants) and deployment of a liquefied Petroleum Gas (LPG) penetration program. The long term objectives include to increase domestic gas demand and improve integration of gas into domestic economy, achieve national energy security, an expansion in the nation's GDP and position Nigeria as a regional hub for gas based industries.

7. Refineries and Local Production Capacity

This area focuses on a paradigm shift of Nigeria from being a massive importer of petroleum products to a net exporter of petroleum products and value added petrochemicals to diversify our export base and enhance import substitution, GDP growth and employment generation. The long term goal is to ensure investments and sustainability of the downstream supply and distribution value chain. Partial resuscitation of the Port Harcourt, Warri and Kaduna refineries have been achieved whilst there are ongoing repairs of product pipelines as well as the resuscitation of supply of products from Atlas Cove-Mosimi-Ibadan-Ilorin after a six year lull.

CONCLUSION

The implementation of these initiatives remain a major determining factor in the development or otherwise of the Nigerian oil and gas sector. It is therefore hoped that the

determination on the part of the Federal Government along with the collaboration of stakeholders will sufficiently drive the implementation of the initiatives set up by the Ministry.

JOKES



"I'm 51 years old, but my lawyer is having it changed to 32."

NEWS UPDATE

Adamawa Ex-Governor Jailed For Corruption

A Former Governor of Adamawa State, Bala James Ngilari, has been convicted and sentenced to five years in prison by a High Court sitting in Yola, Adamawa state capital over corruption charges. The Presiding Judge, Justice Nathan Musa, found Ngilari guilty of four charges, and discharged him on one, which bordered on conspiracy.

Justice Musa discharged and acquitted the Former Secretary to the State Government, and the Commissioner of Finance, who were second and third defendants in the case.

He said the law stipulated that the convict shall not be given an option of fine.

Read more at:
<https://www.channelstv.com/2017/03/06/adamawa-ex-governor-jailed-for-corruption/>

FG Announces Formal Closure of Abuja Airport

The Federal Government has formally announced the closure of the Nnamdi Azikiwe International Airport, Abuja. According to the government, the airport would be shut down from 12:00 am on March 8, and would be closed for six weeks. The announcement was made by the Minister of Information, Lai Mohammed, at a world press conference in Abuja on Monday, March 6, 2017.

Also at the conference, the Minister of Transportation, Rotimi Amaechi, said the government has kept to its word on making the Kaduna Airport ready for use as an alternative. The Minister of State in charge of Aviation, Hadi Sirika, also said observations made by Acting President, Yemi Osinbajo, who was in the Kaduna Airport on Friday, had been “taken care of”. Osinbajo had asked the contractors to speed up the remaining work, ahead of the March 8, 2017 flight diversion.

Read more at:
<https://www.channelstv.com/2017/03/06/fg-announces-formal-closure-of-abuja-airport/>

Senate uncovers alleged N10trn fraud in NNPC

The Senate has uncovered an alleged fraud of N10 trillion by staff of Nigerian National Petroleum Corporation, NNPC, in connivance with officials of some independent marketers and other key players in the petroleum sector between 2006 and 2016.

Against this backdrop, the Senate joint committees on Petroleum (upstream and

downstream) and that of Gas will begin a probe of the affected companies, heads of government agencies and parastatals. The committee also said it had the support of President Muhammadu Buhari and the Senate leadership to carry out a thorough and holistic investigation on the alleged fraud and bring to book the perpetrators, stressing that the amount involved was huge enough to finance the country’s budget for two consecutive years.

Read more at:
<http://www.vanguardngr.com/2017/03/senate-uncovers-alleged-n10trn-fraud-nnpc/>

CBN orders 24-hour processing of forex for retail customers

The Central Bank of Nigeria (CBN) has ordered commercial banks to henceforth process and meet foreign exchange demands between 24 to 48 hours after retail customers receive applications.

In a statement signed by the Director, Financial Markets Department, Dr. Alvan Ikoku, the CBN also mandated banks to have electronic display boards in all their branches that would show rates of all traded currencies.

The apex bank, in its latest directive on foreign exchange activities to all authorised banks, specifically noted that Personal Travel Allowance (PTA) and Business Travel Allowance (BTA) would now take a maximum of 24 hours, while school fees and medicals, among others, would not exceed 48 hours before disbursements are made.

Read more at: <http://guardian.ng/news/cbn-orders-24-hour-processing-of-forex-for-retail-customers/>

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