CONTEXTUAL REPORT

OIL AND GAS INDUSTRY AUDIT 2022-2023

AN INDEPENDENT REPORT ASSESSING AND RECONCILING PHYSICAL AND FINANCIAL FLOWS WITHIN NIGERIA'S OIL AND GAS INDUSTRY

Prepared

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Abbreviations and Acronyms

Abbreviation	Description
AKK	Ajaokuta-Kaduna-Kano
BO	Beneficial Ownership
BSW	Basic Sediment and Water
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CCE	Commission Chief Executive
DAP	Decommissioning and Abandonment Plan
DCSO	Domestic Crude Oil Supply Obligation
DMO	Debt Management Office
DSM	Decision Support Models
EBS	Environmental Baseline Study
EES	Environmental Evaluation Studies
EFCC	Economic and Financial Crimes Commission
EITI	Extractive Industries Transparency Initiative
ELPS	Escravos-Lagos Pipeline System
EMP	Environmental Management Plan
ERF	Environmental Remediation Fund
ERR	Environmental Risk Register
ESS	Ecological Seabed Survey
ETP	Energy Transition Plan
EU	European Union
FAAC	Federation Accounts Allocation Committee
FEED	Front End Engineering Design
FEF	Frontier Exploration Fund
FGN	Federal Government of Nigeria
FSP	Fiscal Strategy Paper
GHG	Green House Gases
GIZ	German Corporation for International Cooperation
HYPREP	Hydrocarbon Pollution Remediation Project
IA	Independent Administrator
ICBF	Institutional Capacity Framework
ICPC	Independent Corrupt Practices and Other Related Offences Commission
IGR	Internally Generated Revenue
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Standards on Auditing
ISPO	IGR Special Projects Office
ISRS	International Standard on Related Services
ISSAI	International Standards of Supreme Audit Institutions
LDAR	Leak Detection and Repair
LT-LEDS	Long-Term Low-Emission Development Strategy
Mbbl	Million Barrels

Abbreviation	Description
MER	Maximum Efficiency Rate
MSG	Multi-Stakeholder Group
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategies
NACS	National Anti-Corruption Strategy
NAP	Nigeria Action Plan
NBS	National Bureau of Statistics
NCCC	National Council on Climate Change
NDC	Nationally Determined Contributions
NEITI	Nigeria Extractive Industries Transparency Initiative
NFWP-SU	Nigeria for Women Program Scale Up
NGEP	National Gas Expansion Programme
NGFCP	Nigerian Gas Flare Commercialization Program
NGP	National Gender Policy
NMDPRA	Nigerian Midstream and Downstream Petroleum Regulatory Authority
NNPCL	Nigerian National Petroleum Corporation Limited
NSWG	National Stakeholders Working Group
NUPRC	Nigerian Upstream Petroleum Regulatory Commission
OAGF	Office of the Accountant General of the Federation
OB3	Oniafy-Obrikom-Oben
OGA	Oil and Gas Audit
OSCP	Oil Spill Contingency Plan
PEL	Petroleum Exploration Licences
PFW	Produced Formation Water
PG	Payment Guarantees
PIA	Petroleum Industry Act
PML	Petroleum Mining Leases
PPL	Petroleum Prospecting Licences
PWC	PENGASSAN Women Commission
RFQ	Request For Quotation
RGA	Revenue Generating Agency
SAI	Supreme Audit Institutions
SJLGAAC	State Joint Local Government Account Allocation Committee
SOE	State-Owned Enterprise
SOQ	Statement of Quotation
TAR	Technical Allowable Rate
TCF	Trillion Cubic Feet
TES	Transforming Energy Scenario
ToR	Terms of Reference
UEGASPIN	Upstream Environmental Guidelines and Standards for the Petroleum Industry
UKAID	United Kingdom Aid
UN	United Nations
USAID	United States Agency for International Development

1. Background

The Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency and accountability in the oil, gas, and mining sectors. The EITI implementation has two core components: Transparency and Accountability as described below.

Table 1: EITI Implementation Core Components

Transparency	Accountability
• Oil, gas, and mining companies are mandated to disclose operational details, encompassing payments to the government, while the government must disclose industry receipts and other relevant data. • The Independent Administrator (IA) reconciles company and government records annually per the EITI Standard. • The EITI standard strongly encourages regular and comprehensive public disclosure of extractive sector information (systematic disclosure or mainstreaming) from both the government and extractive companies. The disclosures encompass laws, procedures for the award of licenses and leases, applicable contractual frameworks, state institutions and responsibilities, exploration and production data, revenue derivation formular, revenue management and distribution, social and environmental impacts of mineral extraction, and the extractive sector contributions to the economy. • The appointed IA is expected to aggregate all information in a report which is published through EITI reporting.	• Nigeria implements the Extractive Industries Transparency Initiative (EITI) through a multi-stakeholder governance framework known as the National Stakeholders Working Group (NSWG). This framework promotes accountability in the sector through adherence to a global extractive sector performance measurement standard with measurable goals and benchmarks (i.e., the EITI standard with its requirements). • Through the provision of clear, comprehensive, and regular quantitative and qualitative data and information of Nigeria's oil and gas sector via the traditional EITI Reporting or systematic disclosure by government agencies and oil and gas companies. Furthermore, serving as a gap identification and progress review mechanism. By bringing together representatives from the government, extractive companies, and civil society organizations, ensuring a comprehensive and collaborative approach to EITI implementation in Nigeria. • The regular NSWG dissemination of annual Report findings to the public improves accountability in the extractive sector through the integration of EITI principles into broader extractive sector governance framework and discuss.

Transparency	Accountability
	• The EITI process complements, assesses, and improves existing national reporting and auditing systems, offering recommendations to strengthen oversight functions and more. • Significant recommendations generated from the EITI process strengthens national, subnational, and civic oversight processes and systems.

2. Objectives of the NEITI Oil and Gas Audit

The general objective of the assignment is to improve the revenue contribution of the oil and sector to the national economy while supporting sustainability. Specific objectives of the Report are outlined in Section 2 of the Terms of Reference for the Reports available **here.**

The assignment was conducted leveraging the most recent NEITI reports for the oil and gas sector - 2021, the latest NEITI Fiscal Allocation and Statutory Disbursement Report as well as the NSWG strategy for the implementation of the EITI in Nigeria detailed in the NEITI Strategic Plan for 2022 - 2026.

The Reports are produced in two (2) volumes titled:

- "NEITI Oil and Gas Industry Report – 2022"
- "NEITI Oil and Gas Industry Report – 2023"

Other resources leveraged were the 2024 NSWG annual work plan which reflects current national priorities as documented in section 7.2 of the 2023 – 2025 Medium Term Expenditure Framework, and the Fiscal Strategy Paper. The requirements of the Reports and the tasks to be carried out by the IA to achieve the specific objectives are outlined below.

Table 2: Objectives of the NEITI Oil and Gas Audit

Key Requirement	Description
Regulatory Framework and Procedures	• Report on all aspects of the regulatory framework for the oil and gas industry: including the legal framework, fiscal regime, roles of government entities and reforms, and laws and regulations relating to addressing corruption risks in the oil and gas sector. • Provide an overview of the statutory procedures for awards and transfers of licences and assess if these procedures are followed in practice. • Disclose comprehensive information on property rights to oil and gas licences and leases, including beneficial owner information and public accessibility of contracts and licences. • Disclose comprehensive information about state-owned enterprise participation in the oil and gas sector.
Exploration and Production Information	• Disclose an overview of the exploration activities in the oil and gas sector highlighting its potential, recent, ongoing, and planned significant exploration activities. • Disclose information about oil and gas production levels and a valuation of extractive output.

Key Requirement	Description
Export And Domestic Information	• Disclose information on oil and gas export volumes and a valuation of exports.
Revenue and Payment Management and Distribution	• Disclose all company payments and government revenues from the oil and gas sector together with associated amounts lifted (oil) or sold (natural gas) to the required level of disaggregation while adhering to approved data quality assurance procedures. • Disclose the revenues ultimately transferred to the Federation Account. • Disclose information on revenue management and distribution, highlighting subnational transfers and revenue sustainability. • Report on the revenue flows amongst the Covered Entities and any investment by the Federation in the oil and gas industry. • Report on balances payable/receivable at the end of the audit period for certain types of financial flows as described by the National Stakeholder's Working Group (NSWG) contained in the Material Decision Information Memorandum. • Reconcile the physical/financial transactions reported by payers and recipients as appropriate, as per the scope set out in the Terms of Reference alongside the NSWG Material Decision Information Memorandum.
Climate Change and Energy Transition Plan	• Provide information on government and companies' energy transition plans and policies including energy transition and climate risk considerations in revenue forecasting. • Review and present greenhouse gas (GHG) emissions data from the oil and gas sector. • Evaluate and present information on companies' social and environmental contributions including assessing their compliance with legal and contractual obligations to undertake social and environmental expenditures.
Contribution to Gross Domestic Product (GDP)	• Obtain, assess and include information on the contribution of the oil and gas sector to the economy.
Outcomes and Impacts	• Make observations and recommendations that will support policymaking.

3. Legal and Regulatory Frameworks and Fiscal Regime

This section discusses the laws and regulations in the oil and gas sector as well as the respective fiscal regimes applicable to each revenue type.

3.1. Laws and Regulations

The ownership and control of all minerals, mineral oil, and natural gas in, under or upon any land in Nigeria, its territorial waters and exclusive economic zone is vested in the Government of the Federation based on the provision of Section 44(3) of the 1999 Constitution of the Federal Republic of Nigeria. The Federal Government is mandated to manage such minerals in a manner as may be prescribed by the National Assembly.

Oil and gas companies operate under various operating arrangements: joint ventures, production sharing contracts, sole risk, and service contracts, with the active involvement of the following Ministries, Departments, and Agencies of Government during the review period.

i. Nigerian Upstream Petroleum Regulatory Commission (NUPRC)
ii. Nigeria Mid-Downstream Regulatory Authority
iii. Nigeria National Petroleum Company Limited
iv. Niger Delta Development Commission
v. Nigeria Content Development Monitoring Board
vi. Federal Inland Revenue Service (FIRS)
vii. Central Bank of Nigeria
viii. Federal Ministry of Finance, Budget & National Planning
ix. Tertiary Education Trust Fund
x. National Oil Spill Detection Regulatory Agency
xi. National Environmental Standards and Regulations Enforcement Agency
xii. Revenue Mobilization Allocation and Fiscal Commission
xiii. Office of the Accountant General of the Federation
xiv. Federal Ministry of Environment
xv. Federal Ministry of Petroleum Resources- Oil
xvi. Federal Ministry of Petroleum Resources- Gas

3.1.1. Petroleum Industry Act, 2021

Following the enactment of the Petroleum Industry Act (PIA) in 2021, the Oil and Gas industry in Nigeria is now regulated by two entities: the Nigeria Upstream Petroleum Regulatory Commission (NUPRC), which oversees activities in the upstream segment, and the Nigerian Midstream & Downstream Petroleum Regulatory Authority (NMDPRA), which manages the midstream and downstream segment of the sector.

Both regulators have developed various regulations and guidelines to facilitate the implementation of the PIA, 2021, which are discussed in relation to the relevant sections throughout this report.

Table 3: Legal and Institutional Frameworks Development in the Industry

Title	Description / Objectives	Scope
Domestic Gas Delivery Regulations 2022 Made on the 18th day of November 2022. Gazette No 206 dated 23rd November 2022	To determine, regulate and enforce the domestic gas delivery obligations. Also, to establish the criteria for allocation of domestic gas delivery obligations and to determine the pricing mechanism for utilised gas delivery obligation to the domestic market.	Determination and Allocation of Domestic Gas Delivery Obligations • A lessee shall, prior to the 1st of February of each year, disclose information relating to its natural gas reserves and resources, as of December 31st of the preceding year, based on the classification indicated in the Schedule to the Regulations. • A lessee shall: ✓ Use the prices as applicable to the average of its first-day sales of each month from January 1st to December 31st of the preceding year.in determining proved developed producing reserves, ✓ Ascertain the commercial value of the natural gas at the measurement point on the basis of the total revenue expected to be generated in determining proved developed non-producing reserves and proved undeveloped reserves for domestic gas demand requirement for the strategic sectors, using the following: ➢ The price of raw gas that the lessee is expected to obtain, where they receive an aggregate natural gas price as estimated, and the value of the possible natural gas liquid content in the raw gas. ➢ Price for natural gas liquid, where it is produced separately. ➢ Price for condensate as projected to be received. ✓ Incur a penalty of US$3.50 per MMBtu of gas not delivered for failure to comply with the domestic gas delivery obligations under the Act and the Regulations.

Title	Description / Objectives	Scope
		• Commission shall: ✓ Upon receipt of the domestic gas demand requirement supply curve from lessees, aggregate the curves to a national supply curve. ✓ Identify on the supply curve the lowest level for the domestic gas supply price for which the total domestic gas demand requirement for the power, commercial and gas-based industrial sectors, shall be supplied, taking into account the production profiles of the proved developed producing reserves and the profiles in regulation 4(10) of these Regulations relating to domestic gas supply price, the established domestic gas supply price shall be provided to Authority for its base price determination. ✓ Order the allocation of the domestic gas delivery obligation in the sequence of the applicable proved reserves ranking from the lowest to the highest domestic base price capped by the domestic gas supply price. ✓ Use an allocation formula that incorporates an efficiency factor, reserves, and flaring volume to determine the allocation to a lessee, having regards to the efficiency factor which essentially accounts for constraints related to availability and proximity to major transport trunk lines, including Oniafy-Obrikom-Oben (OB3) gas pipeline, Ajaokuta-Kaduna-Kano (AKK) gas pipeline and Escravos-Lagos Pipeline System (ELPS).

Title	Description / Objectives	Scope
Petroleum Royalty Regulations 2022	To establish the procedure for the determination of royalty payable and administration of the royalty regime as provided under the Act	Royalty on Oil Prospecting Licences and Oil Mining Leases Holders of oil mining leases or oil prospecting licences shall continue to pay royalties under the Petroleum Act, 1969 and Deep Offshore and Inland Basin Production Sharing Contact Act until converted or renewed under the Act or any regulations made pursuant to the Act. <u>Payment of Royalty</u> Production of Petroleum, including production tests, shall be subject to royalties pursuant to section 306 of the Act and the Regulations. Royalties shall be: • Levied on a non-discriminatory basis with respect to all Petroleum Prospecting Licences (PPLs) and Petroleum Mining Leases (PMLs). • Paid into the Federation Account and verified by the Commission. NB: where: • two or more entities are holders of a PPL or PML, each participating entity shall pay the royalties on its participating interest. • an incorporated joint venture is created, the incorporated entity shall pay the royalties on behalf of all shareholders. <u>Production is subject to royalty</u> The production subject to royalty from a field shall consist of the following: • For crude oil, the chargeable volume of crude oil • For natural gas, the chargeable volume of natural gas, including any natural gas liquids contained in the raw gas produced in the field. • For condensates, the chargeable volume of condensates

Title	Description / Objectives	Scope
		• For natural gas liquids produced separately in the field, the chargeable volume of natural gas liquids. NB: Where the production of a field is derived from more than one PML derived from different PPLs, and the field extends beyond the boundaries of the PMLs, the production of the field for royalty purposes shall be based on the sum of the productions determined in all PMLs for such field. Furthermore, where a field extends beyond the boundaries of different PPLs and more than one PML is derived from the PPLs, the determination of royalty shall be based on the sum of the production from the PMLs covering such field. Chargeable volumes shall: • be determined at standard temperatures and pressures as may be prescribed from time to time by the Commission. • be measured with petroleum measurement meters located at the measurement point unless approved otherwise by the Commission pursuant to the Regulations. • pursuant to the outcome of an audit, include production that is lost prior to the measurement point because of: ✓ Unauthorized flaring. ✓ Production practices are contrary to good international petroleum industry practices. ✓ Gross negligence or willful misconduct of the licensee or lessee. NB: Crude oil, condensates and separately produced natural gas liquids shall be measured in barrels. Natural gas shall be measured in standard cubic feet and MMBtu, and where so justified, the Commission may approve reporting of production of natural gas liquids in metric tons.

Title	Description / Objectives	Scope
		Production subject to royalty shall be determined monthly and be reported. Petroleum Measurement Meters Subject to regulation 8 of these Regulations, a lessee shall not engage in the production of petroleum from a PML without the installation of petroleum measurement meters approved by the Commission. Where production capacity in a PML exceeds the capacity of the petroleum measurement meters, the lessee shall upgrade the capacity of such meters or install new meters of appropriate capacity, and where meters of the appropriate capacity have not been installed the lessee shall not produce petroleum in excess of the capacity of the installed meters. The lessee shall measure the following through separate petroleum measurement meters: • Crude oil, whether or not spiked with condensates. • Natural gas, including the natural gas liquids in the raw gas from the field. • Condensates, where condensate is produced as a separate stream from crude oil. • Natural gas liquids, where natural gas liquids are produced as a separate stream from natural gas. <u>Commission:</u> • Prescribe the specifications of petroleum measurement meters. • May approve more than one petroleum measurement meter for crude oil, condensates, natural gas or natural gas liquids subject to production conditions in a PML and provided that for royalty purposes, the production for each stream shall be the total production from all petroleum measurement meters for such stream.

Title	Description / Objectives	Scope
		• May approve other points of measurement of petroleum, where it is not practicable or economical to establish petroleum measurement meters at the measurement point in a PML. • Conditions under which the Commission may approve other points of measurement of petroleum include: ✓ PML is entirely carried out by subsea production installations connected to production facilities in another PML. ✓ PML based on a unitization agreement is produced partly or completely through wells in another PML. ✓ Individual well in a PML is directly connected with gathering lines to the production facilities in another PML. Furthermore: • Where petroleum is being produced from more than one PML derived from the same PPL, the chargeable volumes shall be determined separately for each PML. • Unless otherwise approved by the Commission, a licence or lease may be revoked for <u>failure to install an approved meter and production of petroleum without being measured with such meter</u>. • A person who produces petroleum in excess of the capacity of an approved meter is liable to: ✓ An administrative penalty of US $ 100,000 in the first instance and US $5,000 for each day production continues. ✓ Revocation of licence or lease where such default continues for one year after the date of imposition of the US$100,000 penalty by the Commission.

Title	Description / Objectives	Scope
		Application of royalties based on price. • The price benchmark for royalty by price shall be as specified in the Schedule to the Regulations. • The royalty by price shall be based on the fiscal oil price for crude oil or for condensates. • Pursuant to paragraph 11(1) of the Seventh Schedule to the Act, a royalty-by-price rate shall apply as follows — a. for fiscal oil price less than or equal to the benchmark price pursuant to paragraph 11(1)(a) of the Seventh Schedule to the Act, the royalty by price rate shall be 0%. b. for fiscal oil price between the benchmark prices pursuant to paragraph 11(1)(a) and (c) of the Seventh Schedule to the Act shall be based on linear interpolation c. for fiscal oil price greater than or equal to the benchmark price pursuant to paragraph 11(1)(c) of the Seventh Schedule to the Act, the royalty by price rate shall be 10%. Determination of Royalty for Natural Gas utilized in-country. The following procedure shall apply in relation to royalty for marketable natural gas in-country: a. The applicable rate shall be 2.5% pursuant to paragraph 10(6) of the Seventh Schedule to the Act. b. The rate referred to in paragraph (a) shall apply to marketable natural gas produced and utilized in-country, where the lessee provides information to the Commission on: i. The volume of gas delivered in-country. ii. The volume of gas was destined for export. iii. Destination certificates are based on the related purchase and sales agreements or other relevant information.

Title	Description / Objectives	Scope
		iv. Respective destination certificates where the lessee sells natural gas to a supplier or wholesale customer. Valuation for Royalty Purpose Crude oil, Natural gas, Natural Gas liquids and Condensates for royalty purposes shall be based on the fiscal price determined at the measurement point. <u>Monthly determination</u> The commission shall determine the fiscal oil prices applicable to crude oil, condensates, natural gas and natural gas liquids at the measurement points for each PML during the first 10 days following the month in which production took place from such PML, based on information available during such month in accordance with the Regulations. <u>Royalty statements and assessments.</u> • A lessee shall file with the Commission a royalty statement for the PML for each month, starting from the month in which regular production commences and ending the month in which production ceases permanently for the PML. • The royalty statement shall be filed on or before the 15th of each month following the month of production and where all or part of the royalty is paid in cash such royalty statement shall be accompanied by the evidence of payment and the receipts obtained from the Commission. A royalty statement shall contain: • The following information about the previous month: ✓ the respective total volumes of crude oil, condensates, natural gas and natural gas liquids produced and where different types of petroleum are being produced the total volumes of each type.

Title	Description / Objectives	Scope
		✓ the fiscal prices for crude oil, condensates, natural gas and separately produced natural gas liquids. ✓ The royalty percentage is determined for crude oil, condensates, natural gas liquids and natural gas. ✓ the calculation of the royalty and payment of royalty in kind and in cash for crude oil, condensates, natural gas liquids and natural gas. ✓ such other information as may be required from time to time by the Commission. • Certificate by an officer or other person employed by the lessee who has the requisite authority to make the certificate, stating that the person signing the certificate has examined the royalty statement, including accompanying schedules and statements, and that the information given in the royalty statement is, to the best of the knowledge of such person, correct and complete. Estimates • A lessee shall provide to the Commission: ✓ Estimates of the amount of the royalty payable for crude oil, condensates, natural gas liquids and natural gas for the following 12 months on or before the 31st of December of the preceding year, which shall be updated quarterly. ✓ Estimated lifting schedule for crude oil, condensates, natural gas liquids and natural gas for the following 12 months prior to the 15th day of each month on a continuous basis. ✓ Estimates of the amount of royalty payable for crude oil, condensates, natural gas liquids and natural gas prior to the 28th day of February on a calendar year basis for a rolling five years following the year in which production occurs.

Title	Description / Objectives	Scope
		• Commission: ✓ May require revised estimates for one or more months or calendar years for which estimates have been prepared by the lessee where the Commission believes that the estimates made may be materially inaccurate and, in this case, the Commission shall provide the lessee with the reasons why the Commission believes estimates may be inaccurate. ✓ Shall keep a record of the information always updated in a shared database with relevant government agencies. Audit A lessee or licensee shall, for the purpose of an audit or examination by any authorized person, make available at all reasonable times the following: • Books, records, accounts, documents and other information. • Copies of any contracts that have been entered into or amended during the period. • Copies of any joint operating agreement or agreements between the operator, lessee and other parties. • Reasonable assistance and access to all relevant sites and answer orally or in writing, all questions.
Production Curtailment and Domestic Crude Oil Supply Regulations, 2023 Made on the 24th day of May 2023.	To provide the general rules for production curtailment and utilisation of the produced petroleum in relation to export and domestic crude oil supply obligation pursuant to sections 8(C) and 109 of the Act	Crude Oil Production and Allocation • Regular production of petroleum from a Well shall be based on the Technical Allowable Rate (TAR) and production quota issued by the Commission. • TAR is based on the report of the Maximum Efficiency Rate (MER) test conducted by a lessee and submitted to the Commission. • The Commission allocates TAR for regular production from a Well for a duration not exceeding six months cycle as January to June of every year and July to December of every year.

Title	Description / Objectives	Scope
Gazette No 128, Lagos 17th July, 2023.		• Lessee shall not produce petroleum from a Well in a lease area above the production quota assigned by the Commission. • An administrative penalty of US$5, 000 for every day the contravention subsists for failure to notify the Commission within 48 hours on the utilised/ underutilizing allocated production quota for seven consecutive days. Domestic Crude Oil Supply Obligation (DCSO) and Export Control • Crude oil produced by a Lessee is subject to DCSO imposed by the Commission, provided entitlement to export any volume more than its DCSO. • The commission shall curtail the Lessee's export of crude oil through: ✓ Processing and endorsement of Export Permit issued by the FGN. ✓ Ensuring Export volume is within the production quota allocated by the Commission considering the imposed DCSO. ✓ Ensuring export doesn't violate DCSO. • The commission shall publish on the official website on a six-month basis and in three national newspapers the domestic crude refining requirements of operating refineries in Nigeria. • Commission shall upon receipt of information of shortage or inadequate supply conditions to operating refineries in Nigeria from the Authority, issue an RFQ to all producing licenses and lessees to submit quotations to meet the supply shortage conditions. • Conditions for imposing Supply Obligation is by identifying and selecting producing licenses and lessees based on: ✓ Proximity and accessibility of the supply location to the refiner's location.

Title	Description / Objectives	Scope
		✓ Matching of the licensee's or lessees' crude specification to the grade requirements for domestic supply. Furthermore, conditions to imposed DCSO is by allocating volumes based on the weighted proportion of total production of Licensees or lessees in consideration of: ✓ Any existing refinery supply contracts. ✓ Any existing crude export contract. ✓ TAR and production quota per Lessee. NB: Contract to sale between the DCSO Lessee and the Refinery may be based on Payment Guarantees (PG). Payment shall be in US dollars or Naria as may be agreed between parties. Where production is below the allocated quota for a quarter, Lessee shall first fulfil DCSO before considering export. However, export may be considered where there is no demand by any refinery license holder in that quarter. A Lessee submits a monthly report on: ✓ Production performance is based on the allocated quota. ✓ Utilisation of production in terms of DCSO and export. Administrative penalty to be imposed for failure to: ✓ Respond to an RFQ: US$10,000 ✓ Enter into/deliver under DCSO contract: 15% of the fiscal price of the DCSO volume.
Nigerian Upstream Petroleum Advance Cargo Regulations, 2022	To ensure seamless cargo operation in the upstream petroleum.	To establish a regime for advance cargo declaration of petroleum exported from the shores of Nigeria and to identify and establish a database of petroleum exports from Nigeria. Furthermore, to eradicate crude oil theft, illegal topping at crude oil export terminals and under-declaration of petroleum exported from Nigeria.

Title	Description / Objectives	Scope
		The Regulations shall apply to: • Licensees and lessees conducting upstream petroleum operations, including all activities in connection with the exportation of petroleum from Nigeria through channels such as terminals and ports, whether such channels are onshore or offshore. • Any terminal and port operator or other third party who is engaged or involved in the export of petroleum from Nigeria on its behalf.

Source: PIA, 2021

3.1.2. Tax Authorities

Tax Authorities comprises the Federal Inland Revenue Service (FIRS) and the State Internal Revenue Service (IRS). Taxes and levies such as the Petroleum Profit Tax (PPT), Value Added Tax (VAT), Hydrocarbon Tax (HT), Education Tax (EDT), NASENI Levy and Nigeria Police Trust Fund Levy are solely collected by the FIRS. While Stamp Duties, Personal **I**ncome **T**ax**,** Withholding Tax and Capital Gain Tax (CGT) are both collected by the FIRS and SIRS depending on the category of taxpayer[1].

3.1.2.1. Petroleum Profits Tax (PPT)

Petroleum Profit Tax (PPT) is administered by the Federal inland Revenue Service[2] (FIRS) under the Petroleum Profits Tax Act[3] (PPTA), 2004 (as amended). PPT is imposed on the profits of oil and gas companies involved in upstream petroleum operations and who are yet to convert their operating licenses from Oil Mining License (OML) to Petroleum Mining License (PML) under the PIA, 2021.

[1] *Category of Taxpayer are Individual, Business Enterprises, Corporate etc.*
[2] *FIRS Clarification on PPT- https://www.firs.gov.ng/petroluem-profit-tax#*
[3] *PPTA- https://old.firs.gov.ng/wp-content/uploads/2021/01/PPTA.pdf*

PPT is collected by the Federal Inland Revenue Service (FIRS) and regulated by the PPTA 2007 which stated the rate for each production arrangement as shown in table below.

Table 4: PPT Rate

Production Arrangement	Rate	Remarks
Joint Venture and Sole Risk	66.75% of Chargeable Profit	Years 1-5
Joint Venture and Sole Risk	85% of Chargeable Profit	After 5 Years
Production Sharing Contract	50% of Chargeable Profit	

3.1.2.2. Hydrocarbon Tax (HT)

Hydrocarbon Tax (HT) is administered by the Federal inland Revenue Service (FIRS). HT is regulated under sections 260- 267 of the PIA 2021. It is applicable to crude oil, condensates, and natural gas liquids produced from associated gas operations. Under the PIA, holders of Petroleum Prospecting Licenses (PPL) and Petroleum Mining Leases (PML) are subject to the following hydrocarbon tax rates:

Table 5: Hydrocarbon Tax Rate

Terrain	Rate
Onshore and Shallow Waters for Petroleum Mining Leases	30%
Onshore, Shallow Onshore and Petroleum Prospecting Licenses	15%

Source: PIA, 2021

3.1.2.3. Other Taxes and Levies

Other taxes and levies collected by relevant tax authorities are the Value Added Tax, Company Income Tax (CIT), Education Tax (EDT), Stamp Duties, Personal Income Tax (PIT), Capital Gain Tax (CGT) and Withholding Taxes as show in table below.

Table 6: Other Taxes Administered by FIRS and State IRS

Description	Rate	Remarks
Value Added Tax[4] (VAT) Value Added Tax Act (VATA), Cap V1, LFN 2004 (as amended)	7.5% of transaction value	This excludes transactions that are exempted and those qualified as zero-rated based on the provision of the VAT Act. This is administered by the FIRS

[4] *FIRS Clarification on VAT- https://www.firs.gov.ng/vat*

Description	Rate	Remarks
Company Income Tax[5] (CIT) Companies Income Tax Act (CITA)[6] Cap. C21 LFN 2004 (as amended) Administered by the FIRS	30% of taxable profit	For companies with turnover above ₦100 million
	20% of taxable profit	For companies with turnover between ₦25 and ₦100 million
	0%	For companies with turnover less than ₦25 million
Education Tax[7] (EDT) Tertiary Education Trust Fund Act 2011 (as amended) Administered by the FIRS	2.5% on assessable profit before charging the TET. Effective 1st January 2022 3% on assessable profit based on the Finance Act 2023 (as amended).	For companies with turnover of ₦25 million and above. This is collected by FIRS on behalf of the Tertiary Education Trust Fund (TETFUND). NB: TET is a deductible tax under section 10 (L) of PPTA
Stamp Duties Stamp Duties Act (SDA) Chapter S8 LFN 2004[8] With subsequent amendment of Finance Act, 2019[9]	The rate is either fixed or ad valorem and depends on the transaction[11|12].	Payable on "instruments" which includes every written or electronic document" Instruments or receipts which should be stamped include the following: • All written or printed dutiable instruments or receipts.

[5] *FIRS Clarification on CIT-* https://www.firs.gov.ng/company-income-tax
[6] *CITA-* https://old.firs.gov.ng/wp-content/uploads/2021/07/Company-Income-Tax-Act.pdf
[7] *FIRS Clarification on EDT-* https://old.firs.gov.ng/wp-content/uploads/2022/12/TETFUND-CIRCULAR30008.pdf
[8] *Stamp Duties Act-* https://old.firs.gov.ng/wp-content/uploads/2021/01/STD.pdf *and* https://stampduty.gov.ng/resources/pdf/sdact.pdf
[9] *Finance Act, 2019 (Stamp Duties Amendment)-* https://ngfrepository.org.ng:8443/jspui/handle/123456789/958
[11] *Stamp Duties Rates-* https://old.firs.gov.ng/wp-content/uploads/2023/03/Stamp-Duty-NEW.pdf
[12] *FIRS Clarification on Stamp Duties-* https://old.firs.gov.ng/wp-content/uploads/2021/06/CLARIFICATIONS-ON-THE-PROVISIONS-OF-THE-STAMP.pdf *and* https://www.firs.gov.ng/stamp-duty

Description	Rate	Remarks
Administered by the FIRS and State IRS[10].	Tenancy or Lease are charged at Ad Valorem rates as follows: • 0.78% for between 0 – 7 years • 3% for above 7 – 21 years • 6% for above 21 years	• All electronic dutiable instruments or receipts (i.e. in the form of electronic media content, electronic documents or files, e-mails, short message service (SMS), instant messages (IM), any internet-based messaging service, website or cloud-based platform, etc.). • All printed receipts (including POS receipts, fiscalised device receipts, Automated Teller Machine (ATM) printouts and other forms of written or printed acknowledgment). • All electronically generated receipts and any form of electronic acknowledgement of money for dutiable transactions. Section 4 of SDA – Authority to collect Stamp Duties. • Federal Inland Revenue Service: charge and collect duties upon instruments relating to transactions or matters executed between corporate bodies or between a corporate body and an individual, group or body of individuals. • State Internal Revenue Services: collect duties in respect of instruments executed between individuals at such rate to be imposed or charged in agreement with the Federal Government.
Capital Gain Tax[13] (CGT) Capital Gains Tax Act, Cap C1 LFN 2004 (as amended). Administered by the FIRS and State IRS	10%	On gains accruing on the disposal of chargeable assets irrespective of whether or not the asset is situated in Nigeria.

[10] *FIRS Public Notice on Stamp Duties- https://old.firs.gov.ng/wp-content/uploads/2021/01/PUBLIC-NOTICE-ON-STAMP-DUTY.pdf*
[13] *FIRS Clarification on CGT- https://www.firs.gov.ng/capital-gains-tax*

Description	Rate	Remarks
Personal Income Tax Personal Income Tax Act, Cap P8, LFN 2004[14] (as amended) Administered by the FIRS and State IRS[15]	7% - 24% on a graduated basis.	Taxable income of individuals and partnerships.
Withholding Tax WHT regulations pursuant Companies Income Tax [Rate, etc, of Tax Deducted at Sources (Withholding Tax)] Regulations (S.1 10 of 1997) Published as supplement to Official Gazette Extra-Ordinary No.47, Vol.84, of 12th August 1997-Part B Administered by the FIRS and State IRS	2.5% - 15%	This is income tax paid in advance on qualifying transaction.
NASENI Levy[16] National Agency for Science and Engineering Infrastructure (Establishment) Act, Cap. N3 LFN, 2004 (as amended)	0.25% of profit before tax	Levied on companies with turn-over of N100,000,000 and above covering the banking, mobile telecommunication, ICT, aviation, maritime, oil and gas sectors. This is collected by the Federal Inland Revenue Service (FIRS) effective January 2022 and credited to the account of the NASENI.

[14] *PITA- https://old.firs.gov.ng/wp-content/uploads/2021/07/Personal-Income-Tax-Act.pdf*
[15] *Taxes and Levie- https://old.firs.gov.ng/wp-content/uploads/2021/01/TAXES_AND_LEVIES.pdf*
[16] *FIRS Clarification on NASENI- https://old.firs.gov.ng/wp-content/uploads/2022/09/INFORMATION-CIRCULAR-FOR-THE-ADMINISTRATION-OF-NASENI-1.pdf*

Description	Rate	Remarks
Nigeria Police Trust Fund Levy Nigeria Police Trust Fund (Establishment) Act 2019.	0.005% of the net profit of companies operating business in Nigeria	This is collected by the Federal Inland Revenue Service (FIRS) and credited to the account of the Nigeria Police Trust Fund.

Source: Various Tax Laws and Regulations

3.1.3. Niger-Delta Development Commission (NDCC) Levy

NDDC levy is administered by the Niger Delta Development Commission (NDDC) under the Niger-Delta Development Commission (Establishment, Etc.) Act[17]. It is a mandatory social contribution levied on companies operating in the oil and gas sector. This is 3% (three per cent) of the total annual budget of any oil-producing company operating onshore and offshore in the Niger-Delta area, including gas-processing companies.

3.1.4. Nigerian Content Development (NCD) Levy

NCD levy is administered by the Nigerian Content Development and Monitoring Board under the Nigerian Oil and Gas Industry Content Development Act 2010 Act No. 2[18]. The Act provide for the development of Nigerian Content in the Nigerian Oil and Gas Industry, Nigerian Content Plan, Supervision, Coordination, Monitoring and Implementation of Nigerian Content, and for Related Matters. NCD is imposed on all contracts in the upstream sector. The intent is to develop Nigerian Content in the Nigerian Oil and Gas Industry. That is 1% on total contract value in any project or transaction in the upstream sector of the Nigerian Oil and gas Industry.

[17] *Niger-Delta Development Commission (Establishment, Etc.) Act: https://www.nddc.gov.ng/WhoWeAre/Vision*

[18] *Nigerian Oil and Gas Industry Content Development Act 2010 Act No. 2: http://www.ncdmb.gov.ng/NCACT.pdf*

3.1.5. Nigerian Export Supervision Scheme (NESS)

The NESS is coordinated by the Federal Ministry of Finance as well as the Central Bank of Nigeria[19] under the Pre-Shipment of Exports Decree No. 10 Of 1996 Act Cap. P25 L.F.N. 2004[20].

NESS Fee is:

- 0.5% Free on Board (FOB) value of the export consignment for non-oil minerals
- 0.1% of the assessed FOB value of the crude oil cargo[21].

The fee is paid by exporters of goods (oil and gas) at designated bank and obtain a Clean Certificate of Inspection (CCC)[22].

3.1.6. Nigerian Upstream Petroleum Regulatory Commission

Nigerian Upstream Petroleum Regulatory Commission (NUPRC) is responsible for the administration of activities in the upstream oil and gas sector in Nigeria. The Revenue stream and related fiscal terms covers signature, production and assignment bonuses. Others are royalty, concession rent, flare gas payment, licenses fees, among others as described in subsequent subsections of the report.

3.1.6.1. Signature Bonus, Production Bonus and Assignment Bonus

Signature bonus, production bonus and assignment bonus are administered by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) under the Petroleum Licensing Round Regulations, 2022[23] of the Petroleum Industry Act, No. 6, 2021. Paragraph 18 of the regulation specifically states that:

1) A signature bonus pursuant to section 74(2)(a)(i) of the Act shall be an amount offered upon the granting of the petroleum prospecting licence or petroleum mining lease and the amount shall be quoted in US Dollars.
2) The Commission may determine the minimum signature bonus to be paid into the Federation Account in line with section 258(2) of the Act.

[19] *Collection of NESS fees.pdf (cbn.gov.ng)*

[20] *https://nigeriatradeportal.fmiti.gov.ng/media/PRE-SHIPMENT%20OF%20EXPORTS%20DECREE%20NO.%2010%20OF%201996%20ACT%20CAP.%20P25%20L.F.N.%202004_1.pdf*

[21] *https://nepc.gov.ng/cms/wp-content/uploads/2022/07/NEPC-MENTORSHIP-PRESENTATION-ON-PIAs-2_compressed.pdf*

[22] *Clean Certificate of Inspection is a document that certifies that the goods being shipped meet certain quality and quantity standards. There are 4 steps to obtain this certificate. Which are: Register on the Trade Monitoring System (TRMS), Product inspection, Pay NESS fee, Obtain Clean Certificate of Inspection (CCI). Thereafter, the designated bank remits collected NESS fees into an account domicile with the Central Bank of Nigeria.*

[23] *Petroleum Licensing Round Regulations, 2022: 2022 Mini Bid Round (nuprc.gov.ng)*

3) Where the model licence or model lease already establishes an amount for a signature bonus payable, the signature bonus pursuant to section 74(2) (a)(i) of the Act, and regulations 16 to 20 of the Regulations, shall be in addition to the signature bonus already prescribed in the model license or model lease.
4) Where two or more bidders offer the same signature bonus, the bidders shall be invited on the day following the bid date to offer an increase in the signature bonus in sub-regulation (1) of this regulation and the bidder offering the highest increase shall be the winning bidder.

Production bonus is the payment made by a licenses and lease holder when production in the oil and gas upstream sector in the Nigeria reaches a milestone. For instance, the production bonus for deep offshore blocks (as shown below) is prescribed in the **"Deep Offshore Licensing Round Guidelines, 2022"** issued by the Nigerian Upstream Petroleum Regulatory Commission pursuant to the petroleum industry act, 2021 issued on the 21st of December 2022 and revised in June 2024 .

Table 7: Production Bonus for Deep offshore Blocks in 2022 Deep Offshore Licensing Round

Target Production Barrels	Production Bonus
Attainment of cumulative production of thirty-five million barrels (35,000,000 barrels)	Two million barrels (2,000,000 barrels) or cash equivalent
Attainment of production of one hundred million (100,000,000 barrels).	Four million barrels (4,000,000 barrels) or cash equivalent

Source: NUPRC Licensing Round Guidelines

Assignment bonus occurs when a bidder assigns part or all of its Interest in the Block during the Lock-in Period[24]. For instance, the assignment bonus prescribed in the "Deep Offshore Licensing Round Guidelines, 2022" is shown below.

Table 8: Assignment Bonus for Deep offshore Blocks in 2022 Deep Offshore Licensing Round

Blocks	Assignment Bonus
Deep offshore	US$35,000,000 (Thirty- Five Million Dollars)
Shallow water	US$20,000,000 (Twenty Million Dollars)
Onshore	US$10,000,000 (Ten Million Dollars)
Marginal	US$5,000,000 (Five Million Dollars)

Source: NUPRC Licensing Round Guidelines

[24] *Lock-in Period means 3 (three) years from the date of the award of a Block to a successful Bidder.*

3.1.6.2. License Fees

License fee is also administered by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). This is paid at the initial and subsequent renewal periods. In line with paragraph 10 of the Conversion and Renewal (Licences and Leases) Regulations, 2022 of the Petroleum Industry Act. No. 6, 2021, the applicable fees for conversion of license or renewal shall be as may be prescribed in Fees and Rent Regulations issued by the Commission[25]. The license fee is as show below[26].

Table 9: NUPRC Licence Fees

Description	Fees US$
Oil Prospecting Licence (OPL)	10,000
Conversion of OPL to oil Mining Lease (OML)	1,000,000
Application for an existing OML	1,500,000
Application for a Renewal of an OML	2,000,000
Application for renewal of Marginal Field	1,000,000

Source: NUPRC Revenue Account Schedule

3.1.6.3. Royalties

Royalty is regulated by the Petroleum Royalty Regulations, 2022[27] of the Petroleum Industry Act, No. 6, 2021. In line section 311(9) of the PIA, the holders of oil mining leases or oil prospecting licences shall continue to pay royalty under the Petroleum Act, 1969 and Deep Offshore and Inland Basin Production Sharing Contact Act until converted or renewed under the Act or any regulations made pursuant to the Act.

Paragraph 21 of the Regulation stipulates that the Commission shall determine the fiscal oil prices applicable to crude oil, condensates, natural gas and natural gas liquids at the measurement points for each PML during the first 10 days following the month in which production took place from such PML. This is based on information available during such month for the valuation of royalty.

[25] *Applicable fees for conversion of license or renewal - https://www.nuprc.gov.ng/wp-content/uploads/2022/11/Conversion-and-Renewal-Licences-and-Leases-Publication.pdf*

[26] *NUPRC Revenues: Revenue Accounts – Nigerian Upstream Petroleum Regulatory Commission (nuprc.gov.ng)*

[27] *Petroleum Royalty Regulations, 2022- https://www.nuprc.gov.ng/wp-content/uploads/2022/11/Petroleum-Royalty-Regulations-2022-pdf-1.pdf*

The royalties' rates are as shown in the table below.

Table 10: Sliding Scale Royalties Rate for Crude Oil

Production Terrain	Production Target	Rate
Deep offshore Paragraph 13(1) of the Regulation	Production less than or equal to 50,000bopd	5%
	Production greater than 50,000bopd	Weighted average rate of the addition of the following divided by the total production per day: - 5% of 50,000bopd - 7.5% of the incremental daily production above 50,000bopd
Onshore and Shallow Water Paragraph 13(2) of the Regulation	Production less than or equal to 5,000bopd	5%
	Production greater than 5,000bopd but less than 10,000bopd	Weighted average rate of the addition of the following divided by the total production per day: - 5% of 5,000bopd - 7.5% of the incremental daily production above 5,000bopd
	For onshore areas	
	Production is greater than 10,000bopd	Weighted average rate of the addition of the following divided by the total production per day: - 5% of 5,000bopd - 7.5% of 5,000bopd - 15% of the incremental daily production above 10,000bopd
	For Shallow waters	
	Production is greater than 10,000bopd	Weighted average rate of the addition of the following divided by the total production per day: - 5% of 5,000bopd - 7.5% of 5,000bopd - 12.5% of the incremental daily production above 10,000bopd
Frontier Basin	Not applicable	7.5%

Source: Petroleum Royalty Regulations, 2022

Furthermore, the Regulation prescribed the royalty rate for produced marketable natural gas and utilised as either in-county or exported as shown in the table below.

Table 11: Sliding Scale Royalties Rate for Marketable Natural Gas

Utilised	Production and utilisation Target	Rate
Domestic (In-country)	Not Applicable	2.5% of chargeable volumes
Export	Not Applicable	5% of chargeable volumes

Source: Petroleum Royalty Regulations, 2022

The price benchmark used for royalty by price in paragraph 11(1)(a) and (c) of the Seventh Schedule to the PIA, 2021, shall be adjusted by applying an adjustment figure of 2% per year, every 1st January, commencing 1st January 2022 in such a way as to achieve a 2% escalation of the previous year benchmark. The results shall be rounded to entire US $ cents. Example of the calculations of royalty by price is shown in the table below.

Table 12: Calculations of Royalty by Price

Price Target	Royalty Rate	2022	2023	Remarks
Below US$50 per barrel	0%	50.00	51.00	As prescribed
At US$100 per barrel	5%	100.00	102.00	As prescribed
At US$150 per barrel	10%	150.00	153.00	As prescribed
Between US$50 and US$100 per barrel (e.g. US$75)	2.5%	75		Based on linear interpolation
Between US$100 and US$150 per barrel (e.g. US$125 per barrel)	7.5%	125		

Source: PIA 2021 and Petroleum Royalty Regulations, 2022

NB: Royalty by price shall:
- be for the credit of Nigerian Sovereign Investment Authority
- not be applicable to frontier acreages.

3.1.6.4. Concession Rent

A holder of PPL or PML shall pay to the government rents in the amount and time as prescribed in the license or lease in line with Section 100 of the PIA, 2021 and the regulations[28] made by the NUPRC.

Table 13: Concession Rent Applicable Per Year

Description	Rate	Remarks
Petroleum Exploration License (PEL)	US$ 1,000 plus US$ 0.10 per hectare	During any period
Petroleum Prospecting Licence (PPL) other than related to frontier acreages	US $ 5000 plus US $ 1 per hectare	During the initial exploration period
Petroleum Prospecting Licence (PPL) other than related to frontier acreages	US $ 10,000 plus US$ 2 per hectare	During the optional extension period
Petroleum Prospecting Licence (PPL) on frontier acreages	US $ 5000 plus US$ 0.10 per hectare	During any period
Petroleum Mining Lease (PML)	US$ 100,000 plus US $ 10 per hectare	During the initial term and any additional terms

Source: Upstream Petroleum Fees and Rent Regulations

3.1.6.5. Flared Gas Payment

Flared Gas payment is administered by the NUPRC under Part III paragraph 13 of the Flare Gas Payment set out in the Gas Flare (Prevention and Control) Regulation, 2018[29] as shown in the table below.

Table 14: Flare Gas Payment – 2018 Regulation- Pre PIA

Parameters	Flare Gas Payment
More than 10,000 barrels of crude oil per day	US$2 per thousand standard cubic feet of gas
Less than 10,000 barrels of crude oil per day	US$0.50 per thousand standard cubic feet of gas (i.e. 28.317 standard cubic meters)

Source: Flare Gas Payment set out in the Gas Flare (Prevention and Control) Regulation, 2018

NB: Paragraph 24 of the regulation specifically states that the provisions of the Gas Flare (Prevention and Control) Regulation, 2018 is revoked.

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[28] *Upstream Petroleum Fees and Rent Regulations: https://www.nuprc.gov.ng/wp-content/uploads/2022/02/Nigeria-Upstream-Fee-and-Rent-Regulations-hamonized-1.pdf*

[29] *Gas Flare (Prevention and Control) Regulation, 2018: https://www.nuprc.gov.ng/wp-content/uploads/2020/06/Flare-Gas-Prevention-of-Waste-Pollution-Regulations-2018.pdf*

Flared Gas payment is now administered under the Gas Flaring, Venting and Methane Emissions (Prevention of Waste and Pollution) Regulations, 2023 of the provisions of the Petroleum Industry Act, No. 6. 2021[30]. The regulations apply to regulate gas flaring, venting and methane emission by a licensee, lessee and producer of gas in the upstream petroleum operations.

Paragraph 10 of the Gas Flaring, Venting and Methane Emissions (Prevention of Waste and Pollution) Regulations, 2023 requires that a permit holder to Access Flare Gas should ensure the following:

- ✓ Execute a Milestone Agreement with the Commission.
- ✓ Execute a Gas Sales Connection Agreement with the Commission.
- ✓ Execute an Agreement with the licensee or lessee.
- ✓ Submit a Decommissioning and Abandonment Plan.
- ✓ Establish a Decommissioning and Abandonment Fund and make contributions.
- ✓ Make contribution to Environmental Remediation Fund.

Paragraph 12 (2), the conditions for permitting gas flare are when the gas flaring is within the threshold approved by the Commission and **there is payment of a flaring fee**. The related flare gas payment is shown in the table below.

Table 15: Flare Gas Payment – 2023 Regulation- PIA

Paragraph	Description	Related Fees	Amount
16	The Commission shall prescribe fees for an application for a permit to access gas relating to the award process for the permit.	Data prying fee	as prescribed
		Data leasing fee	as prescribed
		Award fee for grant of permit to Access Flare Gas	as prescribed
		Handling fee payable to a producer of gas pursuant to a connection agreement	as prescribed
		Guarantee fee payable to the producer of gas pursuant to a Deliver or Pay Agreement, as may be applicable	as prescribed
		Such other fees as may be prescribed by the Commission	as prescribed
17	The Commission shall charge fees for permitted flaring of gas as prescribed in the applicable Regulations.	Fees for permitted flaring of gas	US $ 50,000

[30] *GAS-FLARING-REGULATIONS.pdf (nuprc.gov.ng)*

Paragraph	Description	Related Fees	Amount
21	A licensee, lessee and producer of gas that flares, vents or waste gas without authorization of the Commission shall be fined.	Administrative fine	US$3.50 per 1000 Standard Cubic Feet (28.317 standard cubic meters).
	The licensee, lessee or producer of gas who fails to submit; gas data, gas data within the prescribed time, accurate data or data in the form and manner prescribed, shall be fined.	Administrative fine	US$10,000 or the Naira equivalent.

Source: Gas Flaring, Venting and Methane Emissions (Prevention of Waste and Pollution) Regulations, 2023 and the Upstream Petroleum Fees and Rent Regulations

Paragraph 20 of the Gas Flaring, Venting and Methane Emissions (Prevention of Waste and Pollution) Regulations, 2023 requires that the Commission shall prepare and publish an annual report of the previous year, on its website not later than June 30th, describing the following:

a) Flaring and venting by producer of gas, including the total volume of disposed gas disaggregated into flare gas and vented gas as a percentage of natural gas produced for the preceding year.
b) Associated gas produced in association with crude oil
c) Natural gas consumed by the producer of the gas for own use.
d) The result of comparative analysis of the performance of each licensee, lessee or producer of gas in flare reduction
e) Ranking of Producers of gas by the Associated Gas utilisation Factor
f) Volume of Disposed Gas received by the Permit Holder disaggregated into utilised, flared and vented.
g) The result of comparative analysis by the Commission of the total volume of disposed gas received by a permit holder in a biennial period indicating the quantity utilized, the quantity flared, and the quantity vented
h) The flare penalties and volumes due in relation to the flaring and venting of natural gas produced in association with crude oil by each Producer.

3.1.6.6. Upstream Environmental Remediation Fund

The Fund is regulated by the Upstream Environmental Remediation Fund Regulation. This is established for the upstream petroleum operations under licences and leases, administered by the Commission under the Petroleum Industry Act, 2021.

The Fund inflows shall be through financial contributions for remediation of environmental damage levied on licensees of petroleum prospecting licenses and lessees under section 103 of the Petroleum Industry Act, 2021 and under the Regulations.[31] Contribution shall be based on the categories of areas of petroleum operations as shown in the table below.

Table 16: Contribution Based on Categories of Areas of Petroleum Operations

Terrain	Areas	Rate (%) / Amount (US$)
Onshore High-Risk	Mangrove areas	as prescribed
	Wetland and swamp areas	as prescribed
	Zone of 500 meters along any river and lake	as prescribed
	Other areas as the Ministry of Environment may determine as high-risk.	as prescribed
Shallow Water High-Risk Area	Zone of 10 km seawards of a high-water mark	as prescribed
	Other shallow water areas as the Ministry of Environment may determine as high risk	as prescribed
Other Onshore Area	As defined as onshore and frontier acreages in the Petroleum Industry Act, 2021, other than Onshore High-Risk Areas.	as prescribed
Other Shallow Water Area	As defined as shallow water in the Petroleum Industry Act, 2021, other than Shallow Water High Risk Areas	as prescribed
Deep Water Area	As defined as deep offshore in the Petroleum Industry Act, 2021.	as prescribed

Source: Upstream Environmental Remediation Fund Regulation

[31] https://www.nuprc.gov.ng/wp-content/uploads/2022/08/Upstream-Petroleum-Environmental-Remediation-Fund-regulation.pdf

3.1.6.7. Decommissioning and Abandonment Fund

The Fund is regulated by the Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2023[32] of the PIA, No. 6, 2021. The regulation also seeks to ensure the decommission and abandonment of petroleum wells, installation, structures, utilities, plants and pipelines for upstream petroleum operations on land and offshore are conducted in accordance with good international petroleum industry practice.

Paragraph 19 stipulates that each license or lease shall set up decommissioning and abandonment fund in respect of petroleum operations. Furthermore, the Fund shall be set up not later than 90 days either from the date of commencement of production for new licenses/ leases or from the date of commencement of the Regulations for existing licenses/leases of producing field.

In line with paragraph 20 of the Regulation, the contributions to the Fund shall be through an annual payment of cash as stipulated in the applicable decommissioning and abandonment plan by the licensee or lessee. Where the Fund is partly held in a financial institution in Nigeria and a foreign financial institution in a Joint Venture arrangement, the contribution therein is shown in the table below.

Table 17: Contributions to the Decommissioning and Abandonment Fund

JV Partner	Rate	Custodian
NNPC Ltd	100% of NNPC portion	Central Bank of Nigeria
IOC	• Minimum of 15% of IOC portion • 25% after three (3) years • 100% from 5th year onward	Central Bank of Nigeria

Source: Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2023

NB: Contributions to Fund may be partly Central Bank of Nigeria and a foreign financial institution for the case of the production Sharing Contract with NNPC. Paragraph 21 stipulates that each license or lease shall submit a statement of accounts with respect to its contributions into the Fund for the preceding year to the Commission and the FIRS. This shall be not later than **90 days succeeding** the end of each calendar year.

[32] *Nigerian Upstream Petroleum Decommissioning and Abandonment Regulations, 2023- https://www.nuprc.gov.ng/wp-content/uploads/2023/08/DECOMMISSIONING-REGULATIONS_merged.pdf*

3.1.6.8. Frontier Exploration Fund

The Fund is regulated by the Frontier Basins Exploration Administration Regulations, 2023[33,34] of the Petroleum Industry Act, No. 6, 2021. In line with paragraph 3 of the Regulation, the Commission shall, in consultation with NNPC Limited, establish a Frontier Exploration Fund Escrow Account (the "Escrow Account"). The Fund is to be applied for the promotion of exploration and development of oil and gas resources in all the frontier basins of Nigeria. The contribution into the Fund is shown in the table below in accordance with section 9(4) of the PIA.

Table 18: Contribution to the Frontier Exploration Fund

Contributor	Basis	Escrow Account	Custodian	Timeline
NNPC Ltd or any subsidiaries entitled to PSC profit oil	30% of PSC Profit Oil and Gas	US$ and Naira Account	Commercial Banks	Not later than 21 days from the end of each quarter. The period commencing on the 1st day of July 2022 to the effective date of the Regulation.

Source: Frontier Basins Exploration Administration Regulations, 2023

NNPC Limited is required to submit monthly entitlement model for oil and gas to the Commission within one month from the effective date of the Regulation[35] with respect to existing contracts and one month from the commencement of production for any future contract in line with paragraph 5. While the Commission is responsible with the administration of the Fund in the Escrow Account.

The Commission, **within six months** of commencement oof the Regulation, kickstarts a Frontier basins exploration and development studies program.

- Establishing an information database of all acreages comprised in the frontier basins indicating the acreages that are licenced and the ones that are open by collecting all existing geological and geophysical data whether such data is with the National Data Repository, Nigerian Geological Survey Agency, any other governmental or private entity.
- The data base shall provide information on the analysis of all geographical, geological and geophysical data relating to both licenced and un-licenced acreages in the Frontier basins.
- Identifying all prospects and leads in both licenced and unlicenced areas of the frontier basins.

NB: NNPC Ltd can also get the Commission's approval for the direct utilisation of the Fund.

[33] *Frontier Basins Exploration Administration Regulations, 2023-* https://www.nuprc.gov.ng/wp-content/uploads/2023/07/FRONTIER-BASINS-EXPLORATION-ADMINISTRATION-REGULATIONS-2023.pdf

[34] *These Regulations seeks to provide the general rules for the exercise of the Commission's responsibilities with respect to frontier basins in Nigeria pursuant to section 9 of the Act; provide a procedure for the administration of the Frontier Exploration Fund; and attract investment to the frontier basins in Nigeria*

[35] *Regulation was made at Abuja on the 24th Day of May 2023.*

3.1.6.9. Host Communities Development Trust Fund

The Fund is regulated by the Nigeria Upstream Petroleum Host Communities Development Regulations, 2022[36-37-38] of the Petroleum Industry Act, No. 6, 2021.

In line with part V paragraph 23 of the Regulation, the Fund shall be maintained in a Commercial Bank which shall be administered by a Board of Trustees as described in the table below.

Table 19: Contribution and Distribution of the Host Communities Development Trust Fund

Contributions (Inflow)			Distribution (Outflow)	
Account	Funding Source	Timeline	Account	Rate
Collection Account	3% of settlors[39] actual annual operating expenditure of the proceeding financial year in the upstream petroleum operations affecting the host communities.	Initially, within one month after the Fund has been established by the Board of Trustees. Subsequently, on a yearly basis within three months to the end of each year.	Capital Fund Account	75% of the amount standing to the credit of the collection account
			Reserve Fund Account	20% of any amount standing to credit of the collection account
			Administrative Cost Account	5% of any amount standing to the credit of the collection account.

Source: Nigeria Upstream Petroleum Host Communities Development Regulations, 2022

36 https://www.nuprc.gov.ng/wp-content/uploads/2022/07/Nigeria-Upstream-Petroleum-Host-Communities-Development-Regulations-2022.pdf

37 *The Regulation applies to Nigerian Upstream Petroleum Host Communities and a holder of a license or lease engaged in upstream petroleum operations as defined in section 318 of the PIA.*

38 *Host Communities Development Trust Implementation Template issued by the NUPRC in 2022-* https://www.nuprc.gov.ng/wp-content/uploads/2022/07/NUPRC-HOST-COMMUNITIES-DEVELOPMENT-TRUST-IMPLEMENTATION-TEMPLATE.pdf

39 *Settlor—means holder of an interest in a lease or license whose area of operation is located in or appurtenant to a host community.*

3.1.7. NNPC Limited

Nigerian National Petroleum Company (NNPC) Limited is the sole state-owned enterprise in the oil and gas industry per section 54 of the PIA, 2021. The revenue streams from the SOE includes Proceeds from sales of PSC Profit crude oil and gas, Dividend received from NNPCL and the NLNG, Transportation/ pipeline fees, among others, as described in the following subsections.

3.1.7.1. NNPC Limited Dividend

By virtue of restructuring of the erstwhile Nigerian National Petroleum Corporation (NNPC) and the creation of NNPC Limited **(a Federal Government owned company), all JV assets are transferred from the Federation to the NNPC Limited.** NNPC Limited subsequently declares and distribute dividend to its shareholders based on its dividend policy.

3.1.7.2. Proceeds from Sale of Federation Crude Oil

Federation Crudes are typically termed Federation Equity Crude which are the crude oil entitlements of the Federation resulting from the various Joint Ventures (JV) and Service Contracts (SC) production arrangement held in trust by the NNPC Limited. The crude oil is valued at the international market prices and sold through either export or domestic markets (including delivery to the Refineries). The sales proceeds therefrom are transferred to the Federation Account after consideration of related and incidental costs. However, following the implementation of the PIA, these sales proceeds are held and utilised by the NNPC Limited on the basis that all JV assets are transferred from the Federation to the NNPC Limited (a Federal Government owned company).

3.1.7.3. Proceeds from Sale of Profit Oil

Profit Oil is the Federation entitlement from a Production Sharing Contract (PSC)/ Production Sharing Agreement (PSA). The crude oil is valued at the international market prices and sold through either export or in domestic markets (including delivery to the Refineries). The sales proceeds therefrom are transferred to the Federation Account.

3.1.7.4. Proceeds from Sale of Gas and Feedstock

Federation Gas and Feedstock are typically termed Federation Equity Gas and Feedstock which are the entitlements of the Federation resulting from the various Joint Ventures (JV) and Service Contracts (SC) production arrangement held in trust by the NNPC Limited. The Gas and Feedstocks are valued at the international market prices and sold through either export or in domestic markets. The sales proceeds are transferred to the Federation Account.

Following the implementation of the PIA, these sales proceeds are held and utilised by the NNPC Limited on the basis that all JV assets are transferred from the Federation to the NNPC Limited (a Federal Government owned company). Dividends are paid by NNPCL to the government from this inflow, the hitherto Federation equity crude described above, crude handling charge/pipeline transportation fee, parts of the miscellaneous income and the other revenues realized by the NNPCL.

3.1.7.5. NLNG Dividend

This is the government returns on investment in Nigeria Liquified Natural Gas limited resulting from the declared dividends[40]. Nigeria Liquified Natural Gas limited is an Incorporated Joint Venture owned in the following proportions: Nigerian National Petroleum Company Limited (NNPC) (49%), Shell Gas B.V. (25.6%), TotalEnegies Gaz & Electricité Holdings (15%), and Eni International N.A. N.V. S.àr.l (10.4%)[41].

NB: the NNPC Limited holding is held on behalf of the Federal Government of Nigeria.

3.1.7.6. Transportation/ Pipeline Fee

Shared transportation and pipeline fees are the entitlements of the Federation resulting from the revenue from transportation and pipeline infrastructure funded through Joint Ventures (JV) Assets held in trust by the NNPC Limited. The fees therefrom are to be transferred to the Federation Account. However, following the implementation of the PIA, the fees are held and utilised by the NNPC Limited on the basis that all JV assets are transferred from the Federation to the NNPC Limited (a Federal Government owned company).

3.1.7.7. Miscellaneous Income

Miscellaneous income includes bank interest, insurance claims and other share of revenue entitlement of the Federation from various production arrangement in the upstream oil and gas sector.

3.1.8. Nigerian Midstream and Downstream Petroleum Regulatory Authority

Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) is responsible for the administration of activities in the midstream and downstream segment of the oil and gas sector in Nigeria. The Revenue stream and related fiscal terms cover the 0.5% Midstream and Downstream Gas Infrastructure Fund, among others, as described in the following subsections.

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[40] *https://www.nigerialng.com/media/Publications/2022_Fact_and_figures_on_NLNG.pdf and https://www.nigerialng.com/media/Publications/Fact_and_figures_2023_Updated.pdf*
[41] *https://www.nigerialng.com/the-company/Pages/Shareholders.aspx*

3.1.8.1. Midstream and Downstream Gas Infrastructure Fund

The Midstream and Downstream Gas Infrastructure Fund is regulated by the section 52 of the PIA, 2021. The Fund is administered by the NMDPRA. The table below shows statutory contributions into the Fund.

Table 20: Statutory Contributions into Midstream and Downstream Gas Infrastructure Fund

Legislation/ Regulation	Rate/ Source	Remarks
Section 52(7)(a) of the PIA, 2021	0.5% of the wholesale price of petroleum products and natural gas sold in Nigeria.	This is collected from wholesale customers. The 0.5% paid into the Midstream and Downstream Gas Infrastructure Fund is in addition to 0.5% paid to the Authority Fund of the NMDPRA in line with Section 47 (2) (C) of the PIA, 2021.
Section 52 (7)(d) of the PIA, 2021	Money received from gas flaring penalties by the Commission under section 104 (4) shall be for the purpose of environmental remediation and relief of the host communities of the settlor on which the penalties are levied[42]	This is also defined in section 104 (1) (4) of the PIA, 2021 on gas flaring penalties

Source: PIA, 2021

3.2. Impact Assessment of the PIA on the Oil and Gas Sector

The implementation of the Petroleum Industry Act (PIA) in 2021 marked a significant milestone, establishing a framework aimed at enhancing investment, transparency, and operational efficiency within the sector, however, the full realization of the PIA's ranges of benefits has been hindered by regulatory overlaps, enforcement issues, and resistance from various stakeholders. Table below shows the impact on the SOE structure, operational model and revenue streams.

Table 21: Impact of the PIA on the Oil and Gas Sector

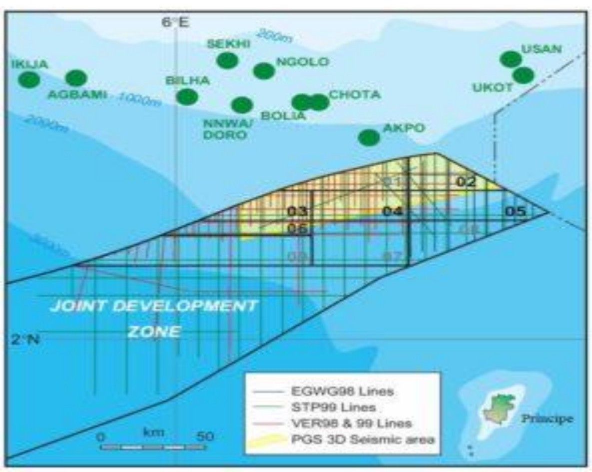
Key Area	Effects	Implication
State-Owned Enterprises Structure and Operational Model	• The incorporation of NNPC Limited with shareholders • Transfer of Federation JV assets to the NNPC Limited	• NNPC Limited to receive dividends. • Federation will no longer received sales proceeds from JV crude oil and gas.

[42] *Settler- Oil and gas producers, operators and holders of licenses and leases.*

Key Area	Effects	Implication
Revenue Streams and Collection	Introduction of the following: • Decommissioning and Abandonment Fund • Frontier Exploration Fund • Upstream Environmental Remediation Fund • 3% Host Community Development Trust Fund • Hydrocarbon Tax • 0.5% Midstream and Downstream Gas Infrastructure Fund	• Support for climate change through setting up funds to timely remediation. • Enhanced funding of community development by settlors.

Source: NEITI 2022- 2023 OGA, 2024

3.3. Overview of the Joint Development Authority (JDA)



Source : https://nstpjda.org/jdz/

The Joint Development Authority was established to coordinates the bilateral agreement between the Governments of the Federal Republic of Nigeria and the Democratic Republic of Sao Tome and Principe. The Authority manages the hydrocarbon and non-hydrocarbon resources in the maritime boundary of the two countries.

The JDA activities are executed through the activities of the subsidiaries as shown in the table below.

Table 22: Highlights of JDZ Activities

Entities	Key Mandates	Highlights of operations/ Projects
JDZ Investment International Limited[43] (JDZIIL) Incorporated in the 2005	Manage all activities relating to exploration and exploitation of resources in the Joint Development Zone.	• Party to the agreement with the Government of Democratic Republic of Sao Tome & Principe to establish a Mini Ultra- Modern LPG Plant/Facility to process and distribute LPG gas for both domestic and Industrial use.

[43] *JDZIIL Mandates- https://nstpjda.org/jdz/*

Entities	Key Mandates	Highlights of operations/ Projects
	The JDZ is an area of overlapping maritime claims between Nigeria and the Democratic Republic of Sao-Tome and Principe and beyond.	• Manages all the JDZ Oil blocks and all contracts thereon. • Party to several agreements with investments such as: ➢ Real Estate Projects, and recreations and tourism projects. ➢ Construction of Hotels, Jet Al Tank Farm, Refrigerated Bonded Warehouse within the Abuja airport project. ➢ Setting up of integrated Fisheries Project in the Democratic Republic of Sao Tome & Principe. ➢ Securing long term petroleum products import contract/license in Nigeria. ➢ Exploration and exploitation of hydrocarbon resources in Nigeria ➢ Design, manufacture, and install a 10 MW Waste–to–Energy plant for the Government of the Democratic Republic of Sao Tome & Principe. ➢ Construction, operation and management of a Marine port, Logistic Base and Fishing Terminal in Sao Tome and Principe. ➢ Setting up of a Refinery with capacity of up to 100,000 Barrels per day in Democratic Republic of Sao Tome and Principe. ➢ Development of the Abuja International airport as business hub utilizing the 2,000 Hectares of land secured around the airport for the projects. ➢ Makurdi Airport projects.

Entities	Key Mandates	Highlights of operations/ Projects
JDA-LO[44]	• Regulates and monitors the activities of JDA contractors and Operators activities in DRSTP. • Oversees and performs all financial and administrative tasks of the JDA in DRSTP.	Prepares the Liaison Office Annual Budget

Source: Nigeria- Sao Tome and Principe Joint Development Authority

3.4. National Energy Transition

Climate Change and Energy Transition Plan are global circumstances which have been legislated in Nigeria which is administered through the National Council on Climate Change[45] (NCCC) to support the seamless implementation of the global climate and related transition plans[46]. Nigeria, as Africa's largest oil producer, is significantly impacted by global climate change policies.

Key dates and milestones on Climate Change and Energy Transition Plan in Nigeria and the ongoing activities[47] are discussed in the following subsections.

3.4.1.Policies and Plans

The country has committed to reducing its carbon emissions and transitioning[48] to a more sustainable energy future through several key initiatives[49]. This includes the Long-Term Low-Emission Development Strategy (LT-LEDS)[50] set to be achieved by 2060 pursuant to section 19 of the Climate Change Act, 2021.

[44] *JDA-Lo Mandates- https://nstpjda.org/the-jda-lo/*
[45] *NCCC- https://natccc.gov.ng/about-the-council/*
[46] *UN Climate Change Nationally Determined Contributions Registry (NDC): https://unfccc.int/NDCREG*
[47] *Sectoral Adaptation and Mitigation Programmes: https://natccc.gov.ng/sectoral-adaptation-and-mitigation-programmes/*
[48] *NDC Framework- https://natccc.gov.ng/publications/NDC%20IMPLEMENTATION%20FRAMEWORK.pdf*
[49] *Some Initiatives on Climate Change and Energy Transition Plan of the Nigerian Government: https://afripoli.org/methane-mitigation-and-reduction-in-nigerias-oil-and-gas-sector and https://www.unoosa.org/documents/pdf/psa/activities/2023/UN-Austria/Panel_1_NOSDRA_8Sep2023.pdf*
[50] *LT-LEDS Validation Report- https://natccc.gov.ng/publications/DG's%20Speech%20at%20the%20LT-LEDS%20Validation%20workshop.pdf and https://natccc.gov.ng/publications/Final%20Version%20Nigeria's%20LT-LEDS.pdf*

The Federal Ministry responsible for Environment[51] to set carbon budget for Nigeria to keep average increase in global temperature within 2º C and limited temperature increase to 1.5º C above pre-industrial levels—thereby aligning with the Paris Agreement's goal.

Key Dates and Milestones on Climate Change and Energy Transition Plan in Nigeria

- **2021**: Nigeria signed the Petroleum Industry Act (PIA), introducing regulatory reforms to promote sustainable practices in the oil and gas industry.
- **2021**: Nigeria pledged to end routine gas flaring by 2030 as part of its Nationally Determined Contributions (NDCs).
- **2022**: The Energy Transition Plan (ETP) was launched, outlining a framework for reducing carbon emissions across all sectors.
- **2060**: Target year for Nigeria to achieve net-zero emissions under the LT-LEDS[52].

3.4.2.Ongoing Activities

The table below shows the status of implementation of climate change and energy transition plan within the Oil and Gas Industry in Nigeria.

Table 23: Climate Change and Energy Transition Plan in the Nigerian Oil and Gas Industry

Key Activity	Description of Actions
Carbon Market[53]	Developing the Carbon Market[54] based on government policies and development priorities, bringing credibility and predictability to encourage and protect participants. It is intended that a "No-Objection" by the NCCC is required by regulation to approve the issuance and transfer of certified credits generated across all sectors, in line with article 6.2 of the Paris Agreement.
Greenhouse Gas Emissions	In 2021, Nigeria emitted approximately 386 million metric tons of CO_2, with the oil and gas sector contributing a significant portion due to gas flaring and energy production.

[51] *The National Council on Climate Change: https://natccc.gov.ng/publications/TNCOCC-Handbook-Version-29-11-22.pdf*
[52] *Nigeria Commitment to Reducing Methane Pollution- https://www.catf.us/2021/08/methane-pollution-nigeria-ndc/*
[53] *Carbon Market Approach- https://natccc.gov.ng/publications/NCCC%20Regulatory%20Guidance%20on%20Nigeria%E2%80%99s%20Carbon%20Market%20Approach.pdf*
[54] *Carbon Market Activation- https://natccc.gov.ng/publications/Capacity%20Building%20Workshop_Day%201.pdf*

Key Activity	Description of Actions
Renewable Energy Target	Nigeria aims that the share of primary energy requirements to be met through renewable energy reaches 47% by 2030 and 57% by 2050. This corresponds to a renewable share of 52% by 2030 and 59% by 2050 in terms of final energy consumption based on Transforming Energy Scenario (TES).[55].
Gas Flaring[56]	Nigeria contributed the most to the overall global reduction, reducing its flare volumes by 1.3 bcm in 2022, a 20% reduction from 2021 levels. This was largely attributable to a 14% decline in oil production during the same period, although Nigeria did experience a slight improvement in its flaring intensity, reducing from 11.8 m^3/bbl in 2021 to 11.1 m^3/bbl in 2022[57].
Net-Zero Goal	Section 1 of the Climate Change Act, 2021 sets a target for year 2050-2070 for the attainment of a net-zero GHG emission in line with Nigeria's international climate change obligations. The Nigeria's LT-LEDS outlines a pathway to achieving net-zero emissions by 2060. This includes a reduction in methane emissions by 60% by 2030, primarily from the oil and gas sector[58]
Energy Transition Roadmap	Nigeria launched its Energy Transition Plan (ETP) in 2022, which outlines strategies to achieve universal energy access by 2030 and net-zero by 2060, with an estimated $410 billion investment needed by 2050 to achieve these goals.

Source: Various Reports on Nigeria's Climate Change Law, Policies and Energy Transition Plan

[55] *Renewable Energy RoadMap- https://energy.gov.ng/reports/IRENA_REMap_Nigeria_2023.pdf*
[56] *Nigerian Gas Flare Tracker: https://gasflaretracker.ng/*
[57] *Global Gas Flaring Tracker Report- https://thedocs.worldbank.org/en/doc/5d5c5c8b0f451b472e858ceb97624a18-0400072023/original/2023-Global-Gas-Flaring-Tracker-Report.pdf and https://www.worldbank.org/en/topic/extractiveindustries/publication/2023-global-gas-flaring-tracker-report*
[58] *LT-LEDS-https://natccc.gov.ng/publications/DG's%20Speech%20at%20the%20LT-LEDS%20Validation%20workshop.pdf and https://natccc.gov.ng/publications/Final%20Version%20Nigeria's%20LT-LEDS.pdf*

3.5. Anti-corruption Policies in the Oil and Gas Sector

Generally, legislations on anti-corruption in the Nigeria include the Economic and Financial Crimes Commission (Establishment) Act[59], 2004 and the Independent Corrupt Practices and Other Related Offences Commission Act[60], 2000. Specifically, anti-corruption efforts in the oil and gas sector are outlined in the table below.

Table 24: Anti-corruption Initiatives in the Oil and Gas Sector

Institution	Description of Actions	Expectations
Nigeria Extractive Industries Transparency Initiative (NEITI)	NEITI Anti-Corruption Partnership and Collaboration with the EFCC[61]	EFCC to back NEITI in its quest for transparency and accountability in the extractive industries in Nigeria.
	NEITI Anti-Corruption Partnership and Collaboration with the ICPC[62]	ICPC to support NEITI on the transparency and accountability in the extractive industries in Nigeria.
Federal Ministry of Finance, Budget and National Planning (FMFBNP)	Whistleblowing Programme[63]	This is designed to encourage reporting information about a violation of financial regulations, mismanagement of public funds and assets, financial malpractice, fraud and theft.
Federal Ministry of Justice Through the Open Government Partnership	Nigeria Action Plan (NAP2) 2019-2022 on Anti-Corruption[64] and the National Anti-Corruption Strategy (NACS) 2022/2026[65]	Anti-Corruption thematic area: • To establish a public register of beneficial owners of corporate entities • To strengthen Nigeria's asset recovery legislation including non-conviction based confiscating powers and the implementation of unexplained wealth orders

[59] *EFCC Act, 2004- https://www.efcc.gov.ng/efcc/images/pdfs/establishment_act_2004.pdf*
[60] *ICPC Act, 2000- https://www.icpc.gov.ng/wp-content/uploads/downloads/2012/09/CORRUPT-PRACTICES-ACT-2010.pdf*
[61] *NEITI- EFCC MOU on Anti-corruption- https://www.efcc.gov.ng/efcc/news-and-information/news-release/9595-neiti-seeks-efcc-s-support-in-enforcing-transparency-in-extractive-industries*
[62] *NEITI-ICPC MOU on Anti-corruption-https://icpc.gov.ng/2021/09/07/cpc-neiti-sign-mou-on-accountability-in-the-oil-and-gas-sector/*
[63] *Whistleblowing Programme- https://whistle.finance.gov.ng/*
[64] *Nigeria Action Plan 2019-2022 on Anti-Corruption - https://www.opengovpartnership.org/documents/nigeria-action-plan-2019-2022/*
[65] *National Anti-Corruption Strategy- 2022 to 2026: https://radionigeria.gov.ng/2023/12/10/fg-to-launch-national-anti-corruption-strategy/ and https://icpc.gov.ng/2023/12/11/intl-anti-corruption-day-stakeholders-call-for-review-of-commitment-to-the-fight-against-corruption/*

Institution	Description of Actions	Expectations
		• To take appropriate actions to implement the National Anti-Corruption Strategy Extractive Transparency thematic area: • To ensure public disclosure of extractive sector contracts, licenses, permits, payment to government and revenue stream to improve transparency, fiscal terms and positively impact public finances. • To work together with all stakeholders (especially women, youth and vulnerable groups) to enhance transparency in the extractive sector through full implementation of EITI Standards and audit remediations.
Federal Ministry of Petroleum Through the Open Government Partnership	Nigeria Action Plan 2023-2025 (NAP 3)[66]	The Extractive Transparency thematic areas ensure a good practice in the oil and gas sector.
Nigerian Upstream Petroleum Regulatory Commission	NUPRC partnership and collaboration with the ICPC[67].	To enhance transparency in Nigeria's hydrocarbon management
	Upstream Petroleum Sector Code of conduct and Compliance[68]	To enforce and provide guidance on corporate governance, operational activities and dispute resolutions in the upstream sector.

Source: NEITI 2022- 2023 OGA, 2024

[66] *Federal Ministry of Petroleum – National Action Plan (2023 – 2025)- https://www.opengovpartnership.org/wp-content/uploads/2023/03/Nigeria_Action-Plan_2023-2025.pdf*
[67] *NUPRC- ICPC MOU on Anti-corruption: https://www.nuprc.gov.ng/nuprc-and-icpc-strengthen-partnership-to-enhance-transparency-in-nigerias-hydrocarbon-management/*
[68] *Upstream Petroleum Sector Code of conduct and Compliance - https://www.nuprc.gov.ng/wp-content/uploads/2023/07/Draft-Nigeria-Upstream-Petroleum-Sector-Code-of-Conduct-Regulations.pdf*

3.6. Government Reforms in the Oil and Gas Sector

Nigeria's oil and gas sector has experienced significant developments over the past few years, driven by policy reforms, new discoveries, evolving global trends, and increased focus on gas utilization. These developments are crucial for maintaining the sector's contribution to the national economy, especially as the global energy landscape evolves toward cleaner energy sources. The Petroleum Industry Act (PIA) of 2021 has been a cornerstone of these changes, introducing a new regulatory framework and fiscal terms aimed at revitalizing the industry. The key reforms, development and impact on the sector is outlined in the table below.

Table 25: Key Development in the Sector

Key Areas	Description of Activities	Expected Impact
Petroleum Industry Act (PIA) Implementation	The PIA, signed into law in 2021, represents a comprehensive overhaul of Nigeria's oil and gas regulatory framework. It aims to create a more transparent and attractive environment for investors, with clear fiscal terms, the establishment of new regulatory bodies, and provisions for environmental management. The PIA also mandates the commercialization of the Nigerian National Petroleum Corporation (NNPC), transforming it into a commercially driven entity, NNPC Limited.	The implementation of the PIA is expected to attract significant foreign investment, streamline operations, and improve governance in the oil and gas sector. However, the success of the PIA largely depends on its full and consistent enforcement, which remains a challenge.
Discovery of Oil in the Upper Benue Trough[69]	In 2022, Nigeria announced the discovery of significant oil deposits in the Kolmani area of the Upper Benue Trough, located in Gombe State. The discovery is particularly important as it represents the first major oil find in northern Nigeria, diversifying the country's oil production beyond the Niger Delta.	The Kolmani discovery has the potential to stimulate economic development in northern Nigeria, create jobs, and reduce regional disparities. It is expected to also opens new opportunities for exploration in frontier basins, which have been underexplored compared to the Niger Delta.

[69] *Discovery of Oil in the Upper Benue Trough : https://statehouse.gov.ng/news/oil-exploration-in-middle-benue-trough-will-lead-to-greater-prosperity-energy-security-president-buhari-declares/*

Key Areas	Description of Activities	Expected Impact
Deepwater and Frontier Exploration[70]	Nigeria's deepwater fields continue to play a crucial role in maintaining production levels as onshore fields mature. Projects such as Bonga North and Egina have been key contributors to this effort. The government has also renewed its focus on frontier basins, including the Chad Basin and Benue Trough, where exploration activities have been ramped up.	Deepwater and frontier basin exploration are essential for increasing Nigeria's proven reserves and sustaining long-term production. These areas offer significant potential for new discoveries, which could help offset declines in older fields and ensure a stable supply of oil and gas.
Gas Development and Utilization	The Nigerian government has prioritized the development of its natural gas resources as part of its energy transition strategy. Initiatives such as the National Gas Expansion Programme (NGEP)[71] and the construction of key infrastructure like the Ajaokuta-Kaduna-Kano (AKK) pipeline are central to this effort[72]. The government is also promoting the use of gas in domestic power generation and industrial applications.	Expanding gas utilization is expected to drive economic diversification, reduce the country's reliance on oil revenues, and position Nigeria as a major player in the global gas market. This also aligns with Nigeria's climate commitments by reducing carbon emissions through the substitution of gas for more polluting fuels.

[70] *Deepwater and Frontier Exploration- https://www.nuprc.gov.ng/deepwater-account-for-over-40-of-nigerias-total-daily-oil-production-dpr/*
[71] *National Gas Expansion Programme (NGEP)- https://www.nuprc.gov.ng/nuprc-to-support-fgs-gas-expansion-programme-improve-domestic-use-26th-november-2021/*
[72] *NGEP and AKK: https://www.opec.org/opec_web/flipbook/OB06072021/93/*

Key Areas	Description of Activities	Expected Impact
Refinery Rehabilitation and Downstream Deregulation	Nigeria's state-owned refineries have been operating well below capacity for years, leading to a heavy reliance on imported petroleum products. The government has embarked on an ambitious refinery rehabilitation program, particularly focusing on the Port Harcourt[73] refinery, with the aim of restoring it to full capacity. Additionally, the downstream sector is undergoing significant deregulation, with the removal of fuel subsidies and the introduction of market-based pricing.	Successful rehabilitation of the refineries would reduce Nigeria's dependence on imported fuel, improve energy security, and create jobs. Downstream deregulation is expected to attract investment, increase competition, and ultimately lead to more efficient and transparent markets for petroleum products.
Local Content Development	The Nigerian Content Development and Monitoring Board (NCDMB) continues to play a vital role in promoting local content in the oil and gas sector. The Board's efforts include capacity building, promoting the participation of indigenous companies, and ensuring that a significant portion of the sector's economic benefits are retained within Nigeria.	Greater local content development enhances the skills and capacity of Nigerian companies, creates employment opportunities, and reduces dependence on foreign expertise. It also fosters a sense of ownership among Nigerians and ensures that more of the sector's profits remain in the country, contributing to broader economic development.

Source: NEITI 2022-2023 OGA, 2024

[73] *NNPC Limited operated Refineries- https://www.nnpcgroup.com/insights/nnpc-ltd-fulfils-promise-delivers-port-harcourt-refinery-achieves-mechanical-completion-flare-start-up-of-refinery-s-area-5-plant*

4. Licenses and Leases

This section provide context to the process for the award and transfer of licenses and leases, and the register of licenses. Furthermore, it discusses the government's policy on the disclosure of contracts and licenses and provide an overview of publicly available contracts and licenses.

4.1. Process for the Award and Transfer of Licenses and Leases

The process for the award of new licenses and leases is regulated by the Petroleum Licensing Round Regulations, 2022[74] under Sections 70- 75 of the PIA, 2021 and administered by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). The Regulation provide a seamless procedure and regulatory framework for conducting a fair, transparent and competitive bidding process for the grant of petroleum prospecting licence and petroleum mining lease. The process is summarized in the table below.

Table 26: Process for the Award of New Licenses and Leases

Paragraph	Title
5	Licensing Round
6	Publication of licensing round
7	Licensing round guidelines
8	Calander of event
9	Procedure for engagement with bid participants and stakeholders
10	Pre-qualification of participants
12	Procedure for submitting and opening bid proposals
13	Grounds for rejection of bids
14	Confidentiality agreement for access to the data room
15	Amendment of licensing round guidelines
16	Participation in the bid process
17	Application of the bid parameters

Source: Petroleum Licensing Round Regulations, 2022

The Regulation provides for the development and publication of a licensing round plan as described below.

- Licensing Round Plan to be published on the Commission Website: The plan to include government policies in the long-term management of petroleum resources indicating the reserve targets, gas utilization objectives, indigenous participation, and development of carbon capture infrastructure.

[74] *Petroleum Licensing Round Regulations, 2022- https://www.nuprc.gov.ng/wp-content/uploads/2022/11/Petroleum-Licensing-Round-Regulations-2022-1.pdf*

- The duration of a licensing round shall be sufficient for bid participants to evaluate all geological, geophysical, technical, economic, and fiscal conditions relating to a block, but shall not be more than 365 calendar days.
- The commission may determine:
  - ✓ Minimum signature bonus to be paid into the Federation Account in line with section 258(2) of the Act.
  - ✓ Minimum additional royalty acceptable under a bid proposal and maximum additional royalty under the bid proposal.
  - ✓ Minimum additional per centum acceptable under a bid proposal and maximum additional per centum under the bid proposal.

NB: A profit split or profit oil split shall be an additional percentage profit oil or profit oil split applicable to the entire sliding scale in the respective model contract and the additional profit split or profit oil split to the Government may be a per cent with up to three decimals.

Furthermore, the Acreage Management, Drilling and Production Regulations issued pursuant to Part II of the Petroleum Industry Act (2021) is applicable to petroleum exploration licenses, petroleum prospecting licenses and petroleum mining leases granted under the Petroleum Industry Act, 2021. The related provisions are shown in the table below.

Table 27: Acreage Management, Drilling and Production Regulations

Key Area	Description
Petroleum Exploration Licences (PEL)	The regulations described the procedures and conditions for the application for the grant of a Petroleum Exploration License which shall be submitted at least 90 days before the expiration of the licence and the licensee of a PEL is expected to commence petroleum exploration operations in the licence area.
Petroleum Prospecting Licences (PPL) and Petroleum Mining are not subject to bidding rounds.	There shall be competitive bidding where more than one licensee applies for the same selected area. The Commission shall review the application within 90 days and the Minister shall within 90 days of the receipt of a recommendation by the Commission under this paragraph decide on the grant of the petroleum prospecting licence. Grant of a Petroleum Mining Lease on an area previously under an Oil Prospecting Licence, Oil Mining Lease or Petroleum Prospecting Licence and Petroleum Mining Lease through bidding rounds and bilateral or multilateral agreement.

Key Area	Description
Petroleum Prospecting Licence	There is a provision for optional extension for PPL with justification and payment of applicable fees. Furthermore, a licensee shall at the expiration of the licence (whether of the initial period or the optional extension period) relinquish all areas of the petroleum prospecting licence that have not been selected as appraisal areas, commercial discovery areas, retention areas and lease areas.
Petroleum Mining Leases	PML is granted upon application, to a licensee of a Petroleum Prospecting Licence who has a field development plan approved by the Commission with respect to an area of the licence declared commercial by the licensee. A lease may be revoked where a lessee fails to commence regular production within the development period after the completion of construction work and test commissioning provided for in the field development plan upon notification by the Commission 60 days before the revocation. A field development plan submitted pursuant to these regulations shall include a development period proposed by the lessee pursuant to section 79(2)(n) which shall be sufficient for the construction of any required infrastructure and development of the field(s). Provided that in approving a development period, the Commission shall take into consideration any period required by any other Agency of Government to issue any approvals incidental to the implementation of the field development plan.

Source: Acreage Management, Drilling and Production Regulations

4.2. Register of Licenses

The Register of licenses is regulated by the PIA, 2021. The table below shows the summary of related sections of law on the administration of the register of licenses.

Table 28: Administration of Register of Licenses

Sections/ Paragraph	Provision	Purpose	Implementation Expectations
Sections 69 of the PIA, 2021	The adoption of a National Grid System for acreage management after consultation with the Surveyor-General of the Federation.	The National Grid System to use for the administration of the upstream petroleum operations including. • Definition of licences and lease areas. • Relinquishments. • Bid procedures. • Identification of well locations. • Petroleum conservation measures. • Other regulatory and acreage management procedures.	To have a regulation that defines the implementation
Section 83 of the PIA, 2021	The development of National Data Repository Regulations.	Access to data in the National Data Repository of the Commission based on the fees and terms as may be determined by the Commission.	Same as above.
Section 219 of the PIA, 2021	Register of license, permits and authorization	NUPRC and NMDPRA shall establish, maintain and make publicly available, a register of leases, licenses, permits and authorization that are issued, revoked, suspended, surrendered or withdrawn with any modification or exemptions granted in respect of any lease, licenses, permit or authorization.	Same as above

Sections/ Paragraph	Provision	Purpose	Implementation Expectations
Section 222 of the PIA, 2021	Register of memorials and interest	NUPRC and NMDPRA shall enter any of the following in the appropriate register: • extension, transfer, surrender and revocation. • Exemption and relinquishment • Change of address and name • Other matter affecting the status of any interest, lease, license, permit or authorization.	Same as above
Section 223 of the PIA, 2021	Effect of Registration	The register is to serve as conclusive evidence as follows: • Description of the rights vested in the person(s) named as the holder of the lease, license, permit or authorization. • Conditions and other provisions the holder of the lease, license, permit or authorization is subjected to.	Same as above
Section 224 of the PIA, 2021	Public access to the registry	NUPRC and NMDPRA will oblige the following relating to the register and registry: • Be accessible to the public during the hours and days designated by the NUPRC and NMDPRA. • Be maintained up-to-date electronically accessible for free as the case maybe. • Provide the certified true copy of any document or record at a prescribed fee.	Same as above

Source: PIA, 2021

NB: The NUPRC has published on its website a document titled 'Concession Situation'[75] as well as Status of OPLs[76] which provides some information required in an electronic license register. This is a stop gap solution pending when an electronic register will be deployed by the Commission as agreed in several engagements with NEITI and the EITI secretariat during the last country Validation.

4.3. Government's Policy on Disclosure of Contracts and Licenses

The Federal Government of Nigeria has legislated policy on disclosure of contract and licenses through the provision in Section 74 (7) of the PIA, 2021. The section recognizes the activities of the Extractive Industries Transparency Initiative in promoting transparency of the process of award of license, leases and contract. It prescribed that the bids received based on the bid parameters through an open, transparent and competitive bidding process shall include an electronic bidding process, open to public and conducted in the presence of representatives of stakeholders.

The bidding process stakeholder are the Nigeria Extractive Industries Transparency Initiative, the Federal Ministry of Finance and the Federal Ministry of Petroleum Resources. By implication, NEITI is monitoring and documenting the ongoing 2022-2023 Mini Bid Round and the 2024 Licensing Round adhering to the requirement of Section 74 (7) of the PIA, 2021).

Furthermore, the provisions of Sections 69, 83, 219,222, 223 and 224 of the PIA, 2021 as discussed under register of licenses, regulates and clarifies the government's positions regarding the disclosure of Contracts, Licenses and Leases in the oil and gas sector.

The NNPC Ltd, being the Sole State-Owned Enterprise in the upstream oil and gas industry, issued a policy statement supporting disclosure of contract and licenses.[77]

4.4. Overview of Publicly Available Contracts and Licenses

Publicly Available contract and licenses is the responsibility of both the Commission[78] and the operators in the upstream oil and gas industry as prescribed in sections 69, 83, 219,222, 223 and 224 of the PIA, 2021 as discussed under register of licenses.

[75] *NUPRC Register of Licenses (Concession Situation)-* https://www.nuprc.gov.ng/wp-content/uploads/2022/12/Consession-Situation-as-at-01-12-2022.pdf

[76] *Status of OPLs-* https://www.nuprc.gov.ng/wp-content/uploads/2023/12/Concession-Situation-December-2023.pdf

[77] *NNPC Ltd Policy Statement on Contract Disclosure and related matters-* https://cms1977.nnpcgroup.com/uploads/Support_for_EITI_f23ae7a5d2.pdf

[78] *NUPRC published contracts and licenses:* https://www.nuprc.gov.ng/concession/, https://www.nuprc.gov.ng/conversion-contracts/ *and* https://www.nuprc.gov.ng/licenses/

5. Beneficial Ownership Disclosure

The beneficial ownership disclosure in the upstream oil and gas sector is primarily regulated by Section 7 (f) (ii) of the Petroleum Industry Act. 2021 administered by the NUPRC. The beneficiary ownership declaration form[79] developed by the NUPRC discloses BO information in format shown in the table below.

Table 29: Beneficial Ownership Disclosure

Parameter	Disclosure Requirement
Notification of Natural person	Biodata, tax residency, jurisdictions and nationality of each natural person with significant control
Notification of Legal Entity	Company registration and tax residency and jurisdictions details of each legal entity
Details of interests	It includes shares held directly/ indirectly, voting rights, right to appoint directors, significant influence or control

Source: NUPRC Beneficiary Ownership Declaration Form

In 2022, Nigeria launched the economy-wide central register of beneficial owners' information (known as the Persons with Significant Control (PSC) Register).

The Register is regulated by the Persons with Significant Control Regulations, 2022[80] pursuant to Section 119 (3) of CAMA, 2020. This initiative is in line with Nigeria's commitment at the Anti-Corruption Summit held in London on 12th May 2016.[81] This is one of several initiatives[82] on beneficial ownership disclosure in Nigeria since 2019.

[79] *Beneficiary Ownership Declaration Form: https://www.nuprc.gov.ng/wp-content/uploads/2022/12/BENEFICIAL-OWNERSHIP-FORM.pdf*

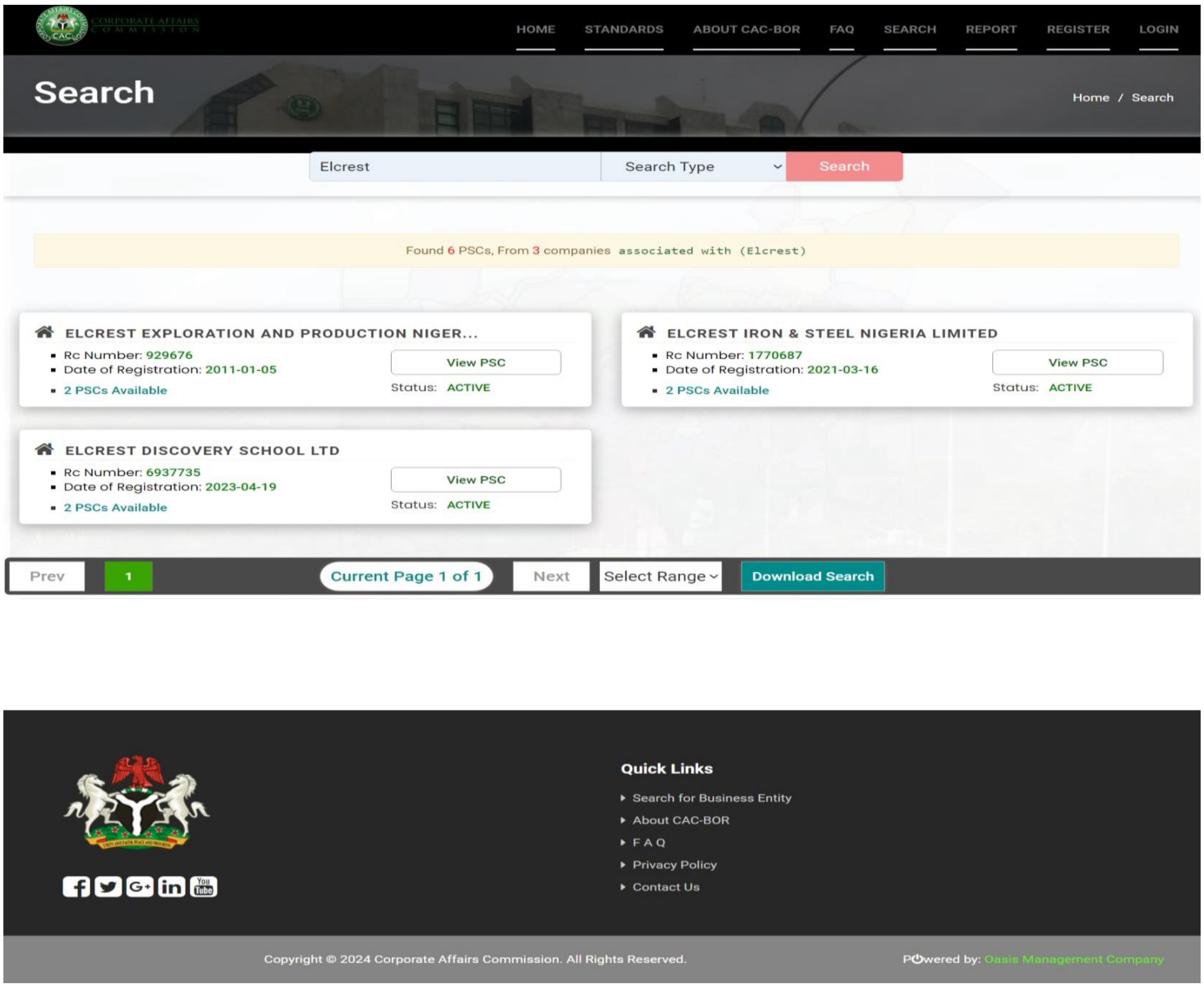
[80] *Persons with Significant Control Regulations, 2022- https://www.cac.gov.ng/wp-content/uploads/2023/01/PSC-Regulations-2022.pdf*

[81] *Nigeria Open Central Register of Beneficial Ownership- https://www.cac.gov.ng/fb-5146/*

[82] *BO Initiatives-https://eiti.org/sites/default/files/2023-05/Nigeria%20Beneficial%20ownership%20infographic%20-%20Nigeria%202023%20pdf.pdf*

Below is a snapshot of the Beneficial Ownership Register implemented by the Corporate Affairs Commission (CAC).[83]

Figure 1: Snapshot of the CAC Beneficial Ownership Register



Source: CAC Beneficial Ownership Portal

The reports (e.g. the United Nations Report, 2023[84] and the World Bank[85]) on beneficial ownership implementation in multiple jurisdictions may also serve as benchmark for BO implementation in Nigeria.

[83] *CAC Beneficiary Ownership Register-* https://bor.cac.gov.ng/

[84] *Enhancing Beneficial Ownership Transparency: A Study Of Beneficial Ownership Registration Systems-* https://www.unodc.org/documents/treaties/UNCAC/COSP/session10/CAC-COSP-2023-CRP.5.pdf

[85] *Beneficial Ownership Transparency-* https://thedocs.worldbank.org/en/doc/734641611672284678-0090022021/original/BeneficialOwnershipTransparency.pdf

6. State Participation in the Oil and Gas Sector

6.1. Overview of the SOE and its ownership structure

The defunct Nigerian National Petroleum Corporation (NNPC) was the sole vehicle for the State's participation in Nigeria's oil and gas sector. It is the agent that manages oil and gas assets on behalf of the Federation (Federal, State and Local Governments).

The Corporation's functions were performed under various Subsidiaries and Business Units. For instance, the National Petroleum Investment Management Services (NAPIMS) was responsible for managing Federation's investment in the upstream oil and gas sector), whereas the Crude Oil and Gas Marketing Division (COMD) was responsible for the valuation, sales and marketing of the Federation's crude oil and gas. On the midstream and downstream subsector, Pipelines and Product Marketing Company (PPMC) managed the importation, sales and distribution of refined petroleum products, while the Refineries received and utilised part of the allocated domestic crude oil.

With the emergence of the PIA, 2021, NNPC transformed into a limited liability company registered as Nigerian National Petroleum Company Limited (NNPCL) on the 21st day of September 2021 under the Company and Allied Matters Act (CAMA).

The NNPCL, a jointly owned entity by the Ministry of Finance Incorporated (MOFI) and the Ministry of Petroleum Resources Incorporated, absorbed the assets, interest, and liabilities[86] of the erstwhile Nigerian National Petroleum Corporation (NNPC) in line with section 54 of the PIA, 2021. The table below shows the commercial activities of the NNPC post PIA, 2021 implementation[87]:

Table 30: Commercial Activities of the NNPC Limited

Key Activity	Description
Petroleum Operations	Perform petroleum operations on a commercial basis, comparable to private companies in Nigeria carrying out similar activities.
Concessionaire	• Perform agency function on behalf of the Federation for all Production Sharing Contracts, Profit Sharing and Risks Service Contracts. • Assume the working interest of erstwhile NNPC for any existing JOA.
Crude Lifting and Sales	Lift and sell on agreed commercial fee on behalf of the following: • Royalty oil for NUPRC • Tax oil for FIRS

[86] *NNPC 2023 Audited Financial Statements , page 20- https://cms1977.nnpcgroup.com/uploads/NNPCL_2023_NGN_FS_15_08_24_CCCO_Copy_1_5668ea7031.pdf*

[87] *NNPC 2023 Audited Financial Statements , page 5- https://cms1977.nnpcgroup.com/uploads/NNPCL_2023_NGN_FS_15_08_24_CCCO_Copy_1_5668ea7031.pdf*

Key Activity	Description
PSC Management	Manage PSCs for a fee based on the profit oil and profit gas lifted and sold.
Test Marketing	Perform test marketing to ascertain the value of crude oil and report to the NUPRC.
Renewable Energy	Engage in the business of renewables and other energy investments.
Gas Investment	Development and operation of large-scale gas utilisation industries to advance domestic use of natural gas.
Energy Security	Perform activities that safeguard national energy security in the overall interest of the Federation.
Supplier of the Last Resort	Serve as a supplier of last resort for security reasons and all cost offset by the Federation.

Source: NNPC Limited 2023 Audited Financial Statements

6.2. SOE and its Subsidiaries Roles and Financial Relationship

The role of the NNPCL as set out in the PIA, 2021, is to carry out petroleum operations on a commercial basis which includes oil and gas exploration, production, refining, transportation and product marketing activities. The Act empowers NNPCL to assume the working interest of the Federation in all Joint Operating Agreements (JOAs). NNPCL also assumed the role of concessionaire of all production sharing contracts (PSCs), profit sharing contract and risk sharing contracts on behalf of the Federation.

The roles and financial relationship[88] of NNPCL's subsidiaries as well as other business units are highlighted in the tables below.

Table 31: Roles and Financial Relationship of NNPCL and Subsidiaries

Name	Roles	Financial Relationship
Antan Producing Limited	Upstream oil and gas production, and sales	Self-funding
Calson (Bermuda) Limited	Sales of crude oil	Sales of Crude
Hyson (Nigeria) Limited	Sales of crude oil and gas	Back charge of expenses
Kaduna Refining & Petrochemical Company Limited (KRPC)	Refining of crude oil into refined petroleum products	Funding of operations, operating lease and processing fees

[88] *Financial Relations, page 100 and 101- https://cms1977.nnpcgroup.com/uploads/NNPCL_2023_NGN_FS_15_08_24_CCCO_Copy_1_5668ea7031.pdf*

Name	Roles	Financial Relationship
Maiduguri Emergency Power Plant	Development and distribution of power	Funding of operation
National Engineering & Technical Company Limited (NETCO)	Providing FEED supports	Back charge of expenses
National Petroleum Telecommunication Limited (NAPET)	Providing telecommunication infrastructure and related services	Funding of operation
Nidas Shipping Cyprus	Transportation of crude oil	Funding of operation
Nigerian Pipeline and Storage Company Limited (NPSC)	Transportation of crude oil	Back charge of expenses
Nikorma Transport Limited	Transportation of petroleum products	Back charge of expenses
NNPC E & P Limited (NEPL)	Upstream oil and gas production, and sales	Funding of operations, operating lease and Revenue Collection.
NNPC Eighteen Operating Limited	Upstream oil and gas production, and sales	Funding of operation
NNPC Energy Services Limited (Enserv)	Managing frontier activities.	Funding of operation
NNPC Gas and Power Investment Company Limited (NGPIC)	Managing and operating gas and power infrastructure	Funding of operation
NNPC Gas Infrastructure Company Limited (NGIC)	Managing and operating gas transportation infrastructure	Back charge of expenses
NNPC Gas Marketing Company Limited (NGML)	Sales, Marketing and Distribution of Gas	Back charge of expenses
NNPC HMO	Providing health insurance services	Funding of operations
NNPC Liquefied Petroleum Gas Limited (NNPC LPG)	Developing and managing LPG infrastructure, sales and marketing	Funding of operations
NNPC LNG Limited	Developing and managing LNG infrastructure, sales and marketing	Funding of operations
NNPC Medical Services Limited (NMSL)	Providing medical services	Funding of operations

Name	Roles	Financial Relationship
NNPC New Energy Limited (NNEL)	Developing and managing renewable energy	Funding of operations
NNPC Properties Limited (NPL)	Developing and managing housing and real estate's projects	Funding of operations
NNPC Retail Limited (NRL)	Sales and marketing of petroleum products across NNPC and affiliates filling depot and stations	Back charge of expenses
NNPC Shipping and Logistics Limited	Transportation of petroleum products	Funding of operations
NNPC Trading Limited (NTL)	Valuation, sales and marketing of crude oil and gas	Back charge of expenses
NNPC Trading SA	Transportation of petroleum products	Funding of operations
NNPC Trading Services (UK) Limited	Offshore Sales and marketing of crude oil and gas	Back charge of expenses
Petroleum Products & Marketing Company Limited (PPMC)	Valuation, sales, marketing and distribution of petroleum products	Funding of operation and tariff charged
Port Harcourt Refining Company Limited (PHRC)	Refining of crude oil into refined petroleum products	Funding of operations, operating lease and processing fees
Warri Refining & Petrochemical Company Limited WRPC)	Refining of crude oil into refined petroleum products	Funding of operations, operating lease and processing fees

Source: NNPC Responses and 2023 NNPC Limited Audited Financial Statements

Table 32: Roles and Financial Relationship of NNPCL and Other Business Units

Name	Roles	Financial Relationship
NNPC Upstream Investment Service (NUIMS)	Developing and managing of upstream infrastructure and assets	Funding of operations
NNPC Downstream Investment Service (NDIS)	Developing and managing of downstream infrastructure and assets.	Funding of operations

Source: NNPC Responses and 2023 NNPC Limited Audited Financial Statements

6.3. Description of the Financial Relationship Between the Government and SOE

The financial relationship between the Government and the SOE is as described in the table below.

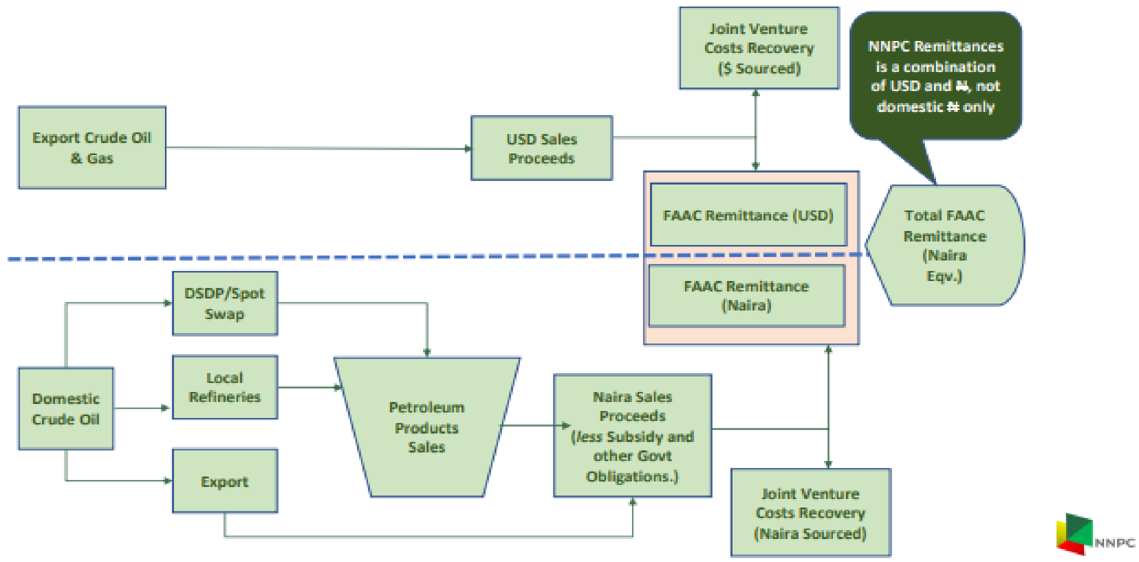
Table 33: Financial Relation Between the Government and NNPC Limited

Pre-PIA	PIA
NNPC Limited performed commercial and agency roles, and the financial relationship below: • Managing Government Investment in Oil and Gas. • Lifting of the share of Federation PSC Profit Oil, and all PSC Taxes (FIRS) and Royalties (NUPRC) • Lifting of Federation JV Share (inclusive of tax and royalties) while JV partners settle their taxes & royalties. • Sales of Crude Oil and Gas, and remittance of proceeds net of cost to the Federation.	CAMA entity with strict Commercial Mandate. NNPC Limited performing commercial and agency roles, and financial relationship below: • FIRS and NUPRC to pay for service rendered. • PIA exception: TSA, Procurement Act, and Fiscal Responsibility Act • PSC Profit sharing in the ratio of 40:30:30 to Federation, NNPC Ltd Management fee & Frontier Exploration Fund • Dividend payment to the stakeholders (i.e. MOFI & MOPI).

Source: NEITI 2022-2023 OGA, 2024- NNPC Limited Responses

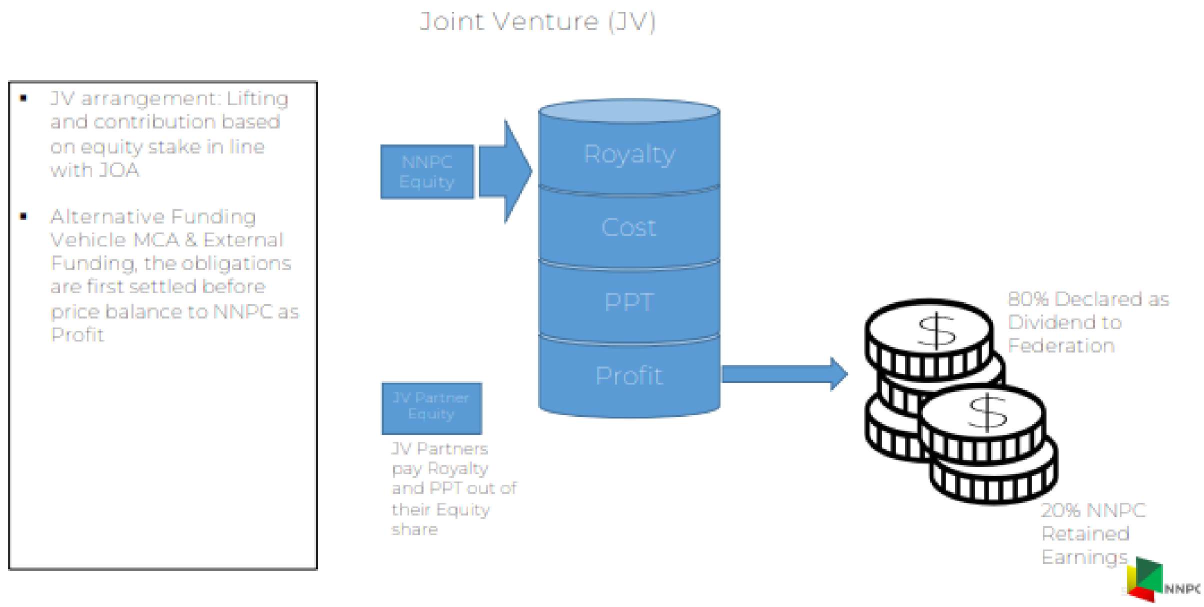
Figure 2 shows the financial process before PIA, 2021 while Figures 3 shows the financial process arising from the implementation of section 54 of the PIA, 2021.

Figure 2: NNPC Limited Financial Process Before PIA, 2021



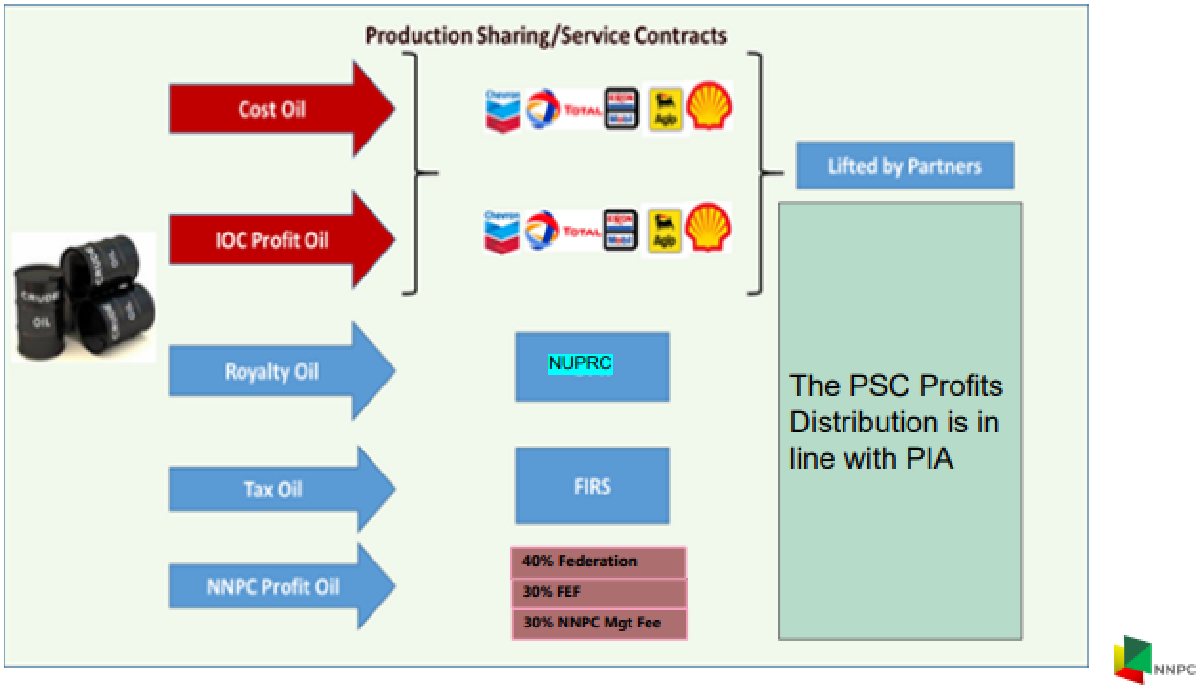
Source: NEITI 2022-2023 OGA, 2024- NNPC Limited Responses

Figure 3: NNPC Limited Financial Process, PIA, 2021- JV Operations



Source: NEITI 2022-2023 OGA, 2024- NNPC Limited Responses

Figure 4: NNPC Limited Financial Process, PIA, 2021- PSC Operations



Source: NEITI 2022-2023 OGA, 2024- NNPC Limited Responses

6.4. Fiscal Commitments, Loans and Guarantees

6.4.1.Government and the SOE

The fiscal commitment between the Government and the SOE is defined as agency relationships and legislated in the national budget. By implication, every proceeds from any commercial activity carried out by the NNPC Limited on behalf of the Federation are to be transferred to the designated government revenue collection account. Furthermore, it is expected that NNPC Limited continuously demonstrate utmost transparency and accountability in the management and administration of the assets of the government.

6.4.2.SOE, Subsidiaries and Third Parties

Assets, interest and liabilities of the erstwhile NNPC are now taken over by the NNPC Limited in line with section 54 of the PIA, 2021. The table below shows NNPC Limited commitments and contingencies[89].

[89] *NNPC Limited and Subsidiaries Fiscal Commitments and Contingencies- https://cms1977.nnpcgroup.com/uploads/NNPCL_2023_NGN_FS_15_08_24_CCCO_Copy_1_5668ea7031.pdf*

Table 34: NNPC Limited Commitments and Contingencies

Project Name	Background	Status
Pre-export Financing	This is a capital commitment of NEPL. This was US$159million (N60.3billion) as of 31st of December 2020. The arrangement is for the settlement of pre-export finance loans (PXF1 and PXF2) obtained by NNPC for the settlement of debts owed by the NNPC Group to some import vendors of petroleum products.	As at 31st of December 2023, there are no capital commitments regarding pre-export financing. The PXF 2 liability was refinanced through a forward sale of crude valued at $694m (N278billion) to Eagle Export Limited tagged "Project Eagle Subsequent" on 15 March 2021.
Eagle Exporting	This a capital commitment of NEPL. The agreement provided that at least 1.8 million barrels of Crude Oil must be nominated and scheduled by NEPL (and delivered at the relevant delivery Terminal to Eagle Export Limited in every delivery period which commenced on 28 August 2020. The arrangement relates to the forward sale agreement with Eagle Export Financing Limited for the delivery of Crude Oil. Under the contract, Eagle Export Funding limited is expected to make an upfront payment to NEPL for crude in a Forward Sale Agreement (FSA). The payment received is required to be settled with delivery of crude oil volumes i.e. NEPL sells crude to Eagle Export Funding Limited based on a delivery schedule.	As at 31st of December 2023, the capital commitment is $352.88 million (₦158.3 billion).

Project Name	Background	Status
NLNG Third Party Financing	This a capital commitment of NEPL. This relates to the Incremental gas supply agreement between NNPC/NEPL and NLNG in which NLNG train 1 - train 6 (T1-6) is required to avail NEPL with a total of USD $501.6 million (₦224.99 billion) for the purchase of gas for a period of 12 years. The erstwhile NNPC (now NNPC Limited) in October 2019, entered into a new agreement with NLNG on behalf of NEPL, through its equity holdings in NAOC, SPDC & TEPNG JOA's. the agreement is to provide Incremental Gas Supply to NLNG T1-6 Feedstock. NLNG being the buyer would provide an advance cash call payment (CAPEX Portion) of some selected 'Projects' as identified in the agreement. NLNG expect to recover their funding as provided by the agreement when Gas Supply is made to them by the Seller (NNPC Limited). Also, a financing charge of US $8.79 million (₦7.97 billion) arose because of incremental gas supply to NLNG in the period.	As at 31st of December 2023: • NEPL through the NAOC JOA has drawn US$324.7 million (₦294.54 billion) from the US $501.6 million. • NLNG has recovered US $142.52 million (₦63.9 billion) worth of gas. This is out of the US $228.92 million (₦207.66 billion). This US$109.78million (₦49.29billion) as at 31st of December 2022.
Project Brogue	This a capital commitment of NEPL for the Acquisition of Chevron Nigeria 40% Interest in OML 86 and 88 NNPC E&P Limited through Nigerian National Petroleum Company Limited ("NNPCL") exercised its pre-emption right to acquire Chevron Nigeria Limited ("CNL") 40% interests in OMLs 86 & 88 "the Asset" at a price of US $250 million (₦112.13 billion).	As at 31st of December 2023, US $218.30 million has been paid back. However, as at 31st of December 2022 there was a capital commitment of US $81.7 million to Middleton Funding Limited.

Project Name	Background	Status
	NNPC E&P Limited paid the total price for the asset and concluded the acquisition of the equity share (40%) in OML 86/88 on 1 July 2022. To finance this, the sum of US $300 million (₦124 billion) was raised through forward sale agreement with Bestaf to fund the acquisition through Project Brogue.	
OML 13 Funding and Technical Service Agreement - FTSA	This a capital commitment of NEPL. NEPL executed an FTSA valued US $3.2 billion (₦1.4 trillion) with Sterling Oil Exploration and Energy Production Company Ltd (SEEPCO) for the development of OML 13 in 2020. The first and only drawdown of US $365,384 (₦331.44 million) was achieved in May 2022.	As at 31st of December 2023 the capital commitment was US $365,384 (₦331.44 million).
OML 42 Funding and Technical Service Agreement - FTSA	This a capital commitment of NEPL. The FTSA was on behalf of OML 42 JOA valued US $1.95 billion with Amaranta Group in 2021. This is for the settlement of outstanding legacy bills and further development of the JOA asset.	As at 31st of December 2023, the Capital commitment was US $17.8 million (₦16.15 billion).

Project Name	Background	Status
OML 11 Funding and Technical Service Agreement – FTSA	This a capital commitment of NEPL. The FTSA valued US $3.4 billion (₦1.5 trillion) with Ohuru Funding Limited for the development of OML 11 in 2020. The drawdown of US $360 million (₦326.56 billion) was achieved as at 31 December 2023.	As at 31st of December 2023, the capital commitment was US $360 million (₦326.56 billion).
Financing of investment in Dangote Refinery	This a capital commitment of NNPC Limited. NNPC Limited proposed to acquire 20% interest in Dangote Petroleum Refinery and Petrochemicals Free Zone Enterprise (DPRP FZE) in September 2021. The 20% interest was valued at US$2.76 billion which was/to be settled as follows: • US$1 billion was paid to Dangote Petroleum Refinery and Petrochemicals Free Zone Enterprise (DPRP FZE). The US$1 billion was from the capital commitment of a US$1.036 billion forward sale agreement entered into with Lekki Refinery Funding Limited. • The balance of US$1.76 billion (being the cost of equity investments made in DPRP FZE) has been agreed to be paid in cash instead of the proposed crude discount of a US$2.5/bbl. on the official selling price of crude oil.	As at 31st of December 2023, NNPC Limited holds equity interest in DPRP FZE.

Project Name	Background	Status
	The investment was initially held by NNPC Greenfield Limited (a special purpose vehicle 100% owned by NNPC) in trust for NNPC Limited. Following the restructuring of the NNPC Limited Post PIA, the activities of the NNPC Greenfield Limited is overtaken by the NNPC Downstream Investment Service (NDIS).	
Project Bison	This a capital commitment of NNPC Limited. NNPC entered into a forward sale agreement in September 2021 with Lekki Refinery Funding Limited. This is to supply 35,000 bbl. of crude oil per day for the settlement of the US$1.036 billion (N426.2 billion) funding received for the financing of investment in Dangote Refinery. The interest rate for the facility is 3-month LIBOR plus 6.125%.	As at 31st of December 2023, US$625 million principal has been paid, while US$424 million (N324 billion) is outstanding.
Project Gazelle	This a capital commitment of NNPC Limited. NNPC Limited entered into a forward sale agreement in December 2023 with Project Gazelle Funding Limited. This is to supply 90,000 bbl. of crude oil per day from PSC Assets for the settlement of a US$3 billion funding. The funding was utilised by NNPC Limited to finance an advance payment of future taxes and royalty obligation due to the Federation on PSC assets managed by NNPC Limited on behalf of the Federation. The interest rate for the facility is 3-month LIBOR plus 6.5% while the margin and Liquidity Premium are 6% and 0.5% respectively. Principal repayment is expected to commence in June 2024.	As at 31st of December 2023, a drawdown of US$2.25 Billion has been achieved from the initial facility of US$3 billion.

Source: NNPC 2023 Audited Financial Statements

6.5. Rules and Practices of the SOE

6.5.1. Operating and Capital Expenditures, Procurement and Subcontracting

The rules and practices of the NNPC limited on operating and capital expenditure as well as procurement and subcontracting is based on the Company's Standard Operating Procedure (SOP). The SOP defined\s the NNPC Limited Finance and Accounts Processes and Procedures. Table below shows the process and procedures for operating and capital expenditures.

Table 35: NNPC Limited Process and Procedures

Control Areas	Scope	Responsibility
Investment Management Investment of surplus Funds in instrument with maturity date not exceeding 91 days.	Onshore Investment of Funds • Maintenance of credit balance on all current accounts at interest bearing benchmark rate. • Term deposit no exceeding thirty (30) days at any one time. • Total exposure to a single financial institution shall not exceed 30% of the aggregate cash balance of all NNPC entities at any point in time.	• Treasurer • Head, Finance and Accounts • CFO • CEO
	Offshore Investment of Funds - Options • Bank Deposits • Money Market Funds • Individual Papers (Certificate of Deposit or Commercial Papers)	• Treasurer • Head, Finance and Accounts • CFO • CEO

	Permitted Investments
	• Development of Annual Investment Plan to guide the investment of funds
	• Required content of the Plan
	  • Permitted Investment (those approved by the Board- onshore and offshore).
	  • Performance objectives.
	  • Portfolio Diversification Plan
	  • Local and global benchmarking
	  • Liquidity and maturity considerations.
		• Group Board
		• BU Board of Directors

Control Areas	Scope	Responsibility
	Investment Risk Management – Philosophy • Maintain sufficient liquidity • Ensure acceptable returns on investment • Secure adequate sources of funding • Comply with all regulations • Mitigation of concentration risk NB: Treasure recommend appropriate diversifications strategies and CFO approves.	• Treasurer • Head, Finance and Accounts • CFO • CEO • Board Committee on Investment Risk Management
	Performance Management • Monthly Reporting by Treasury Division to the CFO and CEO. • Quarterly/ Bi-Annual Performance Reporting	• Treasurer • Head, Finance and Accounts • CFO • CEO • Board Committee on Investment Risk Management
Joint Interest Management (Operated Assets)	Management of joint venture operations • All JV/JOs shall be guided by the JOA. • Establishment of an Operating Committee (OPCOM). • OPCOM to provide strategic direction and control of all matters pertaining to the joint operations. • OPCOM roles and responsibilities are clearly defined in the JOA and shall include the following: ✓ Approval, revision, or rejection of all proposed work programme, budgets and annual performance ✓ Approve the selection, scope, timing and location of all wells and facilities for Joint Operations and of any change in the use or status of any such wells and facilities	Operating Committee (OPCOM): Operator and non-operator as defined in the JOA.

Control Areas	Scope	Responsibility
	✓ Consideration and determination of all matters relating to the general policies, special studies, research, procedures, and methods of the Joint Operations ✓ Ensuring that the Operator carries out the decisions of the Operating Committee. ✓ Establishing other sub-committees for the handling of technical, financial, and other operational matters. • OPCOM comprise members from both the Operator and Non-Operator as defined in the JOA.	
	Work programme/budget preparation and review • Capital and operating budgets prepared in accordance with the JOA. • Budget and work programme contain an itemized estimate of revenue to be received and expenditure to be incurred during the applicable period and shall: ✓ Identify revenue sources in sufficient detail ✓ Identify CAPEX and OPEX in sufficient detail ✓ Identify each activity in sufficient detail to highlight the nature, scope, duration, and impact of the activity with appropriate justification. ✓ Be accompanied by other information as is necessary for an informed decision. • Committees to conduct a review of the budget at various periods: • Sub-Committee (SUBCOM) • Finance Committee (FINCOM) • Technical Committee (TECOM) • Operating Committee (OPCOM)	• Sub-Committee (SUBCOM) • Finance Committee (FINCOM) • Technical Committee (TECOM) • Operating Committee (OPCOM)

Control Areas	Scope	Responsibility
	• Budget guidelines provide general guidance for budget preparation and contain the following information: ✓ Corporate/ strategic objectives ✓ Period to be covered by the budget ✓ Key dates, responsibilities, deliverables and timelines ✓ Budget categories and responsibility /ownership of each category ✓ Input forms/templates ✓ Instructions for completing the templates ✓ Instructions for budget submission ✓ Method of budget collation ✓ Target overall increase/decrease in expenditure. • JOA budget contain the following: ✓ Budget activity work plan/ preparation timetable ✓ Guidelines/ Instructions ✓ Budget assumptions ✓ Input sheets/ templates. • Budget Owners to be responsible for the preparation of annual budgets and work programs for their respective assets in line with Uniform Accounting Procedures (UAP) code. This is done in conjunction with the Planning and Commercial department. • Sub-Committee (SUBCOM) to conduct detailed budget review session(s) to challenge and agree the budget estimates/assumptions and ensure alignment with corporate objectives. • Finance Committee (FINCOM) to collate and consolidate all recommendations from the SUBCOM and forward to the TECOM.	

Control Areas	Scope	Responsibility
	• Technical Committee (TECOM) shall be responsible for the review and recommendation of the consolidated draft budget for OPCOM consideration and approval. • Authority to approve the work programme and budget is solely with OPCOM subject to recommendations by SUBCOM, FINCOM and TECOM. • Approved work program and budget shall be circulated to the JV Partners. • Unbudgeted expenditure shall have the concurrence of the nonoperator before such expense is incurred. • Finance Division is responsible for ensuring that uploaded budgets in the accounting system are accurate and that they reflect the substance of approval by OPCOM and subsequent releases of the budget.	
	Cash Call Management • JV Operator is responsible for the preparation of the monthly cash call requests with inputs from all budget owners, current bank position, pending payments and other anticipated cash obligations/ commitments. • Cash call requests shall be based on the approved work program and budget. • Cash call requests shall be prepared monthly, in alignment with the JV's cash requirements and financial obligations. • Preparation of the cash call requests for a month shall commence not later than the first working day of the preceding month. • Payment terms on Cash Calls shall be in line with the JOA.	JV operators

Control Areas	Scope	Responsibility
	• Standard template shall be used to prepare the cash call request detailing the following: ✓ Opening balances at the beginning of each period (supported by schedule of bank balances). ✓ Cash inflows/ receipts. ✓ Estimated cash outflows. ✓ Estimated inflows. ✓ Incremental borrowing (additional facilities obtained during the period). ✓ Un-utilised facilities/ overdraft. ✓ Estimated closing cash balance. • Cash call requests for each asset shall be forwarded to the JV partners for review and approval not later than 15 working days before cash call month. • Cash call reconciliations shall be performed monthly. Each partner's cash call position in the JV shall be agreed and signed off. • Cash call reconciliation statement shall form an input in the monthly JV returns statements.	
	JV Vendor and Contractor Management • Operator shall maintain a list of approved companies for the purposes of contracts for the Joint Operations, (the "Approved Contractors' List"). • Non-operator shall have the right to propose companies to be included in the list. • Operator (NNPC Limited or its Subsidiaries) shall be responsible for prequalifying any contractor to be included in the Approved Contractors' List. • Approved vendor list shall be reviewed periodically, and inactive/ non-performing vendors archived.	• JV Vendor and Contractors • Management Executive Committee (MEXCOM)

Control Areas	Scope	Responsibility
	• Vendors and contractors shall be licensed to operate in the country and shall be registered with the required regulatory authorities. • Asset owners shall perform a technical evaluation of the vendors and make recommendations to the Contract Department. Nominated vendors will be notified for quotations. • Management Executive Committee (MEXCOM) shall establish a bid evaluation committee. • SCM Department shall be responsible for prequalifying bidders, sending out bid invitations and receiving bids in line with the approved SCM policy and procedural guidelines. • Bid evaluation committee shall evaluate all bid offers. Vendors selected are approved by Management Executive Committee (MEXCOM) based on the result of the technical and commercial evaluation of the vendors. • Joint venture partner's concurrence shall be required for contracts that are above the threshold specified in the JOA.	
	Expenditure performance reporting/review • Commitments to expenditure (e.g., purchase orders) shall be checked against the budget before they are initiated to ensure compliance with the terms of the approved JV budget. • Relevant budget balance shall be reduced by the amount of expenditure item to be incurred. • Budget holder shall be responsible for ensuring that there is sufficient budget to accommodate the intended expenditures.	• Budget Owners • OPCOM • TECOM • SUBCOM

Control Areas	Scope	Responsibility
	• Expenditure requests shall be compared to the budget monitoring tool (for each class of expenditure) to ensure that: ✓ Budget exists for the expenditure requested. ✓ Total expenditure to date in addition to pending expenditure requests shall not exceed the total budget for the period in the case of recurrent expenditure. ✓ Total expenditure to date in addition to pending expenditure requests shall not exceed the total budget for the year in the case of capital expenditure. • Budget owners shall be responsible for the periodic review of their functional budgets to ensure that budget overruns are minimized or avoided. • Budget owners shall reappraise budget estimates for the period, in view of current realities and establish justification for budget revision where necessary. • Budgeting Department or its equivalent shall conduct a budget review session with the relevant budget owners to challenge and agree on revised budget estimates and assumptions. • Budget revisions to be approved by OPCOM. • Annual Performance Review shall be instituted to ensure that the actual expenditures are valid and in line with approved work programme and budget for the year. • TECOM shall review and make recommendations to OPCOM for approval of the annual performance report based on the recommendations made by SUBCOM	

Control Areas	Scope	Responsibility
	• Finance Division shall have the responsibility for ensuring that: ✓ Proper accounting records are kept, from time to time as specified in the JOA: ✓ Financial system shall restrict the ability of any staff of NNPC to post prior year transaction into the database after the date of closure of the previous year in line with NNPC Limited's policy on month-end closing. • The following documents may be required in the review of the Annual Performance Report: ✓ Transaction listing ✓ Contract documents ✓ Payment documents ✓ Job completion certificates ✓ Any other required documents.\	
	Monthly/annual management reporting • Finance Division shall monthly evaluate its financial performance alongside the budget estimates. • Returns and billing statement shall be prepared monthly by the Finance Division and forwarded to the budget owners and JV/JO partners. • Monthly returns and billing statements shall detail the analysis of monthly budget estimates against actual expenditure, working capital, explanations for the identified variances and recommended action steps • Monthly returns and billing statements must include qualitative and quantitative information and contain a historical trend covering the past and current periods in the financial year.	• Budget Owners • JV/JO Partners

Control Areas	Scope	Responsibility
	• Monthly returns and billing statement shall contain relevant indices of the operational, financial, and capacity budget performance of other key value adding information to provide partners with an appreciation of the current state of the performance. • Billing statements shall be extracted from the accounting system monthly. • The report shall contain an analysis of actual to budgeted spend and justifications/explanations for significant variances. • Finance Division shall be responsible for the preparation of the monthly returns/ billing statements detailing: ✓ Analysis of cash inflows (bank statement ✓ Analysis of cash expenditure (vendor invoices and work orders) ✓ Billing statement (over/under call cash) ✓ Two-month in arrears estimate ✓ Cash call due for sign-off	
Joint Interest Management (Non-operated Assets)	Management of joint venture operations • JOA shall serve as a reference point for each party's rights and obligations to the assets and liabilities of the joint interest arrangements. • Operating Committee (OPCOM) shall be established for the purpose of providing strategic direction and control of all matters pertaining to the joint operations. • Roles and responsibilities of the Committee shall be clearly defined in the JOA and shall include the following: ✓ Approval, revision, or rejection of all proposed work programme, budgets and annual performance	OPCOM

Control Areas	Scope	Responsibility
	✓ Approve the selection, scope, timing and location of all wells and facilities for Joint Operations and of any change in the use or status of any such wells and facilities. ✓ Consideration and determination of all matters relating to the general policies, special studies, research, procedures and methods of the Joint Operations. ✓ Ensuring that the Operator carries out the decisions of the Operating Committee. ✓ Establishing other sub-committees for the handling of technical, financial, and other operational matters. ✓ OPCOM shall comprise members from both the Operator and Non-Operator as defined in the JOA.	
	Work programme/budget preparation and review • Capital and operating budgets shall be prepared in accordance with the JOA. • Budget and work programme shall contain an itemised estimate of revenue to be received and expenditure to be incurred during the applicable period and shall: ¬ Identify revenue sources in sufficient detail: ✓ Identify CAPEX and OPEX in sufficient detail ✓ Identify each activity in sufficient detail to highlight the nature, scope, duration, and impact of the activity with appropriate justification ✓ Be accompanied by other information as is necessary for an informed decision.	• Sub-Committee (SUBCOM) • Finance Committee (FINCOM) • Technical Committee (TECOM) • Operating Committee (OPCOM)

Control Areas	Scope	Responsibility
	• Following committees shall conduct a review of the budget at various periods: ✓ Sub-Committee (SUBCOM) ✓ Finance Committee (FINCOM) ✓ Technical Committee (TECOM) ✓ Operating Committee (OPCOM). • Budget guideline shall provide general guidance for budget preparation and contain the following information: ✓ Corporate/ strategic objectives ✓ Period to be covered by the budget ✓ Key dates, responsibilities, deliverables and timelines ✓ Budget categories and responsibility /ownership of each category ✓ Input forms/templates ✓ Instructions for completing the templates ✓ Instructions for budget submission ✓ Method of budget collation ✓ Target overall increase/decrease in expenditure. • JOA budget shall contain the following: ✓ Budget activity work plan/ preparation timetable ✓ Guidelines/ Instructions ✓ Budget assumptions ✓ Input sheets/ templates • Budget Owners shall be responsible for the preparation of annual budgets and work programs for their respective assets in line with Uniform Accounting Procedures (UAP) code. This shall be done in conjunction with the Planning and Commercial department. • Sub-Committee (SUBCOM) shall conduct detailed budget review session(s) to challenge and agree the budget estimates/assumptions and ensure alignment with corporate objectives.	

Control Areas	Scope	Responsibility
	• Finance Committee (FINCOM) shall collate and consolidate all recommendations from the SUBCOM and forward to the TECOM. • Technical Committee (TECOM) shall be responsible for the review and recommendation of the consolidated draft budget for OPCOM consideration and approval. • Authority to approve the work programme and budget shall rest solely with OPCOM subject to recommendations by SUBCOM, FINCOM and TECOM. The approved work program and budget shall be circulated to the JV Partners. • Unbudgeted expenditure shall have the concurrence of the nonoperator before such expense is incurred. • Budgeting and Planning Department shall be responsible for ensuring that uploaded budgets in the accounting system are accurate and that they reflect the substance of approval by OPCOM and subsequent releases of the budget.	
	Cash call management • Cash call requests shall be prepared monthly, in alignment with the JV's cash requirements and financial obligations. • Preparation of the cash call requests for a month shall commence not later than the first working day of the preceding month. • Payment terms on Cash Calls shall be in line with the JOA. • Cash Call payment approval shall be in line with the Delegation of Authority limits.	JV Partners

Control Areas	Scope	Responsibility
	• Cash call requests for each asset shall be forwarded to the JV partners for review and approval not later than 15 working days before cash call month. • Cash call reconciliations shall be performed monthly. • Each partner's cash call position in the JV shall be agreed and signed off. • Cash call reconciliation statement shall form an input in the monthly JV returns statements.	
	Expenditure performance reporting/review • Monthly Expenditure Review - Performance reviews shall be conducted monthly. Expenditure returns shall be submitted by the Operator for month M-2 (two months in arrears) in line with the provisions of the JOA. • SUBCOM shall review the reported performance submitted by the Operator for adequacy. • Quarterly and Annual Performance Review - Performance reviews shall be conducted to ensure that reported quarterly and annual performance aligns with approved work programme and budget for the year. • SUBCOM shall review the reported performance submitted by the Operator and make recommendations to TECOM. • FINCOM shall consolidate the recommendations of all SUBCOMs for onward submission to TECOM. • TECOM shall be responsible for reviewing and endorsing the consolidated annual performance of SUBCOM and endorsing same to OPCOM for consideration and approval.	• Sub-Committee (SUBCOM) • Financial Committee (FINCOM) • Technical Committee (TECOM) • Operating Committee (OPCOM).

Control Areas	Scope	Responsibility

	• Audit of Operator's Book - The non-operating partner may appoint an external auditor (in line with the provisions of the JOA) who shall undertake the audit of the books of operating partner at the nonoperating partner's cost.
	• Documents required for performance review are:
	  • Approved work program and budget
	  • Contract documents
	  • Payment documents
	  • NNPC management approval
	  • Bank statements
	  • Job completion certificates
	  • Any other documents required by the SUBCOM.	

	Monthly/annual management reporting • Finance Division shall be responsible for identifying policy gaps and documentation for update of the detailed policies and procedures involved in Financial Reporting. • Finance Division shall monthly prepare the operational and financial performance reports in line with the management reporting framework. • Data used in preparing the operational and financial performance reports must be sourced from the ERP. • Operational and financial performance reports shall include historical trend covering the past and current periods.	Budget Owner/ Finance Department

Control Areas	Scope	Responsibility
Production Sharing Contract and Service Contract	Oversight and management of PSC and SC operations • Management Committee (MACOM) shall be established for the purpose of providing orderly overall supervision, control and direction of all matters pertaining to the contract. • Roles and responsibilities of the MACOM shall be clearly defined in the PSC and SC to include the following: ✓ Approval, revision, or rejection of all proposed work programs and budgets ✓ Approve the selection, scope, timing and locations of all wells and facilities for production sharing and service contracts, as well as any change in the use or status of any such wells and facilities ✓ Consideration and determination of all matters relating to the general policies, special studies, research, procedure and methods of the production sharing and service contracts ✓ Ensuring that the contractor carries out the decisions of the Management Committee ✓ Establishing other sub-committees for the handling of technical, financial, and other operational matters. • MACOM shall comprise members from both the concessionaire (NNPC) and the Contractor as defined in the PSC and SC.	• Sub-Committee (SUBCOM) • Financial Committee (FINCOM) • Technical Committee (TECOM) • Management Committee (MACOM).

Control Areas	Scope	Responsibility
	Work Program and Budget Review Guidelines • Within two (2) months after the effective date of the PSC or SC and thereafter at least three (3) months prior to the beginning of each calendar year, the Contractor shall prepare and submit for the approval of the MACOM. ✓ a Work Program and Budget for the contract area setting forth the petroleum operations which the Contractor proposes to carry out during the ensuing year ✓ or in case of the first Work Program and Budget, during the remainder of the current year. • Budget and work programme shall contain an itemized estimate of revenue to be received and expenditure to be incurred during the applicable year and shall: ✓ Identify revenue sources in sufficient details ✓ Identify CAPEX and OPEX in sufficient detail ✓ Identify each activity in sufficient detail to highlight the nature, scope, duration, and impact of the activity with appropriate justification ✓ Be accompanied by other information as is necessary for an informed decision. • The following committees shall review the budget and oversee the PSC/SC activities for each year: • Sub-Committee (SUBCOM) • Financial Committee (FINCOM) • Technical Committee (TECOM) • Management Committee (MACOM).	

Control Areas	Scope	Responsibility
	• Budget guideline shall provide general guidelines/direction for budget preparation and shall contain the following information: ✓ Corporate/ strategic objectives ✓ Period to be covered by the budget ✓ Key dates, responsibilities, deliverables and timelines ✓ Budget categories and responsibility /ownership of each category ✓ Input forms/templates ✓ Instructions for completing the templates ✓ Instructions for budget submission ✓ Method of budget collation ✓ Target overall increase/decrease in expenditure. • Sub-Committee (SUBCOM) shall conduct a review session(s) to engage and agree the work programme and budget estimates/assumptions and ensure alignment with corporate objectives/government aspirations. • FINCOM is typically made up of Finance/Planning department Divisions and its major function is to consolidate the budget/performance recommendations of all SUBCOMs and forward same to TECOM. • Technical Committee (TECOM) shall be responsible for the review and recommendation of the consolidated draft budget for MACOM consideration and approval. • Authority to approve the work programme and budget shall rest solely with MACOM subject to recommendations by SUBCOM and TECOM.	

Control Areas	Scope	Responsibility
	• Budget Department in Planning & Strategy Division is responsible for uploading the Budget into SAP. • Finance Division shall be responsible for ensuring that uploaded budgets in the accounting system are accurate and that they reflect the substance of approval by MACOM. • Finance Division shall also be responsible for releasing the budget for utilization in line with the approval limits. • Budget revision requests shall be reviewed by the respective SUBCOMs and TECOM, to be approved by MACOM within the stipulated timeline as stated in the PSC and SC. • Respective Heads of budget/planning for NPDC (now NEPL) and NAPIMs (now NUIMS) shall be responsible for coordinating the budget revision and approval processes for their respective PSC and SC arrangements. • Unbudgeted expenditure shall have the concurrence of the concessionaire before such expense is incurred. • Budget owner shall be responsible for obtaining all requisite approvals for such unbudgeted spend through MACOM approval process.	
	Expenditure and Performance Review • Performance reviews shall be conducted monthly. Expenditure returns shall be submitted by the contractor in line with the provisions of the PSC and SC agreement. • SUBCOMs shall review the reported expenditure submitted by the contractor on monthly basis and make recommendations to FINCOM for collation.	• Sub-Committee (SUBCOM) • Financial Committee (FINCOM) • Technical Committee (TECOM) • Management Committee (MACOM).

Control Areas	Scope	Responsibility
	• Approved expenditure returns shall be shared with the relevant departments for monthly crude allocation purposes. Quarterly Performance Review • Performance review shall be instituted to ensure that reported quarterly and annual performance aligns with approved work programmes and budgets for the year. • SUBCOM shall review the reported performance submitted by the contractor and make recommendations to TECOM. • FINCOM shall consolidate the recommendations of all SUBCOMs and forward same to TECOM. • Technical Committee (TECOM) shall be responsible for reviewing the consolidated annual performance of SUBCOMs and endorsing same to MACOM for consideration and approval.	
	Annual cost verification exercise • Cost verification team shall review and analyze the transaction listings based on reported performance. This shall be followed with all the supporting documents backing up all expenditure reported for the period. Cost Verification exercises shall (where applicable) be in line with the provisions of the PSC. • Cost verification team shall hold a close out meeting with the contractor at the completion of the verification exercise in line with the PSC agreement. • Minutes of the close out meeting shall be jointly signed by the team and the contractor.	• Head of Finance • Management Committee (MACOM)

Control Areas	Scope	Responsibility
	• Cost verification team shall upon completion, submit their report/recommendation to the Head of Finance for review. After the review, Head of Finance shall present the report/recommendation to MACOM for ratification and approval. • If MACOM can ratify and approve the report/recommendation of the cost verification team within the stipulated time frame as per the PSC, the Joint Entitlement Model (JEM) shall be updated with final outcome of the Cost Verification Process. • But if MACOM is unable to ratify and approve the report/recommendation of the cost verification team within the stipulated time frame, an independent auditor shall be appointed in line with provisions of the PSCs. • The JEM shall be updated with final outcome of the review of the independent auditor. • Cost recovery on each contract shall be carried out in line with the provisions of the PSC.	
	Monitoring and Reporting • Finance Division shall be responsible for identifying policy gaps and documentation for update of the detailed policies and procedures involved in Financial Reporting. • Finance Division shall monthly prepare the PSC and SC operational and financial performance reports in line with the management reporting framework. • Operational and financial performance reports shall include historical trend covering the past period and report to date in the financial year.	Budget Owner/ Finance Division

Control Areas	Scope	Responsibility
	• Accounting entries to be recognized with respect to exploration and production costs and other expenditure items are contained in the NNPC Limited's Accounting Policy manual.	

Source: NEITI 2022 – 2023 OGA, 2024- NNPC Responses

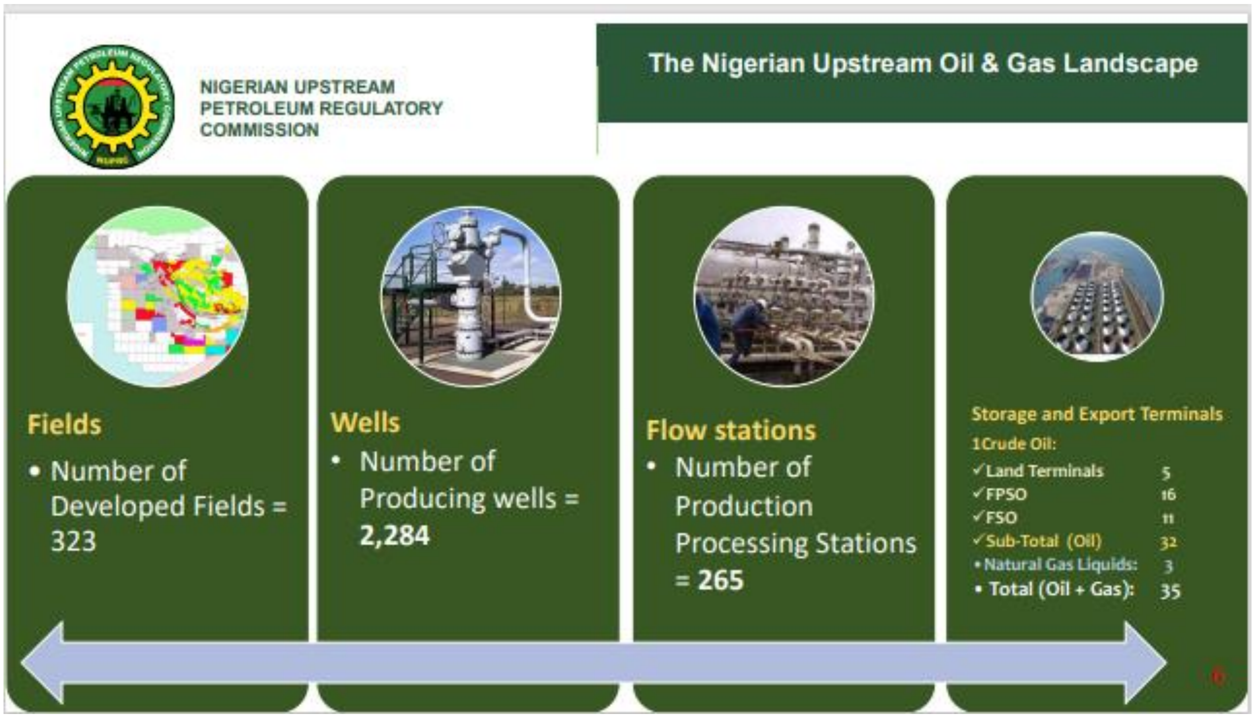
6.5.2.Corporate Governance

The NNPC Limited is governed by a functional board of directors comprising a Chairman, the Group Chief Executive Officer (GCEO), Non-Executive Directors (NED) and Executive Directors (ED). The operations of the board are expected to be supported by committees and management staff.

7. Significant Exploration Activities

Exploration activities during 2022 and 2023 primarily focused on deepwater and frontier basins, with Nigeria's proven reserves estimated at approximately 36.9 billion barrels of oil and 206.53 trillion cubic feet (TCF) of natural gas. The potential of unproven reserves in frontier basins like the Chad Basin and Benue Trough presents a significant opportunity for future growth, though unlocking these resources will require substantial investment and exploration. The Nigerian upstream oil and gas landscape is shown in figure below.

Figure 5: Nigerian Upstream Oil and Gas Landscape



Source: NEITI 2022-2023 OGA, 2024 - NUPRC Responses

7.1. Planned and Ongoing Significant Exploration Activities

Exploration activities in the frontier basin is regulated by Section 68(3) of the PIA, 2021 stipulates that the NUPRC is to reclassify all or part of the basins from frontier acreages to a general onshore area and apply related fiscal terms. The planned and ongoing exploration activities is summarized in the table below.

Table 36: Planned and Ongoing Exploration Activities

Asset Description		Description of Activities	Location
Frontier basin	Kolmani Oil field[90]	The oilfield was discovered in 2019. As of 2022 and 2023, appraisal activities have been ongoing to determine the full potential of the Kolmani field with plans for developing infrastructure to support future production.	Kolmani River II Well, located in the Gongola Basin
	Chad Basin[91]	NNPC has continued seismic surveys and exploratory drilling in the area, although no major discoveries have been reported as of late 2023	Chad Basin, Borno State
	Benue Trough[92]	Exploration activities have also expanded in the Benue Trough, where geological surveys indicate the potential for hydrocarbon deposits. Efforts to drill exploratory wells are part of the strategy to diversify Nigeria's oil-producing regions.	Benue State and surrounding areas

[90] *Kolmani Oil Field- https://www.vanguardngr.com/2022/11/bauchi-buhari-inaugurates-first-oil-drilling-field-in-northern-nigeria/, https://fmino.gov.ng/kolmani-oil-and-gas-project-has-attracted-over-3bn-investment-in-fossil-energy-president-buhari/ and https://www.channelstv.com/2022/11/22/lawan-tinubu-others-present-as-buhari-flags-off-first-oil-exploration-in-north-east/*

[91] *Chad Basin exploration- https://cms1977.nnpcgroup.com/uploads/NNPC_Magazine_second_edition_final_copy_spread_4f9fc9a943.pdf*

[92] *Benue Trough Oil Exploration- https://statehouse.gov.ng/news/oil-exploration-in-middle-benue-trough-will-lead-to-greater-prosperity-energy-security-president-buhari-declares/ and https://cms1977.nnpcgroup.com/uploads/NNPC_LTD_MAGAZINE_6188304c6d.pdf*

Asset Description		Description of Activities	Location
Offshore Exploration	Deepwater and Ultra-Deepwater Projects	Recent developments include the expansion of existing deepwater fields, such as Shell, TotalEnergies, and ExxonMobil are engaged in deepwater drilling projects aimed at discovering new reserves and boosting production.	Gulf of Guinea
	Bonga Southwest/Aparo Project[93]	The Aparo project operated by Shell, is one of the significant deepwater exploration and production developments. Although the project has faced delays within the period[94].	Deepwater, offshore Niger Delta
	Preowei Field (OML 130)[95]	Detailed Reservoir Characterization, Seismic Surveys, Exploratory and Appraisal Wells, Well testing, and Integration with Existing Infrastructure have been carried out.	Deepwater, offshore Niger Delta
	Owowo Field	Detailed Reservoir Characterization, Seismic Surveys, Exploratory and Appraisal Wells, Well testing, and Field Appraisal have been carried out.	Deepwater, offshore Niger Delta
	Oyo Field (OML 120/121)	Ongoing exploration and development activities in the Oyo field, focusing on optimizing production and possibly discovering additional reserves.	Offshore Western Niger Delta
Onshore Niger Delta	Ubima Field	Exploration and development activities are ongoing, focusing on increasing production from this marginal field.	Onshore Niger Delta
	OML 29[96]	Aiteo continues to explore and develop this block, which includes several key fields like the Nembe Creek and Santa Barbara fields.	Onshore Niger Delta

Source: NEITI 2022 – 2023 OGA, 2024

[93] *Bonga Southwest/Aparo Project- https://www.shell.com.ng/media/2015-media-releases/aparo-project.html*

[94] *Bonga Southwest/Aparo Project – Development and Expectations- https://www.nuprc.gov.ng/fg-banks-on-shell-total-energies-project-to-add-800000-barrels-to-daily-production/*

[95] *Preowei Field (OML 130)- https://totalenergies.com/system/files/documents/2023-05/EN_Nigeria_TotalEnergies_renews_OML130.pdf*

[96] *OML 29 https://www.nnpcgroup.com/insights/nnpc-ltd-partner-unlock-12-000bpd-production-from-awoba-unit-field*

8. Production Volumes Calculation

Production volumes are established from the various metering systems installed by the oil and gas producers which are coordinated by the NUPRC in line with Nigerian Upstream Petroleum Measurement Regulations[97], 2023 of the PIA, 2021.

The regulation provides framework for the installation of measurement equipment and accelerated meter roll-out at measurement points as prescribed by the Commission. Furthermore, it provides for the independent and competitive metering service operations in the upstream petroleum sector while encouraging private investments.

In terms of production and infrastructure, Nigeria's oil output, which averaged between 1.4 to 1.6 million barrels per day (bpd) in 2022 and 2023, continues to be affected by aging infrastructure, operational inefficiencies, and security challenges, particularly in the Niger Delta.

8.1. Sources and Methods

The sources of production volumes are from the operators of various production arrangement – i.e. operators of Joint Venture, Production Sharing Agreement (PSA)/ Production Sharing Contract (PSC), Marginal Fields, Sole Risk and Service Contracts. For instance, pre-PIA, 2021, the volumes are usually apportioned between the Federation (for Federation Crude, and NUPRC and FIRS in-kind[98] crudes) and the companies. The Federation's JV entitlement is now transferred to NNPC Limited in line with the PIA, 2021 implementation based on the sharing formulas in the various production arrangements.

The table below shows NNPC Interest and basis of the Production Volumes[99]

Table 37: Production Volume- NNPC Concession, Interest, Operators, Partners and Type

Terrain	Concession	Interest (%)	Status	Operating Party	Partners	Contract Type
Deep water	OPL 244	10	Exploration	Agip	NEPL & Agip	PSC
	OPL 242	100	Exploration	NEPL	Not Applicable	PSC
	OML 139/154	10	Exploration	ExxonMobil	ESSO, TEPNG, Chevron, Nexen, EPL	PSC
	OPL 214	15.79	Exploration	ExxonMobil	ESSO, Chevron, Oando, Svenska, Sasol	PSC
	OPL 223	10	Exploration	Mobil	NEPL and Mobil	PSC
	OPL 251	15	Exploration	Ashbert	NEPL and Ashbert	PSC

[97] *Regulations- https://www.nuprc.gov.ng/wp-content/uploads/2023/07/MEASUREMENT-REGULATIONS.pdf*
[98] *In-Kind- Crudes lifted in leu of Cash, sold by NNPC and proceeds are transferred to the designated bank accounts.*
[99] *NNPC Basis of Production Volumes- https://cms1977.nnpcgroup.com/uploads/NNPCL_2023_NGN_FS_15_08_24_CCCO_Copy_1_5668ea7031.pdf*

Terrain	Concession	Interest (%)	Status	Operating Party	Partners	Contract Type
	OPL 325	20	Exploration	Ashbert NNPC	NEPL and Ashbert	PSC
Continental Shelf	OML 119	100	Producing	NEPL	Not Applicable (N/A)	N/A
	OMLs 60 - 63	60	Producing	NAOC	NEPL, NAOC and Oando	JV
Land	OML 111	100	Producing	NEPL	Not Applicable	N/A
	OMLs 111/148	11	Producing	ENAGEED	ENAGEED and NEPL	JV
	OML 65	100	Producing	NEPL	Not Applicable	N/A
	OML 26	55	Producing	NEPL	NEPL and FHN	JV
	OMLs 28/30	8.08	Producing	NEPL	NEPL/Shoreline JV and SPDC/NNPC/Total/NAOC JV	JV
	OML 30	55	Producing	NEPL	NEPL,Shoreline	JV
	OML 34	55	Producing	NEPL	NEPL and ND Western	JV
	OML 64	100	Development	NEPL	Not Applicable	N/A
	OML 66	100	Development	NEPL	Not Applicable	N/A
	OML 4	55	Producing	SEPLAT	NEPL and Seplat	JV
	OML 11	100	Producing	NEPL	Not Applicable	N/A
	OML 13	100	Development	NEPL	Not Applicable	N/A
	OML 24	55	Producing	Newcross	NEPL and Newcross	JV
	OML 98	100	Producing	NEPL	Not Applicable	N/A
Partially Swamp	OML 38	55	Producing	SEPLAT	NEPL and Seplat	JV
	OMLs 38/49	13.98	Producing	NEPL	NEPL, Chevron, NNPC, Seplat	JV
	OMLs 49/51	Nil	Exploration	NEPL	NNPC and Chevron	SC
Swamp	OML 41	55	Producing	SEPLAT	NEPL and Seplat	JV
	OML 40	55	Producing	NEPL	NEPL and Elcrest	JV
	OML 42	55	Producing	NEPL	NEPL and Neconde	JV
Land	OMLs 20	Nil	Producing	NEPL	NNPC, Shell, Total & NAOC	SC
	OML 49	60	Producing	CNL	NNPC and CNL	JV
	OML 89	60	Development	CNL	NNPC and CNL	JV
	OML 90	60	Producing	CNL	NNPC and CNL	JV
	OML 91	60	Producing	CNL	NNPC and CNL	JV
	OML 95	60	Producing	CNL	NNPC and CNL	JV
	OML 99	60	Producing	TEPNG	NNPC and TEPNG	JV
	OML 100	60	Producing	TEPNG	NNPC and TEPNG	JV
	OML 102	60	Producing	TEPNG	NNPC and TEPNG	JV
	OML 58	60	Producing	TEPNG	NNPC and TEPNG	JV
	OML 83	60	Producing	FEPL	NNPC and FEPL	JV
	OML 85	60	Producing	FEPL	NNPC and FEPL	JV
	OML 71	55	Development	WAEP	NNPC and WAEP	JV
	OML 72	55	Development	WAEP	NNPC and WAEP	JV
	OML 104	60	Producing	MPNU	NNPC and MPNU	JV

Terrain	Concession	Interest (%)	Status	Operating Party	Partners	Contract Type
	OML 67	60	Producing	MPNU	NNPC and MPNU	JV
	OML 68	60	Development	MPNU	NNPC and MPNU	JV
	OML 70	60	Producing	MPNU	NNPC and MPNU	JV
	OML 17	55	Producing	HHOG	NNPC, HHOG	JV
	OML 20	55	Producing	NEPL	NNPC, SPDC 30%, TEPNG 10% and NAOC 5%	JV
	OML 21	55	Producing	NEPL	NNPC, SPDC 30%, ELF 10% and AGIP 5%	JV
	OML 22	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, and AGIP 5%	JV
	OML 27	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 28	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 38/49	45	Producing	NEPL	NNPC 44.75%, CNL 29.84%, NEPL 13.98%, SEPLAT 11.43%	JV
	OML 49/51	60	Exploration	NEPL	NNPC and CNL	JV
	OMLs 86/88	100	Producing	NEPL	NNPCL	JV
	OML 29	55	Producing	AITEO	NNPC and AITEO	JV
	OML 55	60	Producing	BELEMA	NNPC and BELEMA	JV
	OML 18	55	Development	NNPC OML Eighteen Ltd	NNPC, EROTON 27%, SAHARA FIELDS 16.2%, BILTON,1.8%	JV
	OML 23	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 25	55	Development	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 32	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 33	55	Development	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 35	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 36	55	Development	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 43	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 45	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 46	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 31	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
Onshore	OML 53	60	Producing	SEPLAT	NNPC, SEPLAT	JV

Terrain	Concession	Interest (%)	Status	Operating Party	Partners	Contract Type
Offshore Shallow Water	OML 74	55	Development	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 77	55	Development	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 79	55	Producing	SPDC	NNPC, SPDC 30%, ELF 10%, AGIP 5%	JV
	OML 52	60	Development	AMNI	NNPC and AMNI	JV

Source: NNPC Limited: 2023 Audited Financial Statements

Production Volume Sources and Method Per Production Arrangement

Table 38: Joint Venture Production Volume Sharing Rate

Joint Venture Production Arrangement						
PROJECT NAME: NNPC LTD/SPD/ NAOC/ Total Energies (ELF) JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 11	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Bonny/Imo River/Isemiri	Abia State	Swamp		
OML 17	NNPC Ltd (55%); TNOG (45%)	Agbada/Obigbo North/Nkali/Umechem	Rivers State	Onshore	1,301	
OML 20	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Ogbema/Oguta	Imo State	Onshore	965,916	
OML 21	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Ahia	Rivers State	Onshore	355	
OML 22	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Rumuekpe\Ubie	Edo State	Onshore	722	
OML 23	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Soku	Bayelsa State	Swamp	482	
OML 27	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Adibawa	Rivers State	Onshore	165	
OML 28	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	\Kolo	Rivers State	Onshore	936	
OML 32	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Nun River	Abia State	Onshore	566	
OML 35	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Benisede\Siebou	Bayelsa/Delta State	Onshore	1,144	
OML 43	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Otumara	Delta State	Onshore	768	
OML 45	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	Forcados Yokri	Delta State	Onshore	77	
OML 46	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	\Agbaya\Tunu	Bayelsa State	Swamp	1,080	
PROJECT NAME: NNPC LTD/AITEO JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal

Joint Venture Production Arrangement						
OML 29	NNPC Lt (55%); AITEO (45%)	Nembe/Odeama/Santa Barbara	Bayelsa State	Swamp	982	
PROJECT NAME: NNPC LTD/BELEMA OIL JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 55	NNPC Lt (60%); BELEMA OIL (40%)	Robertkiri/Idama/Inda	Rivers State	Swamp	849	
PROJECT NAME: NNPC LTD/CHEVRON JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 49	NNPC LTD (60%); CHEVRON (40%)	Abiteye/Benin River/Kito/Makaraba	Delta State		1,727	
OML 49/90		Delta South	Delsta State		2,381	
OML 49/95		Delta	Delta State		2,944	
OML 91	NNPC LTD (60%); CHEVRON (40%)	Sonam	Delta State		156	
OML 86/88	NNPC LTD (60%); CHEVRON (40%);	Funiwa/North Apoi/Okubie/Penington	Rivers/Delta State		743	
OML 90	NNPC LTD (60%); CHEVRON (40%)	Mefa	Delta State		745	
OML 95	NNPC LTD (60%); SPDC (40%)	Malu	Lagos/Edo/ Delta State		1,217	
PROJECT NAME: NNPC LTD/HEIRS ENERGY JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 17	NNPC Lt (55%); HEIRS ENERGY (45%)	Agbada/Obigbo North/Nkali/Umechem	Rivers State	Onshore	1,301	
PROJECT NAME: NNPC LTD/TEPNG JV						
		Field	Location	Terrain	Area(Sqkm)	Terminal
OML 99	NNPC Ltd (60%), TOTAL (40%)	AMENAM/KPONO				
OML 100	NNPC Ltd (60%), TOTAL (40%)	ODUDU / AFIA / EDIKAN / IME				
OML 102	NNPC Ltd (60%), TOTAL (40%)	OFON				
OML 58	NNPC Ltd (60%), TOTAL (40%)	OBAGI/OBITE				

Joint Venture Production Arrangement						
PROJECT NAME: NNPC LTD/MOBIL JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 67	NNPC (60%), MPN (40%)	QIT	AKWAIBOM	OFFSHORE		EBOK
OML 104	NNPC (60%). MPN (40%)	YOHO	RIVERS	OFFSHORE	341	YAHO
PROJECT NAME: NNPC LTD/EROTON JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 18	NNPC (55%), EROTON (27%), SAHARA FIELDS (16.2%), BILTON (1.8%)	ALAKIR	RIVERS		1034.532	
		KASO				
		CAWTHORNE CHANNEL				
		KRAKAMA				
		AWOBA				
PROJECT NAME: NNPC LTD/SEPLAT JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 53	NNPC (55%), SEPLAT (45%)	JISIKE/OHAJI	IMO			
PROJECT NAME: NNPC LTD/FIRST E & P/ Dangote JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 83	NNPC (55%), FIRST E&P/ DANGOTE (45%)	ANYALA	BAYELSA			
PROJECT NAME: NEPL /NEWCROSS E & P JV						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 24	NPDC (55%), NEWCROSS, E&P (45%)		NIGER DELTA (ONSHORE)		161	

Source: NEITI 2022-2023 OGA, 2024

Table 39: Production Sharing Contract Production Volume Sharing Rate

Production Sharing Contract						
PROJECT NAME: AKPO PSC (NNPC Ltd, TUPNI, Prime and SAPETRO)						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML130 (PML 2)	NNPC Lt (50%); TUPNI (24%); PRIME 130(16%); SAPETRO (10%);	Akpo		DEEP OFF-SHORE	644	APO
PROJECT NAME: EGINA PSC (NNPC Ltd, SPDC, ELF and NAOC)						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 130 (PML 3)	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	EGINA		DEEP OFF-SHORE	644	EGINA
PROJECT NAME: PREOWEI PSC (NNPC Ltd, TUPNI, Prime and SAPETRO)						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 130 (PML 4)	NNPC Lt (55%); SPDC (30%); ELF (10%); NAOC (5%);	PREOWEI				
PROJECT NAME: ERHA PSC (NNPC Ltd, Exxon and SNEPCO)						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 133	EXXON (56.25%), SNEPCO (43.75%)	ERHA	GULF OF GUINEA	DEEP OFF-SHORE	1,102	ERHA
PROJECT NAME: USAN PSC						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 138	SINOPEC (20%), EXXON (30%), CNL (30%), NEXEN (20%)		NA		906	
PROJECT NAME: AGBAMI PSC (NNPC Ltd, CNL, FAMFA, Prime)						

Production Sharing Contract						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 127/128	NNPC (50%), CNL (32%), FAMFA (10%), PRIME 127 (8%)	AGBAMI	CENTRAL NIGER DELTA	DEEP OFF-SHORE	1,840	AGBAMI
PROJECT NAME: ABO PSC (ENI, OANDO)						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 125	ENI (85%), OANDO (15%)		WASTERN EDGE OF NIGER DELTA	DEEP OFF-SHORE	1,219	ABO
PROJECT NAME: OKWORI NDA PSC						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 126	KAZTEC/SALVIC (70%), NNPC (30%).		RIVERS	OFF-SHORE	722	OKWORI
PROJECT NAME: ADANGA/MIMBO/AKAM/EDUGHU PSC (NNPC, Kazrec/Salvic, Addax)						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 123	KAZTEC/SALVIC (70%), NNPC (30%).		CROSS RIVER/ AKWA IBOM		401	
PROJECT NAME: IZOMBE PSC (KAZTEC/SALVIC NNPC)						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 123	KAZTEC/SALVIC (70%), NNPC (30%).		IMO		300	
PROJECT NAME: OBI ANYINMA PSC						
		Field	Location	Terrain	Area (Sqkm)	Terminal
AGGREGATE- PER LICENSE						
PAN OCEAN	100%					
DISAGGREGATE- PER LICENSE						
OML 147	PANOCEAN (100%).		NIGER DELTA (ONSHORE)		271	
PROJECT NAME: BONGA PSC (SNEPCO, ESSO, ENI, ELF)						

Production Sharing Contract						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 118	SNEPCO (55%). EXXON (20%), ENI (12.5%), ELF (12.5%)		GUILT OF GUINEA	DEEP OFF-SHORE	1,167	BONGA
PROJECT NAME: AGU PSC						
		Field	Location	Terrain	Area (Sqkm)	Terminal
AGGREGATE- PER LICENSE						
OML 146	STERLIN.G GLOBAL (51%). DOMON (24%), KUNOCH (15%), PRIMETIME 10%)		IMO	DEEP OFF-SHORE	30	TULJA
PROJECT NAME: OKWUIBOME/ANIEZE/ENYIE PSC						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 143	STERLIN.G GLOBAL (51%). DOMON (24%), KUNOCH (15%), PRIMETIME 10%)		DELTA	LAND	364	DEEP OFF-SHORE

Source: NEITI 2022-2023 OGA, 2024

Table 40: Marginal Field Production Volume Sharing Rate

Marginal Field Production Arrangement						
PROJECT NAME: ALL GRACE/UBIMA MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 17	ALL GRACE - 60%; WESTER ORD 40%	UBIMA	RIVERS	SWAMP	64.57	
PROJECT NAME: CHORUS/MATSOGO MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 152	CHORUS - 100%	Matsogo / Igbolo	DELTA/EDO	ONSHORE	285	
PROJECT NAME: ENERGIA/EBENDO MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 152	ENERGIA 55%, Oando 45%	Ebendo/Obodeti	DELTA	ONSHORE	65	
PROJECT NAME: EXCEL/EREMOR MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 46	Excel - 100%	EREMOR	BAYELSA	SWAMP	64.7	
PROJECT NAME: FRONTIER/UQUO MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 13	FRONTIER (60%), SAVANNAH (40%)	UQUO				
PROJECT NAME: GREEN ENERGY/OTAKIKPO MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 11	GREEN (60%), LEK OIL (40%)	OTAKIKPO				
PROJECT NAME: MIDSTREAM LTD/UMUSADEGE MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 152	MIDSTREAM (70%), SUNTRUST (30%)	UMUSADEGE				
PROJECT NAME: NETWORK E&P LIMITED/QUA IBOE MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 13	NETWORK (60%), OANDO-QUA IBO (40%)	QUA IBOE				

Marginal Field Production Arrangement						
PROJECT NAME: PILLAR/UMUSETI MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 152	PILLAR (60%), NEWTON (40%)	UMUSETI/IGBUKU				
PROJECT NAME: PLATFORM/EGBAOMA MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 38	PLATFORM (60%), NEWCROSS (40%)	EGBAOMA				
PROJECT NAME: UNIVERSAL/STUBB CREEK MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 14	UNIVERSAL (60%), SINOPEC (40%)	STUBB CREEK				
PROJECT NAME: BRITTANIA/AJAPA MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 90	BRITTANIA 100%	AJAPA				
PROJECT NAME: ORIENTL/EBOK MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 67	ORIENTL 100%	EBOK				
PROJECT NAME: NIGER/OGBELE MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OPL 2006	NIGER 100%	OGBELE				
PROJECT NAME: WALTERSMITH/IBIGWE MF						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 16	WALTERSMITH (70%) MORRIS (30%)	IBIGWE				

Source: NEITI 2022-2023 OGA, 2024

Table 41: Sole Risk Production Volume Sharing Rate

Sole Risk Production Arrangement						
PROJECT NAME: AMNI/OKORO SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 112	AMNI-60%, ELF-40%	OKORO FIELD	AKWA-IBOM/CROSS RIVER	OFFSHORE	489	
PROJECT NAME: CONOIL/EBISAN SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 103	CONOIL -100%	EBISAN	AKWA-IBOM	SWAMP	914	
PROJECT NAME: CONOIL/ANGO SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 59	CONOIL -100%	ANGO	BAYELSA	SWAMP	835	
PROJECT NAME: DUBRI/GILLI-GILLI SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 96	DUBRI - 100%	GILLI-GILLI	EDO		226	
PROJECT NAME: MONI PULO/ABANA SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 114	MONIPULO - 100% LUDAL - 40%	ABANA	AKWA-IBOM		298	
PROJECT NAME: NPDC/OPUAMA SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 40	NPDC - 55% ELCREST - 45%	OPUAMA	DELTA STATE		497	
PROJECT NAME: NPDC/BATAN SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 42	NPDC - 55% NECONDE - 45%	BATAN	DELTA		814	
PROJECT NAME: NPDC/AKRI SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 60	NPDC - 60% NAOC - 20% OANDO - 20%	AKRI	IMO/DELTA		358	
PROJECT NAME: NPDC/OSHE SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal

Sole Risk Production Arrangement						
OML 61	NPDC - 60% NAOC - 20% OANDO - 20%	OSHE	NIGER DELTA (ONSHORE)		1,499	
PROJECT NAME: NPDC/BENIBOYE SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 62	NPDC - 60% NAOC - 20% OANDO - 20%	BENIBOYE	DELTA		1,211	
PROJECT NAME: NPDC/TEBIDABA SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 63	NNPC - 60% NAOC - 20% OANDO - 20%	TEBIDABA	BAYELSA		2,246	
PROJECT NAME: NPDC/OGINI SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 26	HYDROCARBON - 45% NPDC - 55%	OGINI	DELTA		481	
PROJECT NAME: NPDC/UTOROGU SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 34	NPDC -55% WESTERN- 45%	UTOROGU	DELTA		953	
PROJECT NAME: NPDC/OKONO SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 119	NPDC -100%	OKONO	RIVERS		724	
PROJECT NAME: NPDC/OREDO SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 111	NPDC -100%	OREDO	EDO		461	
PROJECT NAME: NPDC/OGHAREFE SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 98	NPDC -100%	OGHAREFE	DELTA		523	
PROJECT NAME: NPDC/ABURA SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 65	NPDC -100%	ABURA	EDO		1,012	

Sole Risk Production Arrangement						
PROJECT NAME: NPDC/ SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 116	NPDC -100%		NIGER DELTA (ONSHORE)		206	
PROJECT NAME: NPDC/OLOMORO SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 30	NPDC -55% SHORELINE NAT. RESOURCES -45%	OLOMORO	RIVERS		1,098	
PROJECT NAME: NPDC/OBEN SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 4	NPDC -55% SEPLAT-45%	OBEN	EDO		267	
PROJECT NAME: NPDC/AMUKPE SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 38	NPDC -55% SEPLAT-45%	AMUKPE	DELTA		2,151	
PROJECT NAME: NPDC/OVHOR SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 38/41	NPDC -55% SEPLAT-45%	OVHOR	DELTA		2,442	
PROJECT NAME: NPDC/SAPELE SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 41	NPDC -55% SEPLAT-45%	SAPELE	NIGER DELTA		291	
PROJECT NAME: NPDC/AJE SR						
		Field	Location	Terrain	Area (Sqkm)	Terminal
OML 113	YINKA PET -69% NEWAGE-12.831% EER -9% PAN-6.502% ADM ENERGY-2.6670%	AJE	LAGOS		836	

Source: NEITI 2022-2023 OGA, 2024

8.2. Production Volumes Monitoring Mechanisms

The erstwhile Department of Petroleum Resources (DPR) was responsible for production volumes monitoring in the upstream oil and gas sector. This has been taken over by the NUPRC established by the PIA, 2021.

The production measurements are expected to be carried out by the NUPRC through procedural guidelines (i.e. Standard Operating Procedure) for measurement, calibration, proving and recertification. Furthermore, NUPRC representatives are expected to witness and endorses calibration and recertifications, and to ensure that production volume samples are taken and analyzed at Laboratories to ascertain the ratio of Water in the Gross Liquids measured by the Flow Meters.

The production mechanism is described below for Well head and Flow Station.

Production Measurement at Well Head: Production Measurement begins at Well Head through Multiphase Meters or Tests Separators.

This process measures individual phase flow rates of Oil, Gas and Water in the "Well fluid". The well head measurement is done with either Multiphase meters or tests separators and it is for well testing, reservoir management, operational control, flow assurance and production Allocation.

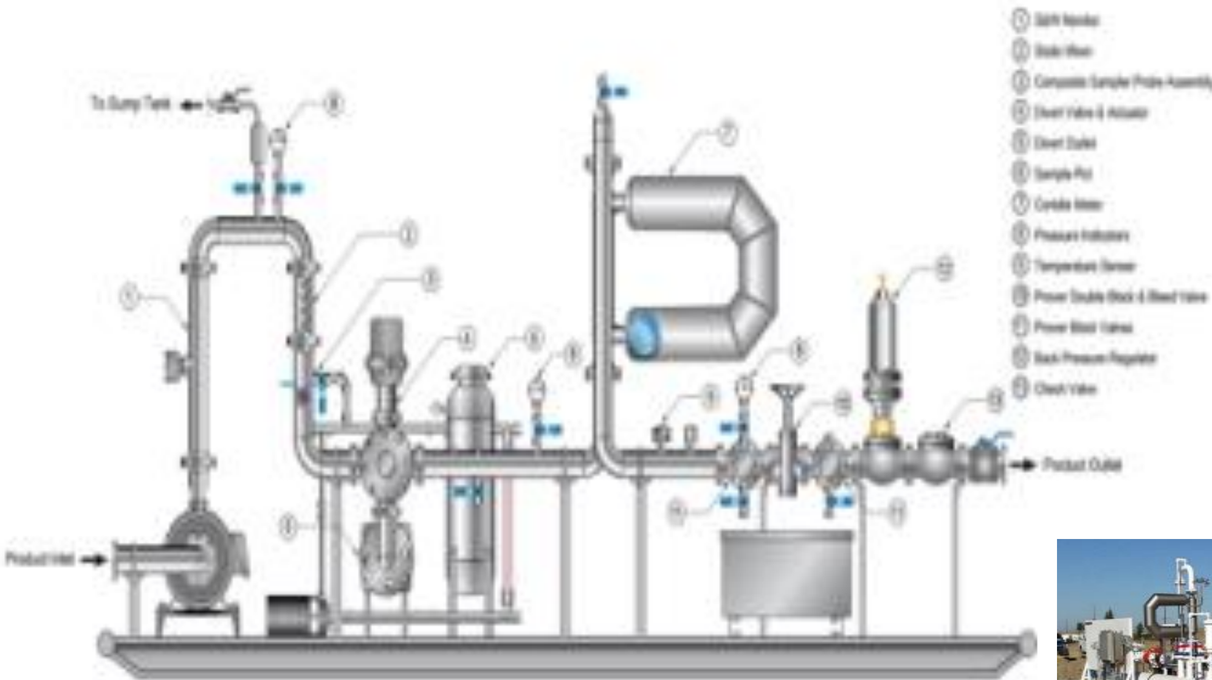
Production Measurement- At Flow Station: This **is** daily measurement at Flow station after separation using the Flow Meters or LACT units (for custody transfers).

The approved metering devices for installation at flow stations / custody transfer points for dynamic flow measurements are Positive displacement meters, Turbine meters, Ultrasonic flow meters and Coriolis flow meters.

The flow meters are equipped with counters of non-resettable totalizer type with auxiliary resettable counter for use during proving. The annual recertifications are conducted to determine Linearity and uncertainty associated with the flow meters. Furthermore, periodic meter proving is carried out through monthly production allocation metering and fortnightly custody transfer metering mechanism.

The Figure below shows a typical Coriolis LACT Skid Design.

Figure 6: Typical Coriolis LACT Skid Design – Agnus Measurement Services



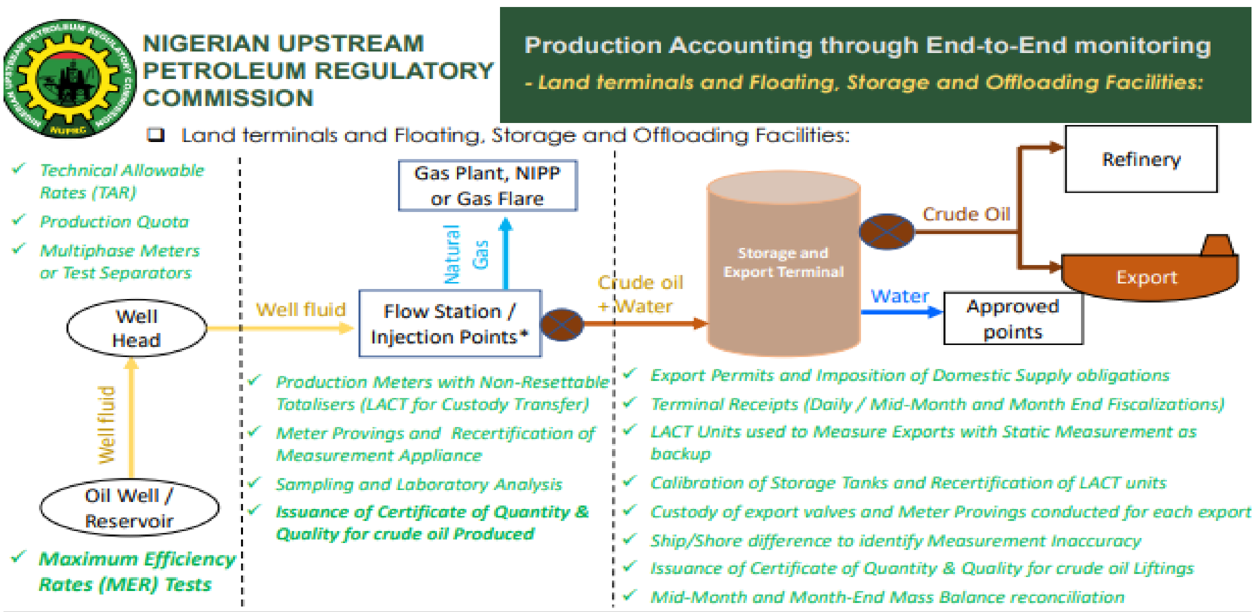
Source: NEITI 2022-2023 OGA, 2024 - NUPRC Responses

A lease Automatic Custody Transfer (LACT) Unit is a measurement system that comprises of:

- Flow meter connected to flow computers
- Proving system that determine level of accuracy and uncertainty
- Instrumentation that determines the temperature and pressure of the flow to enable volume correction and standardization.
- Auto sampling system that determines the quality of the production output (i.e. BS & W determination).

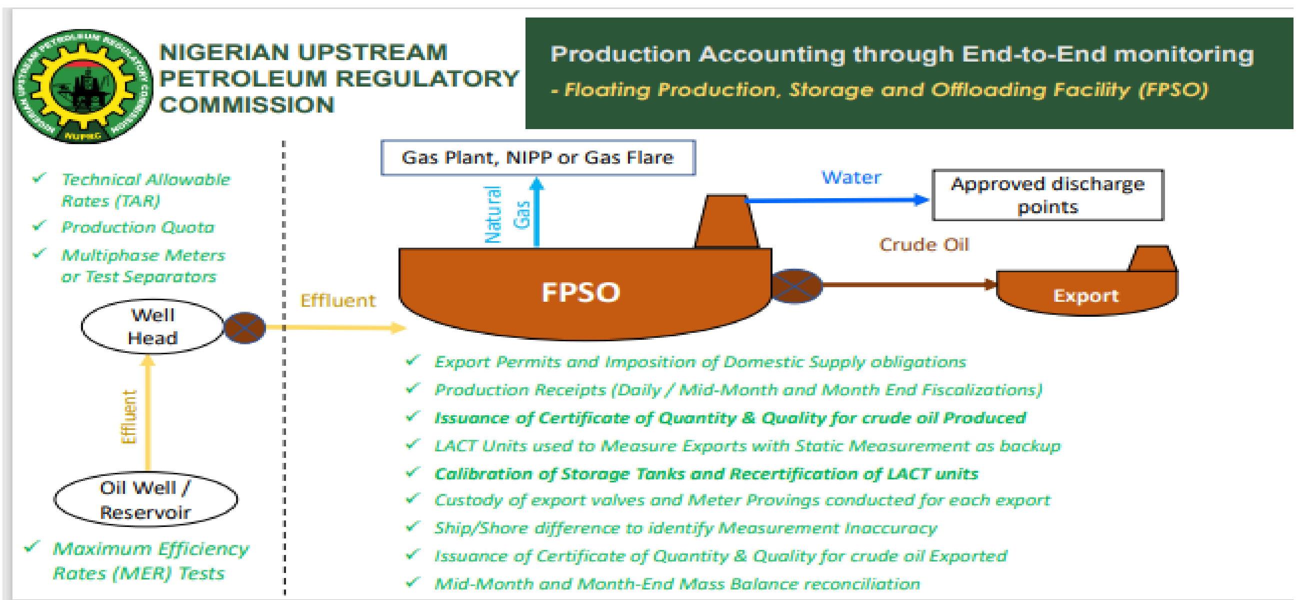
The Figures below further described the production volume monitoring mechanism (i.e. the production accounting through end-to-end monitoring in the upstream oil and gas sector).

Figure 7: Metering: Land Terminals and Floating, Storage and Offloading Facilities



Source: NEITI 2022-2023 OGA, 2024 - NUPRC Responses

Figure 8: Metering: Floating Production, Storage and Offloading Facilities (FPSO)



Source: NEITI 2022-2023 OGA, 2024 - NUPRC Responses

Other factors considered under the mechanism of production volume measurement are listed below.

Measurement Inaccuracies (MI)

Measurement Inaccuracies (MI) are associated with daily measurements. MIs, which are part of the mass balancing process, are mostly caused by:

- Unsuccessful Meter Proving or Use of invalid Meter Factor.
- Failure of Auto sampling systems or Use of Manual Sampling or Theoretical Basic Sediments and Water (BS&W).
- Use of wrong API or Temperature to correct for Effect of Temperature on the Crude during Measurement.
- Non-application of Volume Correction Factor.

NB: Where production of two or more companies are comingled in a pipeline and Terminals, the correction at flow station avoids the transfer of MI of one producer to another.

Production Deferments (PDs)

This represents the difference between Production quota and Actual Production as Measured at Flow station. For instance, in a situation where a Company planned to produce below the quota allocated by NUPRC, the PD is the difference between Planned and Flow station measurement.

PDs are not a material loss, but rather an "un-utilised capacity" as they will still be produced at a future date as part of the plans. However, PDs can be termed as losses if it is caused by unplanned reasons such as the frequent shut-ins caused by pipeline vandalism and oil theft.

The effect of deferments caused by theft are:

- Inability to meet up with budgetary provisions
- High cost of production due to dis-economies of scale
- Prolonged reserves depletion period and its effect on Time value of money

Other factors that caused PDs apart from crude oil theft

- Reservoir issues, Well and mechanical issues
- Contractual agreement issues and third-party interference.

Pipeline Sabotage and Crude oil Theft

Crude oil losses could occur due to resistance of pipe walls and the connected fittings. However, large volume of losses occurs due to incessant pipeline vandalism and crude oil theft over a long period.

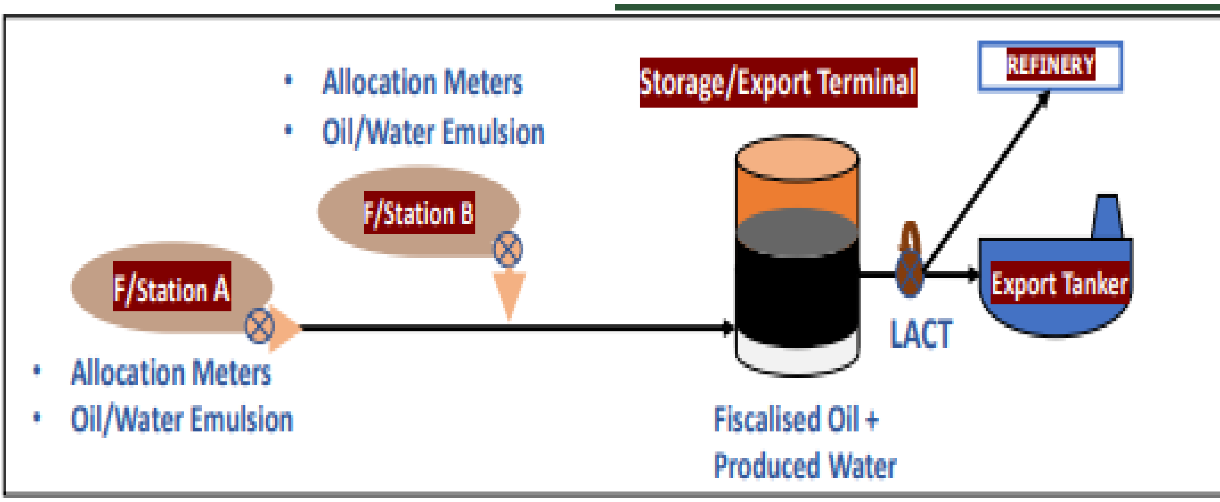
For instance, from NUPRC information, the Pipeline Networks connecting Bonny, Brass and Forcados Terminals are the ones that are mainly affected by the scourge. Crude oil Losses due to theft are simply estimated by subtracting Terminal receipts from the measured production that was flown from Flow station.

The Flow station/Injection Points figures used for the computation are the ones corrected for Measurement Inaccuracies (if any).

NB: All companies affected by the crude oil theft are involved in the reconciliation process with the NURPC to identify Flow stations with malfunctioned equipment or invalid correction factors, and to estimate and correct all MIs prior to attribution of losses to theft.

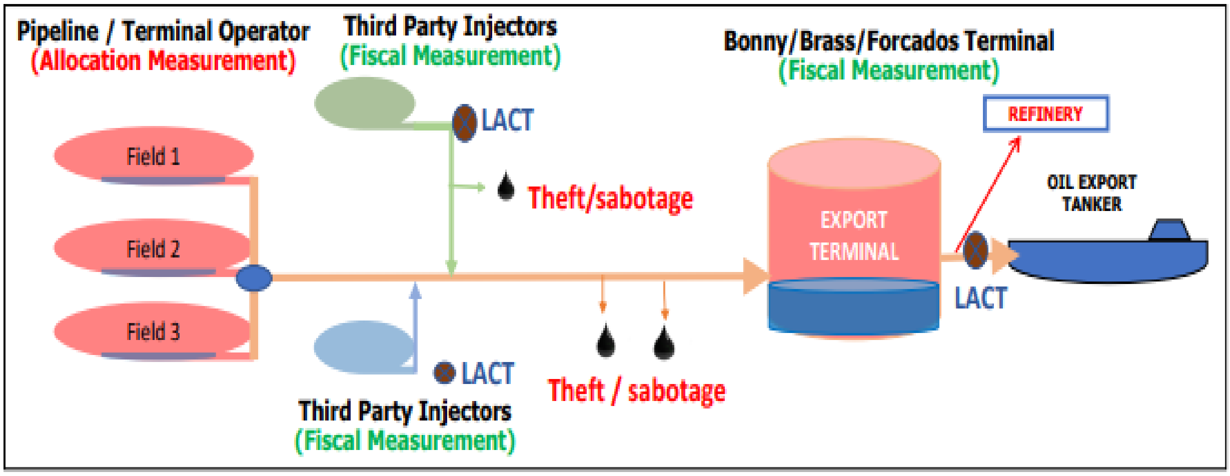
NB: Flow meters are used to measure production at flow stations in which the Basic Sediments and Water is determined via Manual Sampling and/or well test data. The figure below shows the allocation measurement mechanism of a typical production volume.

Figure 9: Allocation Measurement of a Typical Production Volume- Single Injector



Source: NEITI 2022-2023 OGA, 2024 - NUPRC Responses

Figure 10: Allocation Measurement of a Typical Production Volume- Multiple Injectors



Source: NEITI 2022-2023 OGA, 2024 - NUPRC Responses

In a multiple injection situation, there is need to ensure the following:

- Separation of losses due to pipeline sabotage and theft from the those arising from the malfunction of measurement equipment, non-compliance and/or over-stated oil / understated water.
- Ensuring that measurement inaccuracies are not counted as theft and that only theft volumes are allocated to companies with accurate production measurement.

9. Export Volumes Calculation

Export Volumes Source and Methods are based on the production volume injected into export terminals. This is discussed in the following subsection of this report.

9.1. Sources and Methods

The entitlement for each party is based on the percentage interest in the production arrangement in proportion to the volume injected into a common export terminal. The export volume percentage is as described under the Production volume calculation.

9.2. Export Volumes Monitoring Mechanisms

Export Volume Measurement- At Export Terminal is carried out to verify the following:

- Terminal receipt is measured on daily basis
- No Export is conducted without Export Permit and Cargo Clearances from NUPRC and other relevant Government Agencies
- Crude oil export determined using Lease Automatic Custody Transfer (LACT) Units with Static Measurement as back up (Witnessed by representatives of Buyer, NUPRC, NNPC (where applicable), Federal Ministry of Finance and other relevant Government Agencies).

NB: for production measurement at the terminals, the following are mechanism expected by the NUPRC:

- Conduct annual recertifications meters at the terminal to determine Linearity and uncertainty associated with the flow meters.
- Ensure that meters are proven for every export or refinery delivery operations.
- Issues Certificate of Quantity and Quality for each Export or Refinery Delivery.
- Carryout mid-month, month-end and year-end Material Balance reconciliation using the mechanism of [Closing Stock + Lifting - Opening Stock].

Reconciliation between all Measurements

- At the end of the month, a reconciliation is conducted as follows:
  - ✓ Between Well Head and Flow Station Measurement for Reservoir Management.
  - ✓ Between Flow station and Terminal Measurement to ensure mass balance

- The following Performance Evaluations are also conducted every month:
  - ✓ Production quota vs Flow station Production to ascertain compliance with OPEC quota
  - ✓ TAR vs Flow station Production to ensure that utilisation of Production quota is within the approved technical limits of the well or reservoir.

10. Overview of Oil and Gas Project and Production Costs

Projects development in the oil and gas sector cut across upstream, midstream and downstream with funding from both the government and the private sector.

Furthermore, production costs arising from the production of crude oil and gas are funded by parties to a typical production arrangement – such as JV, PSC, Sole Risk, Marginal Fields and Service Contract. The table below shows the typical cost across the production arrangement

Table 42: Production Cost and Funding Parties

Production Arrangement	Parties	Funding Parties	Governments Interest
Joint Venture (JV)	• Government • Other JV partner/ Operators	Through Cash Calling between government and the other JV partner/ Operators based on the equity interest.	• Equity Crude Oil and Gas • NUPRC Royalty oil and gas • FIRS PPT Oil • Other statutory cash payment
Production Sharing Contract (PSC)	• Government • PSC partner/ Operators	This is provided solely by the operator and recovered through cost oil.	• Profit Oil • Tax Oil • Other statutory cash payments
Sole Risk and Marginal Fields	Operators	This is provided sole	• Statutory cash payments

Source: NEITI 2022-2023 OGA, 2024

The government policies and practice on cost monitoring and the risk management to avoid revenue loss are discussed in the following subsection of this report.

10.1. Government Policies and Practice on Cost Monitoring

There are various mechanisms instituted by the government to ensuring effective cost monitoring in the oil and sector in Nigeria. Such of the mechanisms are the budgeting, budget performance review, cost verification and transaction due diligence, pre-audit of expenditure, among others.

Tahe table highlights some of the institutional policies and practices on cost monitoring in the oil and gas sector in Nigeria.

Table 43: Institutional Policies and Practices on Cost Monitoring – Economy-Wide

Institution	Legal Framework	Expectations/ Instrument
National Assembly [100]	Section 4 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended)[101]	• Standing Committee[102] for Upstream Petroleum: To provide oversight functions • Public account Committee: Responsible for reviewing value for money of public spending.
Federal Ministry of Finance	Office of the Accountant-General of the Federation (OAGF) Federal Government Financial Regulations 2023[103]	• Ensuring monthly preparation and submission of Trial Balance and Financial Statements in line with IPSAS and IFRS to the Accountant-General on or before 14th of the following month. • Ensuring the timely preparation and update the information needed for Medium-Term Revenue Framework (MTRF), Medium-Term Expenditure Framework (MTEF) and Medium-Term Sector Strategy (MTSS). • Ensuring compliance with Federal Government Financial Regulations, the National Chart of Accounts/Accounting Manual and extant laws. • Ensuring the existence of an effective Audit Query unit/section to promptly deal with all queries from Internal Audit Unit, Inspectorate Department, Office of the Accountant-General, Office of the Auditor-General and Public Accounts Committee.

[100] *National Assembly - https://nass.gov.ng/about/item/1548*
[101] *Constitution of the Federal Republic of Nigeria, 1999 (as amended)- https://nigeriareposit.nln.gov.ng/server/api/core/bitstreams/b62fb209-2716-48c4-b277-f684ca18d29d/content*
[102] *Standing Committee- https://nass.gov.ng/documents/download/11073*
[103] *Federal Government Financial Regulations 2023- https://oagf.gov.ng/wp-content/uploads/2024/06/Draft-FR-2023-Clean-Copy.pdf*

Institution	Legal Framework	Expectations/ Instrument
	Federal Inland Revenue Service (FIRS) Clarification On Taxation of Production Sharing Contract and Incorporated Joint Venture Companies operations under the Petroleum Industry Act PIA, 2021[104]	The basis of determination of cost and revenue for tax purposes for each of the contractors in the PSCs will be as follows: • Revenue ✓ PSC Contractors (Companies) - The value of crude oil/gas lifted in the ratio of their working interest will be fiscalised for each of the contractors. ✓ NNPC Limited and Holder of licence/ lease - The value of crude oil/gas lifted for royalty and the proportion of its profit oil/gas will be fiscalised. • Cost ✓ PSC Contractors (Companies) – actual cost is based on the proportion of working interest ratio and other sole costs. These costs are to be deducted in determining the assessable tax. Royalty is not claimable except if it is incurred from other PMLs that is not in PSC's. ✓ NNPC Limited and Holder of licence/ leases - The recovery value of royalty oil lifted and other incurred sole costs. Also, royalties and the value of profit oil delivered in kind or cash from all fields to the Federation Account shall be deductible in determining the assessable tax.

[104] *Clarification On Taxation of Production Sharing Contract and Incorporated Joint Venture Companies operations under the Petroleum Industry Act PIA, 2021-* https://old.firs.gov.ng/wp-content/uploads/2022/12/TAXATION-OF-PSC-IJV-OPERATIONS-3-8-22.pdf

Institution	Legal Framework	Expectations/ Instrument
Revenue Mobilization Allocation and Fiscal Commission (RMAFC)	RMAFC Act Cap. R7 LFN 2004	Functions[105] under paragraph 32(a-e) of Part I to the Third Schedule of the 1999 Constitution of the Federal Republic of Nigeria (as amended) include: • Monitor the accruals to and disbursement of revenue from the Federation Account. • Review, from time to time the revenue allocation formulae and principles in operation to ensure conformity with changing realities; Provided that any revenue formula which had been accepted by an Act of the National Assembly shall remain in force for a period of not less than five years from the date of commencement of the Act. • Advise the Federal and State Governments on fiscal efficiency and methods by which their revenue can be increased.
Office of the Auditor-General for the Federation[106]	Constitution of the Federal Republic of Nigeria, 1999 (as amended)[107]	Section 85(3)(b) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended): • Deployment of Nigerian SAI-Enhancement Audit Tool (N-SEAT): the use of an end-to-end, real time audit management tool. • Development of a Roadmap for clearance of backlogs of previous Audit Reports.

Source: NEITI 2022-2023 OGA, 2024

[105] RMAFC Functions- https://rmafc.gov.ng/functions/
[106]Office of the Auditor-General for the Federation: https://oaugf.ng/images/downloads/office%20of%20the%20Auditor%20General%20%20History%20and%20introduction%20book.pdf
[107] Constitution of the Federal Republic of Nigeria, 1999 (as amended)- https://nigeriareposit.nln.gov.ng/server/api/core/bitstreams/b62fb209-2716-48c4-b277-f684ca18d29d/content

10.2. Managing Revenue Loss Risks

Government revenues from the sector covered by the 2022-2023 NEITI Oil and Gas Industry Report cut across those collected by the FIRS, NUPRC and FMF. Others are the NDDC, NCDMB, NMDPRA and those generated by the NNPC LTD.

Table below shows the typical revenue from the oil and gas sector, related revenue collection institution, possible risk and mitigation measures.

Table 44: Revenue Type, Collecting Agency, Associated Risk and Mitigation Measures

Revenue Streams	Responsible Entities	Associated Risk of Loss	Mitigation Measures
Proceeds from the sale of Federation export crude oil Proceeds from the sale of profit oil Proceeds from the sale of domestic crude Proceeds from the sale of Federation gas Proceeds from the sale of feedstock Miscellaneous income (*Transportation fees inclusive*) Dividends from NLNG	NNPC Ltd	• Possibility of comingling of Federation entitlements with NNPC Limited entitlements at transition. • Non-synchronization of inventory data among subsidiaries leading to divergent data with risk comingling. • Non-reconciliation of payments in a timely manner leading to non-detection of under payment and non-compliance by companies. • High Rate of oil theft and unplanned deferment arising from intentional sabotage and vandalism of crude oil pipelines.	• Ensure proper analysis of Federation entitlements with NNPC Limited entitlements at transition. • Deploy a near real-time end-to-end inventory management systems. This will facilitate seamless intercompany reconciliation on the movement of inventory, sales and proceeds management. • Ensure high technology security measures around the crude oil infrastructure and facility to ameliorate the high incidence of crude oil theft, sabotage and vandalism.

Revenue Streams	Responsible Entities	Associated Risk of Loss	Mitigation Measures
Royalty (oil) Royalty (gas) Signature bonus Gas flare penalty Concession rentals Decommissioning and Abandonment Fund Frontier Exploration Fund Upstream Environmental Remediation Fund 3% Host Community Development Trust Fund	NUPRC	• Risk of revenue co-mingling and mismatch due to non-integration of revenue collection systems. • Risk of non-compliance with the new requirement in the PIA – e.g. FEF, Host Community Development Trust, Upstream Environmental Remediation Fund etc. • Risk of relying on the entity nominated price as against valuation carried out by the Commission (which could be higher) for the value of fiscalised crude oil and gas for the purpose of royalty and related payment.	• Deploying effective tools to curb revenue comingling and mismatch. • Building capacity on the PIA implementation regarding revenue collection, accounting and reporting. • Build capacity on the valuation of crude oil and gas for the purpose of determining realizable price which is usually relied upon by sister agency (e.g., the FIRS for the purpose of determining the revenue of upstream companies)
NDDC 3% levy	NDDC	Non-reconciliation of payments in a timely manner leading to non-detection of under payment and non-compliance by companies.	Deploy effective tools for revenue reconciliation to aid detection of non-compliant entities in a timely manner.

Revenue Streams	Responsible Entities	Associated Risk of Loss	Mitigation Measures
NCD 1% levy	NCDMB	Non-reconciliation of payments in a timely manner leading to non-detection of under payment and non-compliance by companies.	Deploy effective tools for revenue reconciliation to aid detection of non-compliant entities in a timely manner.
Petroleum Profit Tax (PPT)	FIRS	Risk of relying on the entity nominated price as against pricing advised by the NUPRC (which could be higher) for the value of fiscalised crude oil and gas for the purpose of ta and levies.	Ensure alignment with sister agency for the pricing of the fiscalised crude oil and gas.
Company Income Tax			
Hydrocarbon Tax			
Education Tax			
Value-added Tax			
Withholding Tax			
Pay As You Earn			
Capital Gains Tax			
Stamp Duties			
Police Trust Funds 0. 005% Net Profit			
National Agency for Science and Engineering Infrastructure Levy			
NESS fee	FMF	Non-processing of NESS reporting in a near real-time manner and non-reconciliation of NESS reporting with other relevant agencies such as the Nigerian Custom Service etc	Deploy near real time reporting tools to enable data synchronization with relevant agencies.
0.5% Midstream and Downstream Gas Infrastructure Fund	NMDPRA	Risk of non-compliance with the new requirement in the PIA – e.g. FEF, Host Community Development Trust, Upstream Environmental Remediation Fund etc.	Building capacity on the PIA implementation regarding revenue collection, accounting and reporting.

Source: NEITI 2022-2023 OGA, 2024

11. Government Budgeting and Audit Processes

This section discusses the government budgeting and audit processes in Nigeria. By implication, the process is expected to cascade down to every Ministry, Department and Agencies (MDA) of government at the national level as well as specific intervention at the subnational level.

11.1. Government Budgeting Processes

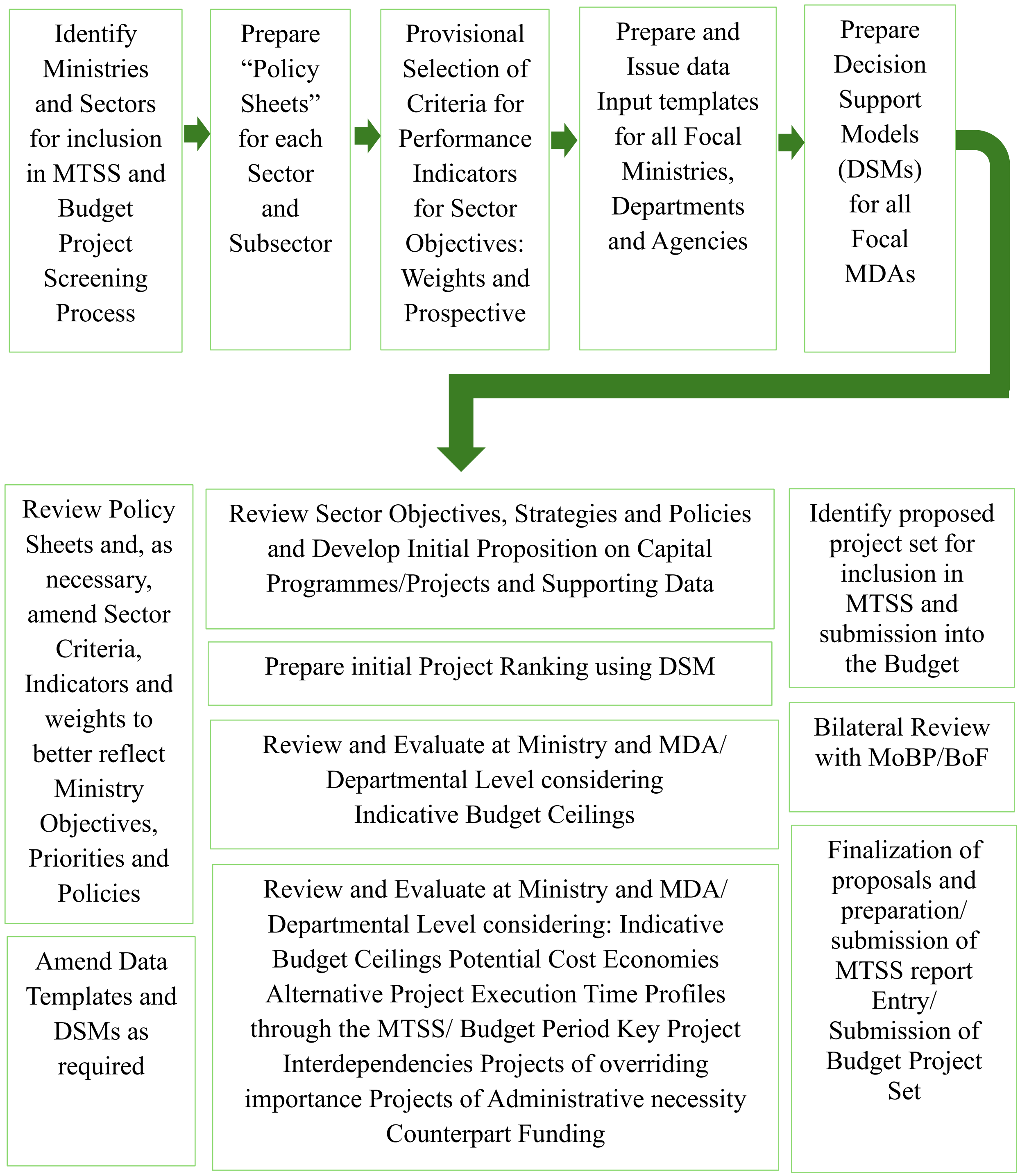
Government budgeting is the responsibility of the Federal Ministry of Budget and Economic Planning through the Budget Office of the Federation at the national level. While the various State governments perform budgeting through their respective Ministries responsible for budgeting at the subnational level.

Essentially, through the monitoring function – BME monitor MDAs Payroll, Pension, Overhead, Revenue, Capital Expenditure, Statutory Transfers of Nigeria Judicial Council (NJC), Niger Delta Development Corporation (NDDC) and Universal Basic Education (UBE), and Debts payable to Local Contractors and not only CAPEX using computer- based monitoring system.

Government budgeting process[108] discussed in this report focuses on the government at the national level which is described in the Figure below.

[108] *MTSS and Budgeting Process: https://budgetoffice.gov.ng/index.php/resources/internal-resources/policy-documents/mtss/2017-2019-mtss-process-summary/viewdocument/28*

Figure 11: Government Budgeting Process: National



Source: NEITI 2022 – 2023 OGA, 2024

11.2. Government Auditing Processes

Audits are carried out across various government MDAs leveraging developed frameworks. For instance, the Office of the Auditor-General for the Federation is responsible at the national level while the Office of the State Auditor-General as well as Office of the Auditor-General for Local Government are responsible at the subnational level.

Section 85 (16) of the 1999 Constitution (as amended) re-enforces the establishment and the responsibilities of the Auditor-General for the Federation as the Statutory Auditor of the Public Accounts of the Federation and all courts of the Federation. The auditees are Federal Ministries, Extra-ministerial Department and Federal Agencies.

Government audit process[109] discussed in this report focuses on the government at the national level which is developed in line with the International Organisation of Supreme Audit Institutions (INTOSAI) as described in the table below.

Table 45: Government Auditing Process- National

Key Module	Description	Key Process/ Expectation / Output/ Outcome
Institution Level Consideration	The ISSAI Framework	Level 1: Founding Principles (ISSAI 1-9) Level 2: Prerequisites for the functioning of SAIs (ISSAI 10-99) Level 3: Fundamental auditing principles (ISSA 100-999) Level 4: • General Auditing guidelines (ISSAI 1000-4999) on Financial Audit, Performance Audit and Compliance Audit • Guidelines on specific subjects (ISSAI 5000-5999)
	Institutional Capacity Building Framework (ICBF)	Level 1 – The Founding Level • Consider the fundamentals and capacity gaps Level 2 – The Development Level • Enhance human and financial resources. • Develop Plans and Policies Level 3 – The Established Level • Implement developed Plans and Policies Level 4 – The Managed Level • Full compliance with all requirements on Level 3 and achieve a full sustainable development.

[109] *Office of the Auditor-General for the Federation - SAI- Nigeria Regularity Audit Manual, 2013- https://intranet.oaugf.ng/auditflow/Systemfiles/RAM%20Audit%20Manual/SAI-NIGERIA%20Regularity%20Audit%20Manual%202013.pdf*

Key Module	Description	Key Process/ Expectation / Output/ Outcome
		Level 5 – The Optimized Level • Complies fully with all requirements on level 4. • Evaluate, analyze and assess its policies, objectives, strategies, systems, procedures, capacity, and the staff skill.
	The Annual Overall Audit Plan of the SAI	• Planning the Plan • Information Gathering • Analysis of Information • Communicating and Concluding on the plan • Documentation and dissemination • Implementation of provisions of the plan • Monitoring and Evaluation
Performing A regularity Audit	Actual Audit	Part 1 Overall considerations: Guidance on the following: • Audit documentation • Compiling an audit file • Communication • Quality control Part 2 Pre-engagement activities – includes: • Assessing the objectivity, integrity and technical capacity of audit staff • Establishing the budgeted time for the audit. • Gaining common understanding and expectations through issuing a letter of understanding. Part 3 Strategic planning: • Gain understanding of the auditee's environment • Identify and evaluate risks on an institutional level. Part 4 Detail planning and fieldwork • Understand the detailed processes for each audit component • Design audit programs • Document the performance of the programs by completing the templates provided. Part 5 Audit summary • Aggregate audit results and overall review • Evaluate disclosures in the financial statements, events that occurred subsequent to financial year-end. • Auditees' Management to provide representations on key risk areas. Part 6 Audit reporting: • Auditor's report • Final Management Letter

\Source: NEITI 2022 – 2023 OGA, 2024

12. Revenues from the Sector

This section discusses the revenue from the sector disclosed in the national budget which flows to the Federation Account and Consolidated Revenue Fund. Others are the subnational revenue flows collected by Federal Government Agencies such as the NDDC and NCDMB. Furthermore, quasi-fiscal expenditures, process of revenue transfers are discussed in the following subsection.

12.1. Revenue Disclosed in the National Budget

The revenue from the sector disclosed in the national budget from 2022 to 2023 is shown in the table below.

Table 46: Oil and Gas Revenue Disclosed in the National Budget – 2022 and 2023

Revenue Type	2022 N' Billion	2023 N' Billion
Oil Revenue	2,190.37	2,229.64
Share of Oil Price Royalty	96.94	13.37
Signature Bonus/ Renewals / Early Renewals	280.86	57.05

Source: National Budget- 2022 and 2023

12.2. Subnational Flows (Revenues)

Subnational flows are the revenues generated and utilised at the State or regional level. Such as NDDC for the purpose of the development of the Niger Delta region, and the Host Community Development Trust Fund which is for the purpose of the direct development of the community where petroleum activities are carried out.

Furthermore, taxes collected by the State Internal Revenue Services such as WHT, CGT, Stamp duties flow to subnational based on the requirement of the laws and related regulations. These revenues are usually unilaterally disclosed in the NEITI report because the State IRS are not usually part of the NEITI audit and reconciliation process.

12.3. Quasi-Fiscal Expenditures

Quasi-fiscal Expenditures are those expenditures not in the government national budget especially from the perspective of State-Owned Enterprise. However, with the emergence of the Section 54 of the PIA, 2021, the SOE is now a limited liability company incorporated under the CAMA with no recourse to the subjecting its expenditure to the government national budget.

12.4. Process of Revenue Transfers

The process of transferring revenue generated from the sector is as prescribed by the government policies and regulations on revenue management at both national and subnational levels as discussed in the following subsections.

12.4.1. National and Subnational Governmental Transfers

The Federation Account Allocation Committee (FAAC or the "Committee")[110] disburses allocations from the revenues generated into the Federations Accounts, which comprise multiple accounts specific to an RGA or a sector/ business type. For example, Electronic Money Transfer Account and the Excess Crude Oil Account are two of many.

The framework for the national and subnational transfers is shown in the table below.

Table 47: National and Subnational Governmental Transfers Framework

Organs	Description
Federation Account Allocation Committee	Core Members • Honourable Minister of Finance Budget and National Planning - Chairman • 36 State Commissioners of Finance - Members • CBN representative – member • RMAFC representative – member • Accountant General of the Federation – member • Permanent Secretary (FMFBNP) – member • Secretary of Finance of FCT administration – member • Two persons appointed by the President of Nigeria – member Supporting Workers • Home Finance Department (FMFBNP) – FAAC Secretariat • 36 State Accountant Generals. – Non-member
State Joint Local Government Account Allocation Committee-SJLGAAC	Ensures equitable distribution of the following: • Statutory allocations to local governments from the Federation Account. • 10% of the Internally Generated Revenue (IGR) of the appropriate State Governments is shared under the beneficiaries, in accordance with the 1999 Constitution, using the criteria as Equality, Population, Primary School Enrolment and Internally Generated Revenue Data.

[110] *FAAC- https://faac.ng/about-us*

Organs	Description
	Composition • The Permanent Secretary for Local Government Affairs • All the Chairmen of the Local Governments in the States • A representative of the States' Accountant-General • The Federal Pay Officer in the State
Rate	52.68%: Federal Government 26.72%: State Governments 20.6%: Local Governments 13% derivation fund is shared among the oil-producing states.
Revenue Generating Agency (RGA)	• Nigeria Customs Service (NCS) • Federal Inland Revenue Service (FIRS) • Nigeran Upstream Petroleum Regulatory Commission (NUPRC) • NNPC Limited NB: Cost of revenue collections is paid to the revenue generating agency.

Source: NEITI 2022-2023 OGA, 2024

The process of national and subnational transfers is coordinated by the Federal Ministry of Finance through the FAAC and the various mechanisms. These are review and adoption of allocation, deduction management and disbursement as shown in the table below.

Table 48: Process of the National and Subnational Governmental Transfers

Key Activities	**Description**

Review and Adoption of Allocation	This is done at two (2) major stages:
	• Firstly, by a Technical Sub-committee of FAAC.
	  ✓ Chaired by the Accountant General of the Federation
	  ✓ Accountant Generals of the 36 states, and RGAs collectively scrutinize the following:
	    ➢ Allocations
	    ➢ Proposed deductions
	    ➢ Proposed cost of collections
	    ➢ Preliminary Allocations Reports from the Office of Accountant-General.
	  ✓ RGAs defend its proposed cost of collections

Key Activities	Description
	NB: States that contributed to an RGA's success may seek a stake in the RGA's cost of collection. ✓ Recommendations Report is forwarded to the plenary meeting for adoption. • Secondly, FAAC Plenary meeting is held. ✓ Chaired by the Honorable Minister of Finance and attended by the following: ➢ CBN, OAGF, FMFBP, and RMAFC ➢ Commissioners of Finance of the 36 states ➢ Secretary of Finance FCT. ✓ Receives and reviews the report of the Technical Sub-Committee which contains recommendation statements for adoption. ✓ Pass resolution in the form of a communique when the recommendation is adopted at the FAAC plenary meeting.
Deduction Management	Deduction Management is an Integral FAAC Service. Deductions are processed as available during the FAAC meetings. • Honorable Minister of FBNP approves deductions. • Home Finance Department transmits the original file to the OAGF (who then implements the deduction). • Deduction is adopted at the FAAC meeting. • Deduction last until the end of the tenure of the deduction, or as otherwise agreed at as subsequent FAAC meeting.
Disbursement	• Preparation of a final statement of allocation after the conclusion of the Plenary Meeting. • Generating payment mandate requesting CBN to execute disbursement in favour of the relevant beneficiaries. NB: any money deducted at source in favour of a third-party beneficiary is stored in the FAAC Withheld Escrow Account if the transaction in unclear. For instance, where the CBN holds the wrong details of the beneficiary of a State IGR Special Projects Office (ISPO).

Source: NEITI 2022 – 2023 OGA, 2024

12.4.2. National and Subnational Transfers

The Federation Revenue is distributed across the Federal Government, the State Governments and the Local Governments in line with the revenue sharing formula prescribed by the Revenue Mobilization Allocation and Fiscal Commission.

The Federation Revenue distribution in 2022 and 2023[111] is shown in the table below.

Table 49: Federation Revenue distribution in 2022 and 2023

#	Description	Rate	2022 Actual Billions of Naira	2023 Budget Billions of Naira
A	Net Federation Account Distributable		5,823.84	8,985.38
	FGN's Share	52.68%	3,068.00	4,733.50
	States' Share	26.72%	1,556.13	2,400.89
	LG's Share	20.60%	1,199.71	1,850.99
B	Net VAT Pool Account Distributable		2,341.90	2,736.38
	FGN's Share	15.00%	351.28	410.46
	States' Share	50.00%	1,170.95	1,368.19
	LG's Share	35.00%	819.66	957.73

Source: NEITI 2022-2023 OGA, 2024

[111] *2024-2026 Medium Term Expenditure Framework and Fiscal Strategy Paper- https://budgetoffice.gov.ng/index.php/resources/internal-resources/policy-documents/mtef/2024-2026-mtef-fsp/viewdocument/944*

13. Environmental and Social Impact of Extractive Activities

This section discusses the impact of the oil and gas activities on the environment ad the social expenditures and distribution across beneficiaries.

13.1. Environmental and Social Impact of Oil and Gas Activities

Environmental sustainability remains a key area of concern. While Nigeria has made notable progress in reducing gas flaring and addressing environmental degradation, particularly through initiatives like the Nigerian Gas Flare Commercialization Program (NGFCP) and the Hydrocarbon Pollution Remediation Project (HYPREP) in Ogoniland, challenges persist. These include ongoing environmental and social issues, highlighting the need for stricter regulatory enforcement and enhanced community engagement.

Table below shows the impact and related measures to mitigating environmental degradation across the sector key value chains.

Table 50: Impact on Environment and Mitigation Measures

Key Value Chain / Activities	Identified Risk	Mitigation Measures
Exploration	• Disruption of habitants in the acreage area	Ensure optimal relocation of habitant in a non-disruptive manner.
Production (Oil and Gas)	• Risk of either accidental or intentional oil spillage on the production platforms • Risk of improper disposal of production waste and by-products leading biodegradation of habitants in the host environment. • Risk of fire incidence arising from production pipelines vandalism. • Risk of excessive flaring and venting of gas.	Ensure monitoring compliance to guidelines and regulations on the following: • Oil spillage prevention and remediation measures. • Production waste disposal. • Fire prevention and control procedures. • Gas flaring within permitted threshold.

Key Value Chain / Activities	Identified Risk	Mitigation Measures
Lifting (Oil and Gas)	• Risk of oil spillage during crude oil loading and offloading at the terminals.	Ensure monitoring compliance to guidelines and regulations on the crude oil loading and offloading at terminals to prevent and control oil spillages.
Refineries (Petroleum Products)	• Risk of health hazard resulting from air pollution of refining activities in the host communities.	Ensure monitoring compliance to guidelines and regulations on the air pollution control, possibility through carbon capturing and related control and preventive measures.

Source: NEITI 2022- 2023 OGA, 2024

Table below shows the social impact of extractive activities on the Communities and economy across the sector key value chains.

Table 51: Social Impact of Extractive Activities

Key Value Chain / Activities	Opportunity	Threat
Exploration Production (Oil and Gas) Lifting (Oil and Gas) Refineries (Petroleum Products)	• Creation of direct and indirect jobs and economic empowerments across the value chain. • Contribution to the GDP through multiplier effects of human capital development and financial investment in the sector. • Catalyzes investment and development in the host community through fund contributions into the NDDC, host community development trust funds, among other corporate social responsibility.	• Volatility of crude oil prices and exposure to foreign exchange rate. • Climate change and energy transition targets which may lead to stranded oil and gas infrastructure and assets. • Risk of vandalism and sabotage of oil and gas infrastructure and assets by immediate and neighboring host communities.

Source: NEITI 2022- 2023 OGA, 2024

13.2. Social and Environmental Expenditure and Distribution Across Beneficiaries

Social expenditures are those incurred on social projects and programmes by operators and entities in the upstream oil and gas sector. These expenditures are usually carried out either voluntary or statutory.

Voluntary social expenditures are in form of corporate social responsibility while the statutory social expenditures are those imposed on the license or lease holders (operators and entities) in the oil and gas sector.

In most cases, the contributors of the voluntary social expenditures could determine the distribution patterns of projects and programmes across preferred and selected beneficiaries. Whereas, in the case of statutory social expenditure, the contributors only pay into a designated bank account of the administrator of the Funds. The Host Community Development Trust Fund is a statutory social expenditure.

The framework for the environmental expenditure by oil and gas companies in the upstream sector is described in section 15 of the report on the legal framework and regulations governing environmental management.

13.3. Overview of Gender and Equality in the Oil and Gas Sector.

Gender mainstreaming across sectors in Nigeria is given much attention following awareness of various development partners and civil societies – such as the United Nations, GIZ, USAID, UKAID, EU, World Bank, Nigerian Economic Summit Group (NESG), among others. This also include the support from the foreign government as well as the activities of the NEITI on gender mainstreaming in the oil and gas sector.

Table below shows some of the various policies, projects and programmes on gender mainstreaming.

Table 52: Policies, Projects and Programmes on Gender Mainstreaming Economy-Wide

Description of Action	Institution	Expectations
Nigeria for Women Program Scale Up (NFWP-SU).[112]	The World Bank	The scale-up financing is to support the government of Nigeria to invest in improving the livelihoods of women in Nigeria.

[112] *NFWP-SU: https://www.worldbank.org/en/news/press-release/2023/06/22/nigeria-to-scale-up-womens-empowerment-for-better-economic-outcomes*

Description of Action	Institution	Expectations
A US$500 million programme		It focuses on increasing financial inclusion for members of Women Affinity Groups through: • Making financial literacy and financial planning a core aspect of institution building. • Increasing emphasis on savings and savings mobilization. • Dedicating investments to build partnerships with financial service providers to enhance financial inclusion.
National Gender Policy (2021-2026)[113]	Federal Ministry of Women Affairs & Social Development	One of the policy priority areas of the NGP includes the Economic Empowerment, Productivity, and Livelihoods. E.g. Gender and Employment (Labour Participation) and Gender and the Business Sector (Informal & Formal Sectors). Policy delivery strategies under two levels: • Six (6) compliance criteria, which are: ✓ Political will ✓ Policy reforms, linkages, and programmes ✓ Evidence-based Planning ➢ Sex/gender-disaggregated data & Analysis ➢ Gender Research ➢ Gender Education iv. Capacity building and Gender Architecture ✓ Accountability and Performance Targeting ✓ Tracking, Monitoring, Evaluation & Reporting

[113] *National Gender Policy (2021 – 2026):* https://businessday.ng/news/article/fec-approves-new-national-gender-policy-2021-2026/ *and* https://www.wrapanigeria.org/wp-content/uploads/2023/06/NATIONAL-GENDER-POLICY.pdf

Description of Action	Institution	Expectations
		• Operational Strategies for achieving planned outcomes are identified as: ✓ Mobilisation of resources ✓ Advocacy ✓ Information, Communication & Value re-orientation ✓ Knowledge Management ✓ Peer Review ✓ Partnership & Networking
National Gender Strategic Framework[114] (Implementation Plan) Federal Republic of Nigeria 2008 – 2013	Federal Ministry of Women Affairs & Social Development	key policy areas: • Culture re-orientation and sensitization to change gender perceptions and stereotypes. • Promoting the empowerment of women and integrating gender within key sectors as highlighted within the NGP – (e..g Environment/ Natural Resource; Labour /Employment etc). • Women's political participation and engendered governance including gender and conflict management.
National Gender Policy (NGP), 2006[115]	Federal Ministry of Women Affairs & Social Development	Key principles • Commitment to gender mainstreaming as a development approach and tools for achieving the economic reform agenda, evidence-based planning, value reorientation and social transformation.

[114] *National Gender Strategic Framework (2008-2013): https://leap.unep.org/en/countries/ng/national-legislation/national-gender-policy-strategic-framework-implementation-plan#:~:text=The%20National%20Gender%20Policy%20Strategic%20Framework%20%28Implementation%20Plan%29,of%20four%20outcomes%20broken%20down%20into%20various%20outputs.*

[115] *National Gender Policy, 2006: https://www.stakeholderdemocracy.org/wp-content/uploads/2019/02/National-Gender-PolicySituation-Analysis.pdf*

Description of Action	Institution	Expectations
		• Recognition of gender issues as central to and critical to the achievement of national development goals and objectives and a requirement for all policies to be reviewed to reflect gender implications and strategies as contained in the gender policy and implementation modalities specified in the National Gender Strategic Framework. • Realization that effective and results focused policy implementation demands a cooperative interaction of all stakeholders. • Promotion and protection of human rights, social justice and equity. Core strategies: • Policy, partnership and programme reforms through gender mainstreaming. • Gender education and capacity building to enhance necessary technical expertise and positive gender culture • Legislative reforms to guarantee gender justice and respect for human rights and • Economic reforms for enhanced productivity and sustainable development.
PENGASSAN Women Commission (PWC)	NURPC/ **PENGASSAN**	Held maiden PENGASSAN Women Commission (PWC) conference[116] with the theme "Enhancing Equitable Opportunities for Women towards Inclusiveness, Innovation and Excellence.

[116] *PENGASSAN Women Commission Conference, 2023: https://www.nuprc.gov.ng/2023-maiden-pengassan-women-commission-pwc-conference/*

Description of Action	Institution	Expectations
Women in Oil and Gas Intervention Fund[117] **A** US$40m Fund	Nigerian Content Development and Monitoring Board (NCDMB) and Nexim Nigerian Export-Import Bank.	Target beneficiaries' firms: • 51% women shareholding • At least 50% management are women • Woman CEO and at least 40% of management are women To support startups and existing companies covering Manufacturing, Oil Service Contracts, Environment management, Leasing, Logistics, Catering and Training.
Women in Energy Oil and Gas Nigeria[118]	Women in Energy Oil and Gas Nigeria	• Support the career development of board and executive level women in the industry through access to new career & business opportunities and peer-to-peer networking. • Promote female thought leadership, increase in the percentage of women board members and top executives. • Liaison with government, private sector, local & International community in achieving the diversity and inclusion SDG with tangible measurable results.

Source: NEITI 2022 – 2023 OGA, 2024

[117] *Women in Oil and Gas Intervention Fund:* https://www.petan.org/ncdmb-nexim-bank-deploy-us40m-fund-for-women-in-oil-sector/#:~:text=Qualified%20women%20entrepreneurs%20in%20the%20Nigerian%20Oil%20and,be%20availed%20to%20both%20startups%20and%20existing%20companies.

[118] *Women in Energy Oil and Gas Nigeria:* https://www.weog.org/about-us/weog-objectives/

14. Budget Assumptions

Government budgeting at the national level relating to the oil and gas sector is discussed in this report. The impact of the revenue from the oil and gas sector in the forthcoming year in the budget cycle is discussed in the light of those assumptions in the 2024 to 2026[119] Medium Term Expenditure Framework (MTEF) and the Fiscal Strategy Paper (FSP) coordinated by the Budget office of the Federation under supervision of the Federal Minister of Finance and Coordinating Minister of the Economy.

14.1. Impact in the Forthcoming Years in the Budget Cycle

The key budget assumptions identified in the MTEF and FSP describing the quantitative impact in the forthcoming years in the budget cycle are shown in table below.

Table 53: Budget Assumptions Identified in National Planning Documents

Key Parameter	2022	2023	2024	2025	2026
Crude Oil Cost Per barrel	US$57	US$75	US$73.96	US$73.76	US$69.90
Oil Production (Barrels Per Day)	1.88 million	1.72 million	1.78 million	1.80 million	1.81 million
Exchange Rate (N Per US$)	N410.15	N700	N700.00	N665.61	N669.79
GDP Growth	4.20%	3.75%	3.76%	4.22%	4.78%
Inflation	13.00%	17.16%	`21.40%	20.30%	18.60%

Source: NEITI 2022 – 2023 OGA, 2024

14.2. Proportion of Future Fiscal Revenues Expected from the Oil and Gas Sector

Nigeria is one of the world's largest oil producers, with significant proven and unproven reserves of both crude oil and natural gas. These reserves are critical to the country's economic stability and future growth, particularly as global energy markets evolve. Proven reserves refer to quantities of oil and gas that are confirmed by geological and engineering data and are recoverable under current economic conditions. Unproven reserves are those that have potential for recovery but require further exploration and development.

[119] *MTEF 2024-2026: https://budgetoffice.gov.ng/index.php/revised-2024-2026-medium-term-fiscal-framework/revised-2024-2026-medium-term-fiscal-framework/viewdocument/958 and https://budgetoffice.gov.ng/index.php/resources/internal-resources/policy-documents/mtef/2024-2026-mtef-fsp/viewdocument/944*

The Tables below show the proven and unproven reserves of oil and gas with current estimates and its attendant future economic impact.

Table 54: Proven Reserves: Oil and Gas Current Estimates and Future Economic Impact

Proven Reserve	Current Estimates	Future Economic Impact
Oil	As of 2023, Nigeria's proven oil reserves are estimated to be around 36.9 billion barrels. These reserves are primarily concentrated in the Niger Delta Basin, which includes both onshore and offshore fields. The deepwater fields have become increasingly important due to their substantial contributions to overall reserves. Proven reserves represent quantities of oil that have been confirmed through geological and engineering studies to be recoverable under existing economic conditions. These reserves form the backbone of Nigeria's oil production, ensuring a steady supply to meet both domestic and international demand.	Nigeria's proven oil reserves are crucial to its economy, accounting for a significant portion of government revenue, export earnings, and foreign exchange reserves. The country's ability to maintain and potentially increase these reserves is vital for sustaining its economic stability and growth. The size of proven reserves directly influences the country's ability to attract foreign investment, particularly in the oil and gas sector. A larger reserve base can lead to more favorable terms in international markets and partnerships.
Natural Gas Reserves	Nigeria holds approximately 206.53 trillion cubic feet (TCF) of proven natural gas reserves, making it the largest holder of natural gas reserves in Africa and the 9th largest globally.	Nigeria's gas reserves are currently underutilized, with much of the associated gas still being flared. However, the country has been increasing its LNG exports, with the Nigeria LNG (NLNG) project being a major player in the global market.

Proven Reserve	Current Estimates	Future Economic Impact
	These reserves are primarily located in the Niger Delta region, with significant potential in offshore deepwater fields. Proven natural gas reserves are a key asset for Nigeria as the global energy market shifts towards cleaner energy sources. Natural gas is seen as a transition fuel that can help reduce carbon emissions while supporting economic growth.	There is significant potential to expand domestic gas utilization, particularly in power generation and industrial applications. Maximizing the utilization of proven gas reserves can drive economic diversification, reduce flaring, and enhance Nigeria's role in the global gas market. This is especially important as the world moves towards reducing dependence on coal and oil.

Source: NEITI 2022-2023 OGA, 2024

Table 55:Unproven Reserves: Oil and Gas Projected Outputs and Future Economic Impact

Unproven Reserve	Projection	Future Economic Impact	Development Strategic Actions
Oil and Gas	Nigeria's unproven oil reserves are estimated to be in the range of 15-20 billion barrels. These reserves are believed to exist in frontier basins such as the Chad Basin, Benue Trough, and Anambra Basin. Unproven gas reserves, on the other hand, could potentially double the country's proven reserves if further exploration confirms their viability.	Unproven reserves represent a significant opportunity for future growth. If successfully explored and developed, these reserves could greatly enhance Nigeria's production capacity and extend the life of its oil and gas industry.	Developing unproven reserves requires significant investment in exploration and development activities. This includes the use of advanced seismic technology, drilling in difficult terrains, and navigating complex regulatory environments. The success of these efforts depends on attracting investment and ensuring a stable and supportive policy framework.

Unproven Reserve	Projection	Future Economic Impact	Development Strategic Actions
			The successful exploration of unproven reserves would not only increase Nigeria's total reserves but also attract further foreign investment and boost the country's economic prospects.

Source: NEITI 2022-2023 OGA, 2024

Furthermore, the table below shows the regional breakdown of unproven reserve.

Table 56: Terrain of Unproven Reserve

Terrain	Description of Future Benefits and Challenges
Niger Delta Basin	The Niger Delta Basin is the most prolific region for oil and gas in Nigeria, accounting for most the country's proven reserves. The basin includes onshore fields, shallow offshore fields, and increasingly important deepwater fields like Bonga and Agbami. The Niger Delta remains the heart of Nigeria's oil and gas industry, but it also faces significant challenges, including environmental degradation, community unrest, and security concerns. Managing these issues is critical for sustaining production.
Deepwater Offshore	Deepwater fields are becoming increasingly important as onshore fields mature. These fields are in the Gulf of Guinea and require advanced technology for exploration and production due to their depth and distance from shore. Deepwater exploration offers significant growth potential, with many untapped reserves that could sustain Nigeria's production levels for decades. The profitability of these projects is enhanced by the favorable fiscal terms introduced under the PIA, 2021.
Frontier Basins	Frontier basins like the Chad Basin and Benue Trough have been less explored but are believed to hold significant unproven reserves. The recent discovery of oil in the Kolmani area of the Upper Benue Trough has renewed interest in these regions. The development of frontier basins could diversify Nigeria's production base, reduce regional disparities, and enhance national energy security. However, these areas also present challenges, including infrastructure deficits and higher exploration risks.

Source: NEITI 2022-2023 OGA, 2024

15. Legal Framework and Regulations Governing Environmental Management

Environmental Impact Management programmes cut across the environmental impact assessment, rehabilitation, decommissioning and closure programmes which are primarily regulated by the various regulations developed by the NUPRC in line with the implementation of the PIA, 2021. Some of the regulations are listed below:

- Upstream Decommissioning and Abandonment Regulations-- under Sections 232 and 233 of the PIA, 2021.
- Upstream Petroleum Environment Regulations 2022.
- Upstream Environmental Remediation Fund Regulations (Environmental Remediation Fund required under section 103 of the Petroleum Industry Act, 2021).
- Upstream Petroleum Safety Regulations 2022.
- Gas Flaring and Venting (Prevention of Waste and Pollutions) Regulations, 2022.

The above-listed are described in the table below.

Table 57: Environmental Assessments, Rehabilitation, Decommissioning and Closure Activity

Title	Objectives	Scope
Upstream Decommissioning and Abandonment Regulations Under Sections 232 and 233 Petroleum Industry Act (2021).	Applicable to the decommissioning and abandonment of facilities used in upstream petroleum operations in Nigeria, including wells, all installations and facilities associated with upstream petroleum operations under a licence or lease saved under Section 311(9) of the PiA, 2021 and Licences and Leases granted under the Act.	A licensee or lessee of an existing upstream petroleum operation shall within one year from the coming into effect of these regulations submit to the Commission a Decommissioning and Abandonment Plan – DAP (as part of Field Development Plan) or in the case that a decommissioning and abandonment plan already exists, an updated decommissioning and abandonment plan. DAP is expected to meet the following general and specific requirements as the case may be: • General Requirements such as compliance with good international petroleum industry practice. • Specific requirements in the case of offshore operations, compliance with Standards prescribed by the International Maritime Organisation on offshore petroleum installations and structures.

Title	Objectives	Scope
		• Guidelines issued by the Commission pursuant to section 232 (1) of the Act. Further consideration includes: a. Licensee or lessee shall: • Make an application to decommission offshore installations, structures, utilities, plants, or pipelines, not involving the abandonment of wells, at least thirty-six (36) months prior to the proposed start date of the decommissioning. • Make an application for the decommissioning and abandonment of all or part of oil or gas fields offshore, at least forty-eight (48) months prior to the proposed start date of the decommissioning. • Set up a Decommissioning and Abandonment Fund (the Fund) not later than three (3) months from the date of commencement of production in the case of new licences or leases, or one year from the effective date of the Regulations for existing licenses or leases of a producing field. Furthermore, notify the Commission not later than 14 days from the date of establishment of the fund. NB: The Fund shall be in the form of an escrow account held by a financial institution that is not an affiliate of the licence or lease holder (s). The financial institution to be a reputable commercial bank licensed by the Nigerian Central Bank and must meet a minimum credit rating of A+ or its equivalent published by either Standard & Poor 500, Fitch Ratings Inc. or Moody's Investors Service Inc. as well as maintaining the minimum credit rating for the life of the escrow account.

Title	Objectives	Scope
		• Make yearly payments of the cash amount stipulated in the DAP if the production arrangement is under a production-sharing contract, or any other contractual arrangement. Otherwise, the cash payment by the Concessionaire on behalf of the licence or lease holder (s). and if Joint Venture, the Individual parties to the JV to make yearly contributions. NB: The amount to contribute to the Fund is subject to 10 years review or shorter depending on drastic changes in DAP fundamentals. • Furnish the Commission a statement of accounts of the Funds not later than thirty (30) days after the end of each calendar year. A copy is also sent to the Federal Inland Revenue Service within the same timeline. • Submit to the Commission a written report upon completion of the decommissioning and abandonment programme, stating measures for the monitoring, maintenance and management of the abandoned wells and the decommissioned site as well as any remains of installations or pipelines that may still exist. b. The Commission shall: • Enforce compliance with the DAP, and maintain a database of upstream petroleum installations, structures and pipelines on land and offshore Nigeria, the database shall be a public document and shall be published on the Commission's website and subject to yearly review/ updates.

Title	Objectives	Scope
		• Invoke appropriate administrative penalties for the following: ✓ Five Hundred Thousand USD ($500,000) for every year of non-compliance, payable to the Commission or revocation of the licensee's or lessee's interest in line with section 96 of the Act for failure to submit DAP within the time prescribed in the regulations. ✓ Five Hundred Thousand USD ($500,000) for every year of non-compliance, payable to the Commission or revocation of the licensee's or lessee's interest in line with section 96 of the Act for failure to establish the Fund within the time prescribed in the regulations. ✓ One-year contribution to the Commission in addition to the sum due and payable to the Fund for the period or revocation of the licensee's or lessee's interest in line with section 96 of the Act for failure to make the yearly contribution to the Fund in the manner prescribed in the DAP. ✓ One Million USD ($1,000,000) payable to the Commission for commencing DAP without the approval of the Commission. NB: All penalties payable under these regulations may be paid in Nigerian Naira subject to the prevailing exchange rate set by the Central Bank of Nigeria (CBN) at the time of payment.
Upstream Petroleum Environment Regulations 2022	Provide guidelines to the Upstream Petroleum Environment	<u>Project-based Environment studies</u> Licensee/lessee and/or operator shall: • Prepare an Environmental Risk Register (ERR) to understand and collate all risks posed by the proposed project to the people and environment and for the approval of the project. ERR complements the UEGASPIN.

Title	Objectives	Scope
		• Conduct an Environmental Evaluation Study (EES) every Five (5) years from the date of commencement of operations in line with the Upstream Environmental Guidelines and Standards for the Petroleum Industry (UEGASPIN). • Conduct the Post Impact Assessment (PIA) following the clean-up after any incident such as oil or hazardous materials spillages, explosion/blow-out etc. has occurred, to ascertain the impact of the incident on the environment with a view to the restoration/remediation of the same and for payment of 4 compensation where applicable. The PIA shall commence not more than 1 week from the date the clean-up is certified. • Conduct an Environmental Baseline Study (EBS) for onshore drilling of exploratory or appraisal wells of less than three (3) onshore exploratory or appraisal wells within any given 12-month duration. However, drilling three (3) or more exploratory/appraisal wells within 12 months shall require an ERR. • Conduct an Ecological Seabed Survey (ESS) for the drilling of offshore exploratory or appraisal wells exploratory or appraisal wells less than three (3) offshore exploratory or appraisal wells within any given 12-month duration. However, drilling three (3) or more exploratory/appraisal wells within 12 months shall require an ERR.

Title	Objectives	Scope
		• Institute a Biological Monitoring of the Recipient Medium for the biological evaluation of effluent toxicity based on the bioassays which shall be conducted to determine the lethal and sublethal chronic toxicity effects of their treated effluents against approved species (based on the different trophic levels) in laboratory once every 3 months. Only effluents with demonstrated low risk of lethal and sublethal toxicity action against sensitive species shall be permitted for release into the recipient body of water. Biomonitoring shall be carried out during wet and dry seasons, once every five (5) years. • Submit for approval to the Commission an Environmental Management Plan (EMP) in respect of all projects. Details requirements and contents of the EMP are as provided in the Upstream Environmental Guidelines and Standards for the Petroleum Industry in Nigeria (UEGASPIN). Upstream Oil Field Waste Management Oil Field Wastes shall not be discharged into the environment without the written approval of the CCE. Where required, such wastes shall be transported in fit-for-purpose containers/vessels as determined by the Commission. A licensee/lessee and/or operator shall: • Prohibited from carrying out operational discharges of Produced Formation Water (PFW) from upstream oil and gas facilities and installations into the zero-discharge zone without written approval from the Commission with the following disposal options: ✓ Injection into approved disposal well(s) ✓ Re-injection into approved reservoir(s) ✓ Other option(s) approved by the Commission.

Title	Objectives	Scope
		• Not discharge whole drilling mud or fluids, spent drilling mud or fluids, brine, drill cuttings, well treatment wastes, deck drainage or residues thereof, from water and oil or synthetic-based muds from drilling activities without the written approval of the Commission Chief Executive directly or indirectly into: ✓ Land, any inland waters or public drains and sewer. ✓ Swamp, Coastal, nearshore waters and offshore zero discharge zone ✓ Any pit on land/swamp other than an approved temporary retention pit and/or steel tanks so designed and utilized that there shall be no overflow, leakage or seepage into the environment. Emergency Response and Pollution Abatement An Operator shall: • submit its current Oil Spill Contingency Plan (OSCP) document to the Commission within the first quarter of the year for review. The OSCP shall be activated annually. • Be responsible for the containment and recovery of any mystery spill discovered within its operational area, whether or not its source is known. The operator shall take prompt and adequate steps to contain, remove and dispose of the spill. NB: All spills of crude oil, chemical, and oil products shall be reported to the Commission within 24 hours, in accordance with the Oil Spillage and Notification Reporting format prescribed by the Commission.

Title	Objectives	Scope
		Climate Change • There shall be mandatory monitoring, estimation of volume and reporting of Green House Gases (GHG) emissions from all oil and gas operations in the Nigerian Upstream Petroleum Industry. The Commission Chief Executive shall issue a Guideline for GHG inventory reporting and mitigation in line with international best practices. The licensee or operator shall: • Conduct monitoring and control of methane emissions from new and existing facilities or projects in which the following activities are performed: ✓ The exploration and extraction of hydrocarbons ✓ The treatment refining and storage of the extracted hydrocarbon • Take inventory of equipment and components, identify sources and possible sources of methane emissions and thereafter perform the Leak Detection and Repair (LDAR) programme in all the new and existing facilities as part of methane emission management. • Develop and submit a plan for decarbonization and net-zero targets in operations to the Commission. Statutory Reporting • The licensee, lessee or operator shall periodically submit applicable reports in line with statutory provisions, Guidelines and requirements.

Title	Objectives	Scope
		Laboratory Operations in the Upstream Petroleum Industry All laboratories (operator-owned in-house and third-party laboratories) in the upstream petroleum industry shall be subjected to accreditation by the Commission. Oil Field Chemical Certification All oilfield chemicals and products intended for use in the Nigerian upstream petroleum Industry shall be screened to ascertain their hazard and risk potentials through Safety Data Sheet evaluation, relevant tests and any relevant investigation as may be prescribed by the Commission.
Upstream Environmental Remediation Fund Regulations	Applies to the environmental remediation fund required under section 103 of the Petroleum Industry Act, 2021.	• The Fund is a special account under [relevant finance management act] established for the Commission. • The fund shall be funded by the financial contributions for remediation of environmental damage levied on licensees of petroleum prospecting licenses and lessees under section 103 of the Petroleum Industry Act, 2021 and under the Regulations. • The main purpose of the Fund is to provide a source of funding for the rehabilitation or management of negative environmental impacts from petroleum operations, which shall include upstream petroleum operations and petroleum operations that meet the condition of section 8(g) of the Petroleum Industry Act, 2021. • The financial contribution shall be paid each year with respect to each petroleum prospecting licence or lease, including for the year in which a petroleum prospecting licence or a lease has been granted.

Title	Objectives	Scope
		• The initial financial contribution shall be paid by the prospective licensee or lessee prior to the granting of the licence or lease and shall apply to the first year in which a licence or a lease is granted. • The licensee or lessee shall: ✓ Submit the calculation of the annual financial contribution in the form prescribed by the Commission not later than thirty days (30) days after the payment due date and where actual capital expenditures or actual production or both are different from the estimated expenditures or production, or both the required adjustment shall be made. ✓ Subject the Fund to audit, following guidelines that the Commission may issue.
Upstream Petroleum Safety Regulations 2022	It provides guidelines on the duties of companies, managers and employees. As well as the diving operations	Duties of Companies Appoint a manager, and provide Personal Protective Equipment, Firefighting and first aid equipment. Furthermore, provides procedures and guidelines, plans for emergencies, and conducts safety studies, amongst others. Duties of Managers Ensure compliance with Regulations and Safety of People, processes, Operations and Equipment. Furthermore, conforms to good Oil and Gas Field Practice.
Gas Flaring and Venting (Prevention of Waste and Pollutions) Regulations, 2022	To protect the environment	Notice to relaunch of Nigerian Gas Flare Commercialization Programme was issued in September 2022. The Flare Gas (Prevention of Waste and Pollution) Regulations, 2018: with gazette No 88 dated 9th July 2018. The objective is for the protection of the environment, prevention of

Title	Objectives	Scope
		waste of natural resources and creation of social and economic benefits from gas flare capture. Timeline of relaunch: • Status Validation/Registration of Interest/RFQ: 30th September - 28th October 2022 • Statement of Quotation (SOQ) Evaluation/Notification of Qualified Applicants: 31st October - 4th November 2022 • Request for Proposal (RFP) stage: 7th November – 18th December 2022 • RFP Evaluation: 19th December - 23rd December 2022 • Announcement of Preferred Bidders: 28th December 2022 • Award Ceremony: 30th December 2022

Source: NEITI 2022 – 2023 OGA, 2024

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