TALKING POINTS

BY THE

EXECUTIVE SECRETARY

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (NEITI)

ORJI OGBONNAYA ORJI, PhD

ON THE OCCASION OF

EXPERT VALIDATION MEETING

ON THE

REPORT OF THE 2020/21 MARGINAL FIELDS BID LICENSING ROUNDS IN NIGERIA: AN APPRAISAL

BY HENRY ADIGUN AND DAUDA GARUBA

WITH INTERVENTION BY

HUMAN AND ENVIRONMENTAL DEVELOPMENT AGENDA (HEDA) RESOURCE CENTRE.

DATE: 22ND FEBRUARY 2023.

VENUE: REIZ CONTINENTAL HOTEL, CENTRAL BUSINESS DISTRICT, ABUJA

Protocol

1. I feel highly honoured and privileged to give the remarks at this important event organized by HEDA which is a knowledge-based research resource centre known for its robust and incisive engagement on issues in the extractive space.

2. Although I am yet to fully study the context, content and comprehensiveness of the summary report sent in by HEDA on this expert validation meeting, this forum aimed at reviewing the comprehensive research report on the 2021 Petroleum Licensing Round for Marginal Fields in Nigeria is very appropriate.

3. We at NEITI are profoundly delighted that the work was conducted by two well-known leading experts in the extractive industry, Mr Henry Adigun and Dr Dauda Garuba.

4. These two gentlemen are well known to NEITI, having worked very closely with us since inception and their valued contributions speak eloquently for themselves.

5. For instance, Mr. Henry Adigun was the Team Lead for FOSTER which has supported the implementation of the EITI in Nigeria for over a decade. Specifically between 2016-2021, FOSTER supported NEITI to develop a beneficial ownership register of extractive assets in Nigeria which has won Nigeria global awards.

6. Dauda Garba on the other hand was an in-house consultant who before then also supported NEITI programmes through his organisation NRGI.

7. So, NEITI will take very seriously their comments on the review of the 2020/2021 licensing bid rounds given their extensive experience and exposure in this industry.

8. This is in addition to the fact that the PIA has mandated NEITI, the Federal Ministries of Finance and Petroleum Resources in sections 74 (7) of the Act to be present during the bid processes.

9. I have no doubt the study will be rich in context, content and comprehension assessment of the petroleum licensing round within the boundaries of compliance with relevant laws and standards.

10. NEITI commends HEDA for the timely release of this report which had 57 marginal oil fields fully awarded as it will enrich and enhance the ongoing mini bid licensing round which opened in December 2022 and subsequent licensing of marginal fields and oil blocks in the oil and gas industry that would directly increase Nigeria's production volumes in line with the Petroleum Industry Act.

11. The need for a transparent and accountable bidding system is at the heart of NEITI interventions in view of its huge implications for the emergence of companies and investors with the requisite capacity and capability in the nation's oil and gas industry.

12. Other gains include revenue generation, the inflow of investments into the sector, the creation of jobs, building citizens' trust, care for the environment and addressing host communities' development issues.

13. An accountable, transparent bidding system reduces or even eliminates human discretion, primordial sentiments and influence peddling. A transparent bidding process will ensure the assignment of marginal fields to competent and qualified managers of the resources.

14. It will also eliminate litigations that arise from a compromised and opaque exercise.

15. NEITI aligns strongly with HEDA and relevant Civil Society Organizations to promote the global best practices and culture of assignment of licenses based on extant laws. In this case, the Petroleum Industries Act made clear provisions on the rules to follow.

16. We in the PIA implementation Steering Committee are currently developing the relevant regulations. And 84 of such regulations and 26 model contracts have been identified and developed to guide the sector.

17. I am delighted to announce that NEITI has found the Nigerian Upstream Petroleum Regulatory Commission an emerging ally.

18. The NUPRC under Engr Gbenga Komolafe has shown tremendous courage and is determined to work with NEITI to implement the PIA and impactful reforms expected of the new legislation.

19. I commend him and his team for the work done so far on the licensing bid rounds by following the guidelines as stipulated in the Law, though the bid process started before the enactment of the Law.

20. The report of the research on the concluded bid rounds as documented by Dr Dauda Garuba and Henry Adigun provides opportunities for lessons to be learnt considering that these bid rounds are coming two decades after the last exercise.

21. Considering the dynamism of the petroleum sector and its link to Nigeria's foreign exchange earnings and contribution to the economy, the gap in the frequency of conducting bid rounds seems too long as the report noted.

22. However, with the enactment of the PIA comes the opportunity to conclude the exercise based on the principles of the new law.

23. Given that the exercise was concluded under a PIA regime, the test of the capacity of Nigeria's petroleum regulator, the Commission (NUPRC) to mediate disputes and ensure effective governance of the exercise the report notes is proof that it is no longer business as usual.

24. This aligns with NEITI's position on the new PIA as being capable of transforming Nigeria's oil and gas sector for the better and ensure greater transparency and accountability for both the regulators and the operators.

25. Though the report that is being reviewed focuses on the licensing bid rounds, I would like to point out that Nigeria is already reaping the benefits of the PIA.

26. Issues of contract transparency, beneficial ownership disclosures stakeholders' engagement and consultations, community development and environmental management are being aligned according to the dictates and obligations of the new Law.

27. NEITI is not in doubt as to the capacity of the NUPRC to carry out its new function under the PIA. For instance, the directive that the Commission issued recently to all oil and gas companies to provide information on their ownership is in line with the PIA as well as the EITI requirements.

28. NEITI on its part, through its industry reports will monitor the compliance with the PIA and its alignment with the global EITI principles and requirements which is being implemented by 57 countries across the world.

29. The civil society organisations on their part should be on guard and provide the necessary checks and balances in the implementation of the PIA.

30. They should amplify the successes of the PIA while not shying away from reporting gaps where they exist.

31. I urge you all therefore to continue to collaborate to realize the central goal and objectives of the bid licensing rounds while equally acting as checks on the implementation of the PIA for the overriding interest of Nigeria's economic growth and development.

32. Having successfully concluded the marginal field rounds, I wish to use this opportunity to further draw attention to two other issues that have bedevilled the oil sector for decades. They are the twin evils of crude oil theft and subsidy.

33. Figures presented by Nigeria Extractive Industries Transparency Initiative (NEITI) between 2009 and 2020 audit have put Nigeria's losses to crude oil theft over a 12-year period at 619.7 million barrels valued at $46.16 billion or N16.25 trillion.

34. Between 2009 and 2018, the country also lost 4.2 billion litres of petroleum products from refineries valued at $1.84 billion.

35. These losses and their attendant effects on the economy made the President to constitute a Committee to study the situation and make recommendations on how to fight the menace.

36. Just yesterday the conference on crude oil theft rounded off in Abuja which was the reason for my absence from your first-day event. The revelations uncovered by the Committee are mind-boggling and contained in the committee's report which will be presented to Mr. President for action.

37. The second issue is fuel subsidy. The latest NEITI oil and gas report and other indices being rolled out by the relevant agencies show that subsidy is no longer sustainable and must be removed.

38. In April 2022, the National Assembly passed the 2022 supplementary appropriation and increased the subsidy budget by 700% to N4 trillion. The 2023 figures are even higher.

39. The allocation to subsidy reflects the increasing and mounting cost of financing fuel subsidy in Nigeria.

40. Between 2005 and 2021, Nigeria spent 13.7 trillion to finance fuel subsidy. This amount would have revolutionized Nigeria's energy (power and downstream petroleum) sector, making the country a net exporter of refined petroleum products with its far-reaching impact on the economy beyond the downstream petroleum sector.

41. However, the effective cost of financing subsidy is significantly more than the cumulative subsidy budget or the opportunity cost of subsidy spending.

42. The combined effect of fuel subsidy and products importation is responsible for a large part of Nigeria's current economic challenges including low GDP growth in the petroleum sector, foreign exchange and balance of payments problems and a worsening debt profile.

43. Given this reality, neither government nor other stakeholders can continue to ignore the severe danger that fuel subsidy pose to the economy and the future of the country.

44. This is why NEITI has recommended in its reports that other policy options on subsidy be applied if Nigeria's economy is to breathe.

45. Let me at this point commend HEDA on the programme held yesterday which reviewed the report of the 29th Anti-Corruption Situation Room (ACSR) covering 2022 and set the agenda for 2023.

46. I have been briefed that the programme made copious recommendations on what the Anti-Corruption Situation Room should focus on in 2023 to make its interventions in the fight against corruption more impactful. This is what is expected as the major role of civil society to monitor and evaluate existing policies and programmes of government and make interventions where applicable.

47. Thank you for listening and wish you all fruitful deliberations.