

## **ON-GOING REFORMS IN THE EXTRACTIVE SECTOR**

### **Introduction**

The general elections in March 2015 brought about a transition of power from a ruling party to an opposition party for the first time in Nigeria's history. The new government was inaugurated amidst heightened expectation from the population and had a reform agenda for tackling insecurity, corruption and job creation through diversification of the economy by refocusing on agriculture and mining sectors to stimulate growth. The new government was quickly confronted with a decline in global oil prices which resulted in a fiscal crisis. By the third quarter of 2016, Nigeria slid into recession for the first time in decades<sup>1</sup>.

The oil and gas sector in response to the challenging times and economic realities identified the need for a more cost-efficient system that would tackle the ageing infrastructure, re-exploring the prolific Niger Delta area and the Niger Delta brown fields, exploring and developing the green fields, focus on gas commercialization and a fully developed downstream sector.

The falling oil prices contributed significantly to a reduction in government revenues and foreign exchange instability. The resulting economic challenges brought again to the fore, the case for diversifying the Nigerian economy.

### **The 7 Big Wins, National Petroleum & Gas Policies**

By Q3 2016, Nigeria unveiled the petroleum industry roadmap tagged the "7 Big Wins". This road map contains specific time-focused targets covering the following 7 key areas:

- i.** Put in place new policies, legislations and regulations.

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<sup>1</sup> Nigeria got out of recession in Q2 2017. <https://www.thecable.ng/breaking-nigeria-officially-worst-recession-29-years>

- ii.** Enabling the business environment and attracting investors.
- iii.** Commission a gas revolution to spur multiplier effects including wealth creation, environmental protection and job creation.
- iv.** Comprehensive rehabilitation and revamping of existing refineries; increase domestic refining capacity (greenfield, modular) and attaining self- sufficiency in 2018.
- v.** Bolster engagements with host communities and achieving zero militancy in the Niger Delta Region.
- vi.** Enshrine transparency and efficiency in the industry and automate the business process to account for every process in the oil value chain.
- vii.** Maintaining a sustainable and well-structured stakeholder management framework, bilateral cooperation and international energy relations that will address peculiar needs and circumstances of the oil and gas industry.

The overall aim of the road map is to develop a stable and enabling environment that will boost investment opportunities in the oil and gas sector, yielding increased growth in the Nigerian economy.

Since the launching of the 7 Big Wins, the Federal Executive Council (FEC) has also approved a National Petroleum Policy and a National Gas Policy. It has also developed a draft Fiscal Policy for the sector. For copies of the approved policies and the draft policy, visit <http://www.7bigwins.com/>. The draft fiscal policy can be viewed here.<sup>2</sup>

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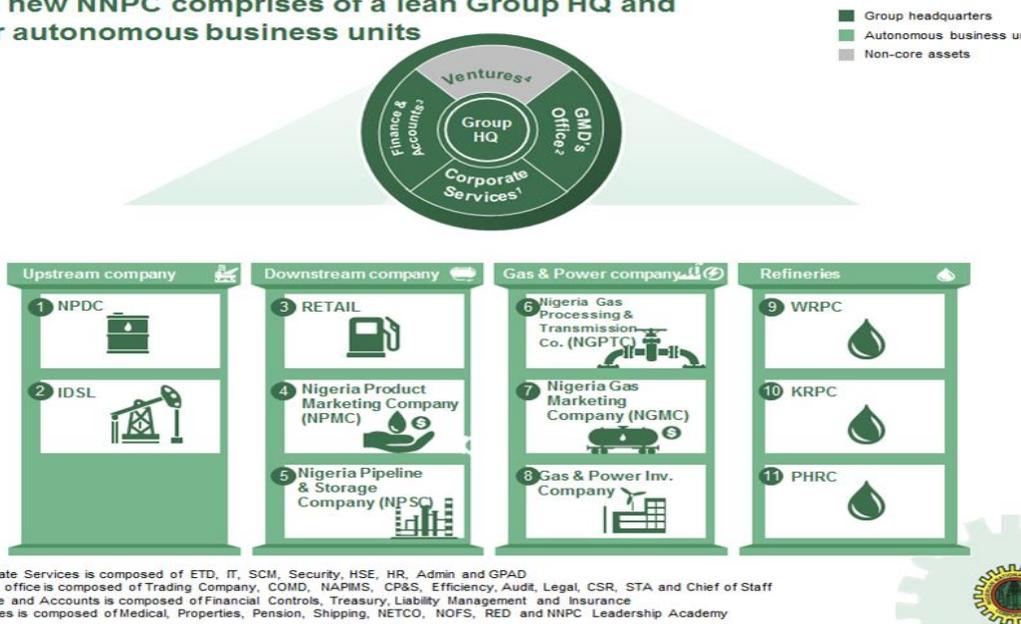
<sup>2</sup> [Draft-National-Petroleum-Fiscal-Policy](#)

## New Structure for the NNPC

The state-owned Nigerian National Petroleum Corporation (NNPC) also embarked on a process of reforms highlighting the need to ensure a fit-for-purpose company, aligned with organizational aspirations to improve its profitability, accountability, transparency and focus. To achieve this, it reorganized its structure creating four autonomous business units; upstream, downstream, refineries and gas/power with a lean headquarters that includes; GMDs office, finance and accounts, ventures and corporate services. The former Pipelines and Products Marketing Company (PPMC) was split into the Nigerian Product Marketing Company (NPMC) and the Nigerian Pipeline and Storage Company (NPSC). The Nigerian Gas Company (NGC) was split into the Nigerian Gas Processing and Transmission Company (NGPTC) and the Nigerian Gas Marketing Company (NGMC). The new structure is shown in the figure below

**Figure 1: New organizational structure of NNPC**

The new NNPC comprises of a lean Group HQ and four autonomous business units



Source: NNPC presentation to NEITI, October 2017

## **New Legislation (s) for the Sector**

The journey toward a new petroleum industry legislation that will overhaul the existing framework, consolidating all the relevant laws and regulations began with the inauguration of the Oil and Gas Sector Reform Implementation Committee (OGIC) in the year 2000<sup>3</sup>. The Petroleum Industry Bill is intended to reform the oil and gas industry; restructuring it to rectifying the challenges currently faced and position it to deliver on the vision of a highly efficient industry, managing our natural resources in a sustainable manner that will attract investment capital, and optimizing government revenues from the industry. After almost two decades, the PIB was broken into four bills to ease passage by the National Assembly;

- a) Petroleum Industry Governance Bill (PIGB)
- b) Petroleum Industry Administration Bill (PIAB)
- c) Petroleum Industry Fiscal Bill (PIFB)
- d) Petroleum Host Community Bill (PHCB)

The Nigerian Senate (Upper Legislative Chamber), on the 25th of May 2017, approved PIGB; it is now awaiting passage by the House of Representatives. The bill seeks to strengthen the institutional and governance structure of the petroleum industry. The governance bill will create a single industry regulator providing clear lines between policy making, regulation and commercial activities. It also seeks to bring about accountability, transparency, value addition, optimal profit making, global competition and attract funding for resource exploitation.

The three other Bills have gone through second reading at the Senate and were expected to be passed in December 2017. However, the Chairman of the Senate

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<sup>3</sup> See NEITI Policy Brief on the need for the PIB <http://neiti.gov.ng/phocadownload/NEITI-PB3-280317.pdf>

Committee on Petroleum Resources (Upstream) announced in November 2017 that this was not feasible, setting a new target of Q1 2018<sup>4</sup>.

## **Conclusion**

The '7 Big Wins' road map is two years into its implementation. The MPR has successfully delivered on a new petroleum policy and gas policy for the nation. However, the four (4) bills that make up the PIB are still being deliberated and with the political space heating up, doubts exist as to whether or not the laws will be passed on schedule. In spite of a reduction in global upstream capital spending, NNPC recently announced that it has been able to secure US\$3.7 billion in alternative financing in the last 3years<sup>5</sup>. NNPC has also completed, commissioned and delivered 500km of gas pipelines from 2010 to date as part of the expansion of gas infrastructure<sup>6</sup>. Expectations are also high that Nigeria will be able to achieve self-sufficiency in refining of petroleum products shortly. A 650,000 barrels per day refinery is expected to be commissioned in 2019<sup>7</sup>. It is anticipated that this refinery alone will cater for Nigeria's domestic consumption of petroleum products.

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<sup>4</sup> <https://www.thisdaylive.com/index.php/2017/11/10/passage-of-pib-in-2017-not-realistic-says-alsoadura/>

<sup>5</sup> <http://www.nnpcgroup.com/PublicRelations/NNPCinthenews/tabid/92/articleType/ArticleView/articleId/890/NNPC-Secures-37bn-Alternative-Financing.aspx>

<sup>6</sup> <http://www.nnpcgroup.com/PublicRelations/NNPCinthenews/tabid/92/articleType/ArticleView/articleId/888/NNPC-Completes-539km-of-Gas-Pipeline-Projects.aspx>

<sup>7</sup> <https://www.cnbcfrica.com/featured/2017/06/27/inside-billionaire-aliko-dangotes-12bn-dangote-oil-refinery/>