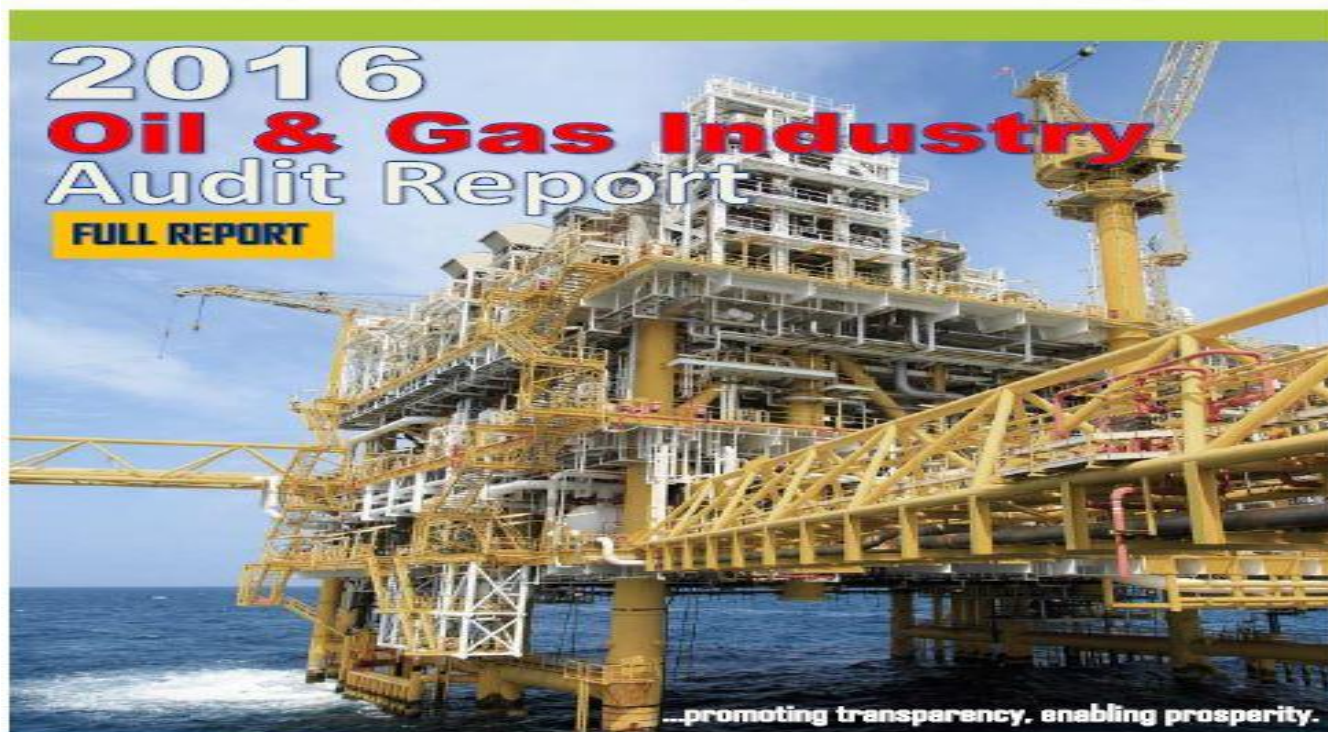


# DECEMBER 2018 NEWSLETTER

**NEITI** Nigeria  
Extractive  
Industries  
Transparency  
Initiative



## NEITI: OIL AND GAS SECTOR GENERATED \$17.05 BILLION IN 2016

- *Report highlights steady decline in revenues: 2016 revenue 31% lower than 2015's and 75% lower than 2011's*
- *PSCs overtook JVs in 2016 as Nigeria's leading production arrangement*

The latest report of the Nigeria Extractive Industries Transparency Initiative (NEITI) reveals that the total financial flows from Nigeria's oil and gas sector slumped to \$17.05 billion in 2016, a 31% decline on the \$24.79 billion generated in 2015, and a 75% plunge on the sector's peak earnings of \$68.44 billion generated in 2011. In addition, the 2016 figure is the lowest in ten years and the fifth lowest in the 18 years covered by NEITI's audit reports so far (1999 to 2016).

According to the NEITI 2016 Oil and Gas Industry Audit Report, released on 23 December 2018, the plunge in revenue in 2016 resulted from the double whammy of low oil prices in the global market and reduced oil production in Nigeria, which in turn was caused by disruption and vandalism of oil assets and spike in crude theft, among others.

Yearly average price of crude oil per barrel was \$43.73 in 2016 as against \$52.5 in 2015. Total oil production in 2016 was 659 million barrels as against 776 million barrels produced in 2015, a fall of 15%. Losses due to crude oil theft and sabotage rose from 27 million barrels in 2015 to 101 million barrels in 2016, an increase of 274%. This was aside losses due to deferment, which in 2016 was put at 144 million barrels which also went up by 65% when compared to the 87.5 million barrels in 2015.

“The bombing of the under-water 48-inch Forcados Oil Loading/Export Pipeline was one of many major occurrences that befell the industry in the year under review,” the NEITI report stated. “This incident occurred in February 2016 and the line remained in-operational for seven months. Shell Petroleum Development Company (SPDC) declared force majeure on lifting from Forcados on 21st February 2016. Companies injecting into the Forcados Terminal such as SEPLAT, PANOCEAN, MIDWESTERN, ENERGIA, PLATFORM, PILLAR, WALTERSMITH, and EXCEL shut down production for over 147 days.”

In addition, SPDC declared force majeure on the Bonny Terminal due to a leak in Nembe Creek Pipeline between May and July 2016 while NAOOC declared force majeure on the Brass Terminal between July and August 2016.

Similarly, Mobil Producing Nigeria Unlimited declared Force Majeure twice between May/June and July/October 2016. This was due to a drilling process disruption and damage to the QIT loading system. The NEITI report stated that: “MPN’s total production within the four-month period was 4,616,825bbls, which is less than half of what was produced in each month previously as reflected in DPR reconciled sign-off records”.

After surviving the slump in the global oil market in 2008 and 2009, Nigeria’s oil sector rebounded in 2010 with a 49% increase in total financial flows to \$44.94 billion, followed by the peak of \$68.44 billion in 2011. However, flows from the sector have been trending downward since that peak year with \$62.94 billion generated in 2012, \$58.08 billion in 2013, \$54.56 billion in 2014, and \$24.79 billion in 2015. Similarly, oil production has been on steady decline with 866 million barrels produced in 2012, 800 million barrels in 2013, 798 million barrels in 2014, 776 million barrels in 2015 and 659 million barrels in 2016.

NEITI’s audit reports independently reconcile payments by companies against receipts by government agencies, and cover key financial flows such as earnings from sale of Federation’s crude oil and gas, sector-specific taxes, fees and levies such as royalty, Petroleum Profit Tax (PPT), signature bonus, gas flared penalty, and other flows such as NDDC contribution, NCDMB levy, NESS fees, education tax and others. Breakdown of the payment shows that the major earnings for 2016 came from export and domestic sale of Federation crude oil and gas with \$7.97 billion, PPT with \$4.21 billion, and royalty oil with \$1.57 billion.

A major highlight of 2016 was that for the first time in Nigeria’s history, crude oil produced from Production Sharing Contracts (PSCs) overtook output from the Joint Ventures (JVs). In 2016, PSCs accounted for 324 million barrels, while the JVs accounted for 289.1 million barrels,

(as against the 320 million barrels for PSCs and 375.5 million barrels for JVs in 2015). PSCs, a production arrangement introduced in 1993, thus became the leading production arrangement in 2016. The PSCs are mostly offshore, thus insulated from vandalism and sabotage, and are not constrained by adequacy/availability of equity funding by the Federation. This change in production structure pushes to the fore the need to renegotiate the terms of the PSCs as stipulated in the Deep Offshore and Inland Basin Production Sharing Contracts Act of 1993 so as to increase government's take.

The NEITI report also reveals that the total lifting for 2016 was 668.1 million barrels, as against the 780.4 million barrels lifted in 2015, a drop of 14.35%. Out of the total liftings for 2016, NNPC lifted 244.6 million barrels (36.61%) on behalf of the Federation while the companies lifted 423.5 million barrels (63.39%).

Other major highlights of the report are the following:

- Contribution of the oil and gas sector to GDP dropped from 9.5% in 2015 to 8.3% in 2016.
- Total gas produced in 2016 was 3,051,249 mmscf, out of which 288,209 mmscf was flared, representing 9.45% of production.
- A total of 126 million barrels (valued at \$5.48 billion or N1.37 trillion) was earmarked for domestic consumption, allocated as follows: 23 million barrels (18%) for refineries, 55.9 million barrels (45%) for Direct Sale Direct Purchase (DSDP), 36.6 million barrels (29%) for PPMC lifting and 10.4 million barrels (8%) for offshore processing.
- From the money for domestic crude allocation (DCA), NNPC deducted the following upfront: N512 billion for JV cash call, N126.5 billion for pipeline repairs and maintenance, N99 billion for under-recovery and N20 billion for crude losses.
- A total of 101 million barrels of crude oil was recorded as losses due to theft and sabotage, valued at \$4.4 billion. Breakdown of this shows that SEPLAT and SPDC alone reported 81 million barrels of crude oil as losses due to sabotage while 20 entities reported 19.8 million barrels as losses due to theft.
- NLNG dividend, loan and interest repayment for 2016 was \$390.2 million, as against \$1.07 billion of 2015, a decline of 63.5%.
- \$8.2 billion was budgeted for cash calls in 2016, \$5.5 billion was released, and \$4.9 billion was paid. Non-JV cash call expenses came to \$874 million, representing 17.59% of cash call expenditure.

The 2016 NEITI report covered 84 entities, comprising the following: ten government agencies, seven power generating companies, 62 oil and gas companies, three refineries, and the NLNG and NGC. The report is made public as part of NEITI's statutory mandate under the NEITI Act 2007 and in compliance with the principles and standards of the global Extractive Industries Transparency Initiative (EITI), which Nigeria voluntarily subscribed to in 2003. The eighth report to be produced by NEITI on the oil and gas sector, the 2016 audit was conducted by Haruna Yahaya & Co., an indigenous accounting and auditing firm.

Details of the report can be found on NEITI's website: [www.neiti.gov.ng](http://www.neiti.gov.ng)





## **WAZIRI ADIO BAGS ANTI-CORRUPTION DEFENDER AWARD!**

The Executive Secretary of the Nigeria Extractive Industries Transparency Initiative (NEITI), Mr. Waziri Adio was named winner of the 2018 Anti-Corruption Defender Award by the Wole Soyinka Centre for Investigative Journalism (WSCIJ).

In a letter conveying the award decision, the Centre noted that the award was introduced to recognize and honor Nigerians or organizations with outstanding ethical dimension whose personality and professional engagements incarnate total ramification of integrity in our nation's life.

"This year, the search committee for the award came up with overwhelming endorsement for your many efforts to promote transparency and accountability, especially in Nigeria's oil and gas sector, as well as your unstinting commitment to the values of justice", said WSCIJ.

Commenting on the award via his twitter handle @Waziriadio, Mr. Adio said "I received this esteemed award with deep humility and high honor, and I dedicate it to my colleagues in NEITI, who are doing the heavy lifting in ensuring that our extractive sector is governed more transparently and accountably".

"I shy away from awards but I am strongly persuaded to accept this because of the exemplary person the organization is named after and its credibility over time. I see this award as important recognition for the work of NEITI, not as a personal recognition", Adio noted.

Recipients of the anti-corruption defender award in the past years include Mallam Nuhu Ribadu, Chief Gani Fawehinmi, Justice Kayode Eso, Alhaji Balarabe Musa. Others are: Dr Chidi Odinkalu, the Socio-Economic Rights and Accountability Project (SERAP), Prof Attahiru Jega, Public Private Development Centre (PPDC) and Dr Obiageli Ezekwesili.

The award presentation event was held on December 9, the World Anticorruption Day, to call public attention to the significance of the media generally and investigative reporting in particular, to attaining good governance, accountability, and social justice.



## **WAR AGAINST CORRUPTION, A CENTRAL ISSUE IN THE 2019 ELECTIONS - Waziri Adio**

The discussion on how to sustain the ongoing war against corruption should continue to top agenda of public debate towards the forthcoming elections because corruption remains a central problem in Nigeria.

Mr. Waziri Adio, Executive Secretary of the Nigeria Extractive Industries Transparency Initiative (NEITI), made this assertion while addressing participants at an event, recently organized to mark the International Anti-Corruption Day.

His words: “Politicians will not supply what is not demanded, organized civic groups and those that have platforms and voices should begin discussions about why corruption should be a central issue in the forthcoming elections”.

The Executive Secretary explained that the 2019 elections offer special opportunity not just to choose new set of political leadership but also to decide the future and the direction the country will follow.

“Corruption is implicated in all the various problems in Nigeria, whether in terms of lack of economic development, infrastructural deficit, insecurity, massive un-employment, and inadequate provision of social amenities”, he stated.

He further explained that corruption imposes a lot of cost on business, quoting United Nation Office on Drug and Crimes report that put cost of corruption on business at \$1 trillion annually. “This implies that business cannot be profitable nor create jobs as they should be”, he noted.

Mr. Adio cautioned that given momentum already built against corruption, Nigerians should not allow the issue to slip-off the agenda. He also called for commitments from politicians on how they intend to combat corruption.

Speaking at the event, Chairman of the NEITI Board, Dr. Mahmoud Isa-Dutse who also chaired the IATT said it is important to sustain the already garnered momentum against corruption as Nigerians proceed to the polls in 2019.

Dr. Isa-Dutse represented by a member of the Board, Dr. Bernard Verr, explained that the Federal Government was aware that Nigeria has huge corruption problems that are historical, adding that the government was not relenting in its efforts to deal with the issue.

“We continue to see quickening of efforts in enforcement and sanctions as well as innovative methods to prevent corruption. We are routinely assessing risks and vulnerabilities to corruption and reviewing our systems to tackle the anomaly from the roots”, he further stated.

He informed participants that several initiatives such as Freedom of Information, Open Government Partnership, Beneficial Ownership Disclosure, Open Contracting, and global EITI being implemented by Nigerian government are beginning to yield positive results.

“Our range of legislations and institutions show that we have significantly domesticated the provisions of global instruments in the area of prevention and criminalization as well as recovery of proceeds of corruption”, he stated.

While noting that the essence of government is to ensure and guarantee development and well-being of citizens, he challenged Nigerians to demand transparent and credible electoral processes and place emphasis on tackling corruption from the roots.

Also speaking, Ms. Lilian Ekeanyanwu, Head, Technical Unit on Governance and Anti-Corruption and Reforms (TUGAR), the secretariat of the Inter-Agencies Task Team (IATT), stressed the urgent need to clean up Nigeria’s electoral processes to enable the citizenry have their choices reflected, and ultimately hold their leaders accountable.

Government officials, civil society, media and development partners attended the event, organized by TUGAR under the platform of Inter-Agencies Task Team (AITT).



## NEITI STAFF HONOURED WITH OSGF MERIT AWARD

The Office of the Secretary to the Government of the Federation (OSGF) has recognized and honored two members of staff of the Nigeria Extractive Industries Transparency Initiative (NEITI) with merit awards.

The two staff are Mrs. Asmau Dahiru, honored in the senior staff award category for her competence, integrity and exceptional

dedication to duty, and Mr. Alhassan Bako honored in the junior staff category for his diligence, humility and commitment to duty.

In his speech at the award ceremony, held in Abuja, Mr. Boss Mustapha, Secretary to the Government of the Federation said the award is aimed at appreciating, encouraging and motivating hardworking officers in OSGF and its Agencies.

The SGF, who noted that the 2018 award ceremony is a maiden edition, said the award is in line with the Public Service Rules and the policy of the current administration. "I want to categorically state that from now henceforth, it will be a yearly event", he stated.

Commenting on the award, Mr. Waziri Adio, Executive Secretary of NEITI, commended the OSGF for the award initiative for deserving staff members. He noted that the award will encourage other members of staff to further improve on their dedication to work.

"Congratulations to both awardees. I believe this will propel you to higher heights and motivate other staff members," the Executive Secretary stated.



## **FG, OTHERS SHARED N2.28T IN THIRD QUARTER OF 2018**

Revenue disbursements by the Federation Account Allocation Committee (FAAC) to the three tiers of government witnessed steady increase in three consecutive quarters of 2018 with N2.28 trillion shared in Q3 of 2018.

A breakdown showed that the Federal government received the highest sum of N904.8 billion, followed by states, which received N718.5 billion and Local governments (LGCs) receiving the lowest disbursements of N432.1 billion. This information is

contained in the latest edition of the NEITI Quarterly Review published in November 2018.

From the NEITI Review, “Total FAAC disbursements in the third quarter of 2018 amounted to N2.28 trillion representing a 17.6% increase over the N1.938 trillion disbursed in the first quarter of 2018 and 13.5% higher than the N2.008 trillion disbursed in the second quarter.”

The NEITI Quarterly Review notes that “It is interesting that with the exception of July, the lowest amount disbursed so far in 2018 is higher than disbursements in all other months in 2016 and 2017”.

A breakdown of the disbursed sums for 2016, 2017 & 2018 shows that the disbursements in the third quarter of 2018 (N2.28 trillion) were 31% & 18% higher than disbursements in the third quarters of the last two years.

NEITI also reports that the last time total disbursements exceeded the N2.5trillion mark was in the second quarter of 2014 (N2.510 trillion).

Further analysis of the increases as reported by the NEITI Quarterly Review shows that the federal government’s receipt of N904.8 billion in the third quarter of 2018, was 11.3% and 7.8% higher than the amounts received in the first (N812.8 billion) and second (N839.5 billion) quarters of 2018 respectively.

“The amount disbursed to states represented an increase of 5.1% over the N683.5 billion disbursed in the first quarter, and an increase of 3.8% over the N692.1 billion disbursed in the second quarter. For LGCs, the amount received was 9.8% and 7.5% higher than the respective



amounts of N393.4 billion and N402.1 billion received in the first and second quarters,” the NEITI Quarterly Review disclosed.

On a year-by-year analysis, NEITI reveals that the increase to third quarter disbursements to states in 2018 were the highest when compared to 2016 and 2017 figures disbursed to other federating units.

A breakdown of the figures showing the level of growth indicates that “Total disbursements to states in the third quarter of 2018 came to N718.5 billion, representing a growth of 40.1% and 22.5% over disbursements in the third quarters of 2016 (N512.7 billion) and 2017 (N586.6 billion) respectively” NEITI observes.

The NEITI Quarterly Review continues, “For the LGCs, disbursements in 2018 Q3 totaled N432.1 billion. This figure was 33.2% higher than the N324.3 billion disbursed in 2016 Q3, and 18.7% higher than the N324.3 billion disbursed in 2017 Q3. Total disbursements to the FGN in the third quarters of 2016, 2017 and 2018 were respectively, N697.9 billion, N752.7 billion, and N904.8 billion indicating that in 2018 Q3, the FGN received 29.7% higher disbursements than 2016 Q3, and 20.2% higher disbursements than 2017 Q3”.

The review further disclosed that total net FAAC disbursements to states in the first nine months of 2018 ranged between N16.41 and N150.59 billion, with Osun and Delta states receiving the lowest and highest amounts respectively.

A comparison of the state-by-state net disbursement shows a stark disparity in the amounts received. For instance, the net disbursement received by Delta State in January alone sums up to the total net disbursements to Osun State from January to September 2018. This clearly indicates that disbursements to Delta State were higher than the one to Osun by over 800%.

The NEITI Quarterly Review also shows that average monthly net disbursements to states in the first nine months of 2018 ranged between N1.82 billion and N16.73 billion with Osun receiving the least monthly sum and Delta, the highest.

As observed in previous reviews, states that received the highest allocations of N100billion and above are all in the Niger Delta region and this is because of the 13% derivation.

Furthermore, a comparison of state-by-state debt deductions in the first nine months of 2018 revealed that Lagos State had the highest deduction of N26.84 billion while Yobe State had the lowest deduction of N1.12 billion (a percentage difference of 2,300%).

The state with the lowest ratio of deductions to net disbursements was Anambra with 2.85%, while Osun had the highest deduction to net disbursements ratio of 132.85%, signaling that deductions exceeded disbursements to Osun State.

The review however explained that the wide disparities in disbursements to states were because of differences in disbursements arising from the revenue sharing formula, deductions from states due to external debts, contractual obligations, among others.

The NEITI review advised that the increase in disbursements is a ground for cautious optimism in the fiscal positions of all tiers of government, noting that the upswings and downswings pattern is reflective of the volatile nature of revenue resulting from reliance on primary commodity exports

The publication also observed that while increase in revenue will reflect positively on the fiscal situation of the federating units, states will still have to struggle to finance their budgets considering their poor Internally Generated Revenue (IGR).

“There is virtually none of the states that can adequately finance their budgets from IGR and FAAC disbursements. States will have to resort to different levels of borrowing”, the NEITI review noted.

The NEITI Quarterly Review, designed to provide timely information and data, is a tool to support citizens’ engagement, advocacy, constructive debate, information sharing and enlightenment in tracking the utilization of public funds for purposes of development.

NEITI’s interest in FAAC disbursements and the statutory recipients is in view of the fact that more than 50% of the funds are derived from the extractive industry.

# Solid Minerals Industry Audit Report 2016

**FULL REPORT**

November 2018



PREPARED BY TAJUDEEN BADEJO & CO  
(CHARTERED ACCOUNTANTS)

## NEITI: SOLID MINERALS CONTRIBUTED N43.2BILLION TO GOVERNMENT REVENUE IN 2016... AS FG, STATES & LGS SHARED N9.9 BILLION

The solid minerals sector contributed a total sum of N43.22billion to government coffers in 2016, reports the Nigeria Extractive Industries Transparency Initiative (NEITI).

A breakdown of the figure shows that taxes collected by the Federal Inland Revenue Service (FIRS) accounted for N40.38 billion or 93.43%, while fees collected by the Mining Cadastral Office stood at N1.15 billion or 2.66%.

The Mining Inspectorate Department (MID) recorded N1.64 billion as royalty payments, an increase of 30.15% over the N1.27 billion reported as royalty payments in 2015.

These are some of the highlights of the 2016 audit report of the solid minerals sector released today by NEITI.

The audit conducted under the EITI principles and standard reconciled payments made by mining companies in terms of taxes, royalty and rents against receipts of such payments by relevant government agencies.

From the report, total minerals production for 2016 was 41.87 million tons valued at N34.09 billion, representing 33% increase on the N25.56 billion reported in 2015.

However, tax collection and payment of other fees for 2016 reduced by 32% when compared to the figure of N63.98 billion for 2015.

The report further disclosed that while six hundred and fifty-one (651) extractive companies made royalty payments in 2016, only fifty-six (56) companies that met the materiality threshold of N3million and above were considered for reconciliation. The companies that met this threshold accounted for 86.87% of the total royalties paid.

On state-by-state minerals production, Ogun State contributed 33.49% to the total production to top the table, followed by Kogi State with a contribution of 19.7%, while FCT came third with 6.20%.

From the report, minerals production by companies shows that three companies - Dangote Cement Plc, West African Portland Cement Plc, and United Cement Company of Nigeria Limited (UNICEM) contributed 70% of total production in 2016. This shows that the cement sub-sector is still dominant in solid minerals production activities.

Further analysis of production by minerals types shows that limestone was the most produced mineral and accounted for 49.35% of the total solid minerals production in 2016, followed by granite with 31.32%. The least contributions were made by gypsum, iron, talc and amethyst with 0.1% each.

The report also revealed that the solid minerals sector's contribution to exports in 2016 stood at ₦11.16 billion, representing 3.38% of the ₦330.01 billion for non-oil exports and 0.13% of total export of ₦8.53trillion.

From the report, China was a major destination of Nigeria's solid minerals in 2016, accounting for 53.63%, followed by Spain and India, which accounted for 26.48% and 8.90% respectively.

The report put the Free on Board (FOB) value of the solid minerals exported in 2016 at \$40.934 million while the overall contribution of the sector to the country's GDP was put at ₦87.61billion representing 0.13 % of the total GDP of ₦67.9 trillion.

The sector has witnessed a steady, even if marginal increase in its contribution to the GDP from 0.11% in 2014, 0.12% in 2015 to 0.13% in 2016. The sector also contributed 0.3% to national employment in 2016.

The report also disclosed that 4,575 valid minerals titles spread across the various states of the federation were recorded in 2016. This comprises 1,751 Exploration Licenses, 208 Mining Leases, 1,563 Quarry Leases, and 1,053 Small Scale Mining Leases.

Out of the total valid titles in the MCO register, 1,465 titles were issued in 2016 while 1,030 were revoked and 14 were transferred. The report further stated that 315 Exploration Licenses were issued in respect of the priority minerals identified by government. The priority minerals are gold, lead-zinc, baryte, iron-ore, bitumen, limestone, and coal.

The report revealed that some title holders entered into MOUs with other companies without duly informing the relevant government agencies. As a result, out of the 651 operators that paid royalties, 312 companies representing 48% were not recorded in the MCO register either as valid, revoked or transferred titles for the year.

A striking feature of the report was that the sum of ₦9.923 billion was shared by the three tiers of government in 2016, being the accumulated revenues from 2007 to 2014 from the solid minerals sector.



A breakdown of the figure shows that the Federal Government got N4.547 billion while states and local governments shared N2.306 billion and N1.778 billion respectively. The sum of N1.289 billion was also shared as derivation.

Further breakdown shows that Ogun State received the highest share of N369.84 million while Kogi and Cross River states received N317.66 million and N237.10 million respectively.

Other states among the top five recipients are Kano and Oyo states which received N208.83 million and 200.45 million respectively while Ekiti and Bayelsa got the lowest share of N91.25 million and N76.66 respectively.

The release of the 2016 report by NEITI brings to seven in the series of independent reports on the solid minerals sector published as part of efforts to ensure transparency as well as bring local and international attention to the revenues and investment potentials in the solid minerals sector.

Tajudeen Badejo & Co, an indigenous accounting and auditing firm, conducted the 2016 Solid minerals audit for NEITI.

The independent audit is consistent with NEITI's mandate and in fulfillment of Nigeria's obligation to the global Extractive Industries Transparency Initiative (EITI) as an implementing country.

The NEITI 2016 oil and gas report is currently at the final stage of completion and will be released soon, while the 2017 audit process is ongoing.

Details of the 2016 solid minerals report with findings and recommendations are available on NEITI website [www.neiti.gov.ng](http://www.neiti.gov.ng).