



STAKEHOLDERS CALL FOR SANCTION AGAINST AGENCIES DEFAULTING ON REMEDIATION

The civil society and media stakeholders have urged the Federal Government to sanction defaulting agencies for failure to implement remedial issues contained in the audit reports conducted by the Nigeria Extractive Industries Transparency Initiative (NEITI).

This was part of the consensus among participants at a civil society/media workshop on remedial issues in the reports, held recently in Abuja.

Speaking at the event, Executive Secretary of NEITI, Waziri Adio lamented the slow pace of implementing several pending remedial issues in the NEITI reports by relevant agencies of government.

Mr. Adio identified the pending issues of NNPC non-remittance of \$16.8billion dividend between 2000 and 2015 as the elephant in the room.

“From our reports, this money did not go to the Federation Account; Nigerian National Petroleum Corporation (NNPC) confirmed that the outstanding payment was \$16.8billion”, said Adio.

Responding to the questions on whether it was the Federal Government or the Federation that made the investment in the NLNG, Mr. Adio said; “If that money belongs to the Federal Government, that money cannot be spent without

appropriation. If it belongs to the Federation that money should be in the Federation Accounts Allocation Committee (FAAC). On the alternative, the money at the very minimum belongs to the Nigerian public. The corporation has a responsibility toaccount to Nigerians, he explained.

“We know how much oil we sell but we cannot scientifically say that this is how much oil we produce, we cannot independently say this is how much oil we produce, resulting in huge revenue loss to the Federation”, Adio noted.

NEITI also raised questions about the propriety of NNPC retention of the 450,000 barrel per day allocation to domestic refineries when their actual refining capacity is just about 21% of this figure.

Other pending remedial issues in the NEITI reports include cash calls wrongly paid to Nigerian Petroleum Development Company (NPDC) by NAPIMS in respect of the Nigeria Agip Oil Company Joint Venture.

NEITI reports revealed that part of the money was refunded to NAPIMS who could not show evidence of remittance of same to the federation account. NAPIMS also failed to produce an appropriate authority to expend the refunds.

The event was organized with the support of Trust Africa.



PIGB: TIME IS RUNNING OUT NEITI

The Nigeria Extractive Industries Transparency Initiative (NEITI) has once again drawn the attention of the Federal Government to the urgent need to put in place the necessary laws required to fix the numerous governance problems

confronting the oil and gas sector.

The Executive Secretary of NEITI, Mr. Waziri Adio stated this in Abuja at the opening of a Symposium to set the agenda on the Petroleum Industry Governance Bill (PIGB) recently passed by the two chambers of the National Assembly. Mr. Adio identified the protracted delays in passing these laws as responsible for the uncertainties and stagnation of investment opportunities in the sector.

“NEITI published a policy brief in October 2016, entitled ‘The Urgency of a New Petroleum Sector Law.’ The paper estimated the cost of business uncertainty, lack of clarity and adequate transparency mechanism in eight years at more than \$200bn. The paper showed how Nigeria is increasingly in competition for oil and gas investment with many other African countries, not to talk of other jurisdictions,” Mr. Adio stated.

The Executive Secretary explained that the objective of convening the symposium was to discuss what needs to be done and urgently too to build on the successes recorded so far by the passage of the PIGB by both the Senate and the House of Representatives.

“Now that we are hopefully close to the end of this circuitous journey, it is important for us to focus on the next tasks in a way that will proactively and strategically ensure that the intentions of the proposed laws are fully realized that we have not undertaken the long journey in vain,” Adio remarked.

In a message, the Minister of State for Petroleum Resources, Dr. Emmanuel Ibe Kachikwu underlined the importance of early passage of the relevant laws required to reposition the sector in view of the strategic implications for increasing revenue generation, investments, job creation and improved governance of the industry.

“The long – held aspiration of the Nigeria Upstream Sector is to grow crude oil reserves to 40 billion barrels and production to four million barrels of oil per day (bopd), improving local content, maximizing sectors value and most importantly

derive as much revenues from oil and gas. One of such needed reforms is to overhaul the multiple laws governing exploration and production and help Nigeria reach this goal.” Kachikwu remarked.

The Minister, represented by his Senior Technical Assistant, Engr. Johnson Awoyomi stated that comments on the PIGB at this moment would be premature since the bill is yet to secure presidential approval. He however stressed the importance of giving similar attention to the other bills that will address the financial, administrative and host community issues in the sector.

“Now is the time to tweak the existing laws and come up with a new legal, institutional, commercial framework that will liberalize the petroleum industry as well as create a competitive business environment that will enhance Nigeria’s revenue.” Kachikwu noted.

The NNPC Group Managing Director (GMD) Dr. Maikanti Baru explained that the organization awaits presidential assent on the PIGB and will comply fully when it becomes law.

“We are delighted that the PIGB will provide the petroleum industry an enabling environment to be able to institutionalize best practices for effective and efficient operations of our industry.” The GMD said.

The NNPC Group General Manager, Corporate Planning and Strategy, Mr. Bala Wunti who represented the GMD, identified four areas as priority of the Corporation. These include protection of Nigeria’s national interest, opening up NNPC operations to public scrutiny, compliance to existing laws and driving the Corporation on the part of profitability.

Meanwhile industry experts at the Symposium drawn from companies, governments, civil society and the media called for urgent measures to ensure that the PIGB passed by the National Assembly secures presidential assent.

During the interactive session, Stakeholders urged the National Assembly to accord similar accelerated hearing to the remaining Bills to comprehensively reform Nigeria’s petroleum industry.

They advised all the relevant government institutions expected to be affected by the PIGB if it becomes law to put in place mechanisms for its speedy implementation. Participants also advised against “any possible foot-dragging or institutional resistance capable of creating avoidable obstacles to either assent to the PIGB, its implementation or the passage of the remaining Bills”.

NEITI convened the Symposium in pursuit of its mandate as a reform agency committed to enthroning transparency, accountability and good governance of the extractive sector.

PIGB: GETTING TO THE YES !

-----by Ibe Kachikwu Hon. Minister of State (Petroleum Resources)

The long - held aspiration of the Nigeria's Upstream Sector is to grow crude oil reserves to 40 billion barrels and production to 4 million barrels of oil per day (bopd), improving local content, maximizing sectors value and most importantly derive as much revenue from gas as from oil.



Ibe Kachikwu

One of such needed reforms is to overhaul the multiple laws governing exploration and production and help Nigeria reach these goals. The Petroleum Industry Bill was split in tranches to allow for its speedy passage. One of the components of the bill is the Petroleum Industry Governance Bill, which aims to emplace an effective institutional framework,

set up structures for establishment of a commercially driven petroleum entities while also promoting transparency in the administration of Nigeria's petroleum resource.

The laudable effort by both House of Representatives and the Senate in addressing the long-standing gap in the industry's legal, institutional and regulatory framework needs to be commended by all.

However, it is still not yet uhuru as the fiscal aspect of the bill that will address the revenue inflow to both the state and investors is still on the offing. When the issues of the PIGB came into radar sometime last year, critical governance and performance issues in the industry with the long standing matters threatening the sustainability of the industry were the cause of disagreement.

After a critical study of the myriad of challenges on ground, we observed that crucial to the fixing of these problems lies the question of the governance of the industry. Efforts were made from the legal wing that could play a critical role in presenting a robust, effective governance and institutional framework for the management and regulation of petroleum resources in Nigeria.

The role of the government needs to be better clarified by refocusing the mandate of the policy, regulatory and commercial institutions to ensure better sector governance, transparency of regulations and operations, accountability of the institutions and removal of opaqueness around the industry.

Until now, the fiscal framework for the exploitation of Nigeria's oil and gas resources has been predicated on two key pieces of legislation:

- The Petroleum Act of 1969
- The Petroleum Profit Tax Act of 1959

The aggregation of industry laws, which had governed the oil and gas sector over the years, has become archaic and no longer competitive and needs review and harmonization into a comprehensive law.

After an internal dialogue within the executive, civil society and stakeholders within the oil industry on key sector issues, the executive decided to overhaul sector policies.

The outcome of the process gave birth to the new National Oil Policy and the National Gas Policy, already approved by FEC and the draft National Fiscal Policy awaiting presentation to the federal executive council.

The second bill addresses fiscal issues around the industry. Since the fiscal tool remains an important tool for managing our oil and gas resources, it is urgently imperative to fix the fiscal dilemmas to ensure viability of the industry as well as providing a fair return to the state while offering a risk balanced return to the investors.

Various infrastructural gaps exist in Nigeria's domestic gas sector, while transportation and distribution of produced natural gas remains an underdeveloped segment of the value chain.

Numerous investment and operations of mid-stream sector falls solely on upstream producers. Litany of examples abound in our oil and gas space, such as where you find economics of gas across the value chain relying on cross - subsidies from oil which is not the case in most mature global market.

This unorthodox custom often results in reduced government take in oil projects and an entry barrier to investors who may lack upstream tax capacity.

Our perspective is to enhance the concept of fiscal neutrality and a broad based development so that each segment of the value chain does not lean on the other. The robustness of the PIGB is well able to address these industry lapses.

The bill will also address the issue of cost. Nigeria operates one of the highest costs of extraction among oil provinces in the world.

The message is becoming clearer that we have to reduce cost of production if the country is to be competitive in the modern low oil price world.

Now is the time to tweak the existing industry laws and come up with a new legal, institutional, commercial framework that will liberalize the petroleum industry as well as create a competitive business environment that will enhance Nigeria's revenue.

With North America becoming more energy self-reliant, Europe the technology for alternate energy and China maintaining a grip on the natural resources of the entire Africa flank, in addition to the search for oil and gas through fracturing at home front, our window of opportunity to benefit maximally from the petroleum industry is narrowing.

It is clear that the shale play revolution is gradually changing the geopolitics of oil, with ripple effects likely to linger on for years, which could have a serious global implication if we do not organize our affairs.

Our policy response in this regard should be to grow gas-based industries and start looking inwards by capturing the Nigeria market rather than searching for foreign market. Domestic utilization of our gas resources will help Nigeria grow its local manufacturing sector, which will also have a multiplier effect on employment for our teeming population that has been a serious concern in the country.

Numerous discoveries of petroleum plays in the East Africa and sub-Saharan African region signifies more incentives and new licenses are up for the grabs for investors who would need a more stable business climate.

This is no good news for us, as increased supply base in oil and gas in the international market is making the market share getting tighter. However, by virtue of the size of the country's assets we will have a competitive edge once we begin to take advantage of our enormous gas resources and our new laws that are more competitive.

Finally, it is a national priority to have certainty and clarity over the operations of the petroleum industry as it will foster more licensing rounds, enhance revenues and increased economic activities.

New acreages will be awarded for exploration and production under new laws and terms, especially offshore which is likely to account for much of the growth in the nation's reserves.

For too long we have waited for this moment expectantly and sheer excitement, knowing that the bill will disentangle us from the manacles of inefficiency, low investment drive and opacity.

There were some complaints of shrinkages of some agencies in the Bill and there is a need to consider the concept of ability to stand alone versus efficiency of service deliveries.

We must relish the urgency of this moment, as all hands should be on deck to make sure the bill achieves what it is meant to achieve.

Getting to the yes on the PIGB is a great milestone, I am so glad we have begun heeding the clarion's call.

An Abridged Address by Dr Emmanuel Ibe Kachikwu, Honorable Minister of State Petroleum Resources at a Symposium on PIGB organized BY NEITI



NEITI MOVES TO NEW OFFICE

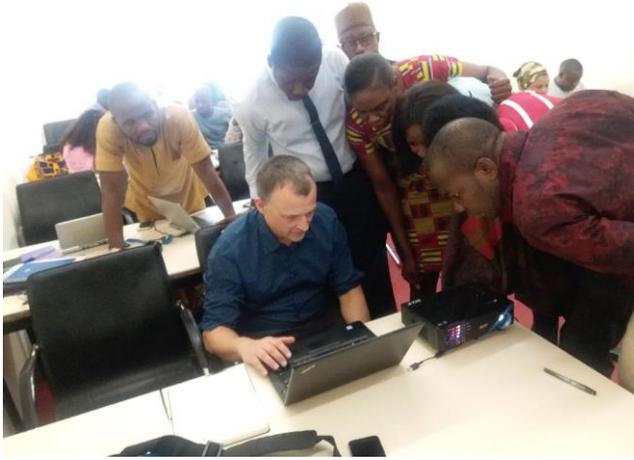
The Nigeria Extractive Industries Transparency Initiative (NEITI) has relocated from its former office in Maitama to a new office in Asokoro, Abuja.

The Executive Secretary of NEITI, Mr. Waziri Adio made this known to stakeholders and the public recently. The new office is located at No 60, Nelson Mandela Street, off Kwame Nkrumah Street, Asokoro, Abuja.

Mr. Adio stated that given the economic realities in the country, NEITI has decided to take this step to enable the organization reposition itself and function more effectively and efficiently.

“As a transparency organization, NEITI needs to save cost and utilize the little funding available to ensure that implementation of Extractive Industries Transparency Initiative (EITI) in Nigeria is not slowed down as a result of funding.”

He therefore called on all stakeholders who may have one reason or the other to visit NEITI to locate the above-mentioned address while reassuring the public of its commitment to transparency, accountability and good governance in Nigeria’s extractive sector.



FINANCIAL MODELLING THE FUTURE OF EITI-*Waziri Adio*

To deepen knowledge and build capacity of its staff and stakeholders on financial matters, the Nigeria Extractive Industries Transparency Initiative (NEITI) in collaboration with Open Oil supported by DFID and Foster, held a training on

financial modelling at the Shehu Musa Yar'adua Centre, Abuja from 21st – 23rd March 2018.

The Executive Secretary of NEITI, Mr. Waziri Adio, in his welcome remarks, stressed the importance of financial modeling skills especially its versatility and applicability to a myriad of economic issues.

Mr. Adio noted that NEITI is moving away from an exclusive focus on yearly audits of the extractive sector, to educating and disseminating information on different areas of the industry to all spheres of society including the government, private sector, and citizens.

He urged participants at the workshop to develop themselves by using new skills learnt at the workshop. He expressed appreciation to Adam Smith International for the technical and financial assistance provided through OpenOil and FOSTER.

The focus of the training was on understanding the 1993 PSC agreements in Nigeria's oil sector. It included an in-depth discussion on 1993 Petroleum Sharing Contracts (PSCs), and building a financial model for revenue, cost, and profit estimates for the 1993 PSCs.

At the workshop, participants were trained on how to build a financial model using standardized modelling tools to ascertain revenues accruable to the Federation from these PSCs.

The workshop also noted the need for participants to build their skill on financial modelling and its importance in understanding projects.

Stakeholders at the workshop who included representatives of Nigeria EITI, Zambia EITI, DPR and CSOs were also exposed to techniques of conducting advocacy from a position of knowledge using scientific data rather than sentiments.

Participants agreed that the use of financial models in various aspects of the economy would bring about relevant growth when the results are analysed and necessary policies put in place.

NEITI HOLDS FIRST MEETING IN ASOKORO- ENCOURAGES STAFF TO WORK HARD

The Executive Secretary of the Nigeria Extractive Industries Transparency Initiative NEITI advises all staff of the organization to put in their best to ensure transparency, accountability and prudent management of extractive revenues in Nigeria.

The Executive Secretary of NEITI Mr. Waziri Adio made this call during the first meeting at the new office in Asokoro, Abuja.

Mr. Adio appealed to staff to live within the limited spaces available to them.

He explained to them that there might be challenges at this beginning as movement to a new place is not always hitch free.



“Please note that as we are trying to settle down here , you may experience challenges with light, internet, parking space and so on. Be assured that management is trying its best to ensure that these facilities are in place to serve you better and ensure smooth operations”.

He reaffirmed that NEITI is determined to pursue its mandate having been set up to promote prudent management of revenues from its abundant natural resources like oil, gas and mining to reduce poverty and ensure sustainable development. Staff therefore should determine to work under any condition for the overall well-being of our country.



US EMBASSY TO STRENGTHEN PARTNERSHIP WITH NEITI

The Embassy of United States of America in Nigeria has expressed readiness to collaborate with the Nigeria Extractive Industries Transparency Initiative (NEITI) in the achievement of its mandate.

Speaking through Counselor for Economic Affairs, Ms. Susan P. Garro recently at a meeting with NEITI's Director of Communications, Dr. Orji Ogbonnaya Orji, the embassy reassured of its continued support to EITI implementation in Nigeria.

Ms. Susan stressed the need for a Memorandum of Understanding between NEITI and USAID to strengthen the existing relationship with the embassy, noting that prudent management of extractive resources in Nigeria is very crucial to the US government.

She noted that the US government is currently supporting NEITI's work through the Strengthening Advocacy and Civic Engagement (SACE) Project with funding support from the United States Agency for International Development (USAID).

Speaking earlier at the meeting, NEITI's Director of Communications briefed the embassy officials on the current status of EITI implementation in Nigeria, and expressed delight for the goodwill and interest of the embassy in NEITI's operations.