
## FGN EARNS OVER $55 BILLION IN OIL & GAS AND N55 BILLION IN SOLID MINERALS.

NEITI recently released its 2014 Oil & Gas and Solid Minerals reports in compliance with the EITI standards. The reports were released on 30th December 2016.

The highlights of the reports show that Nigeria earned $55.5 billion from the oil and gas sector and N55.82 billion from the solid minerals sector in 2014.

The 2014 oil and gas audit report indicate that a total of $4.7 billion and N318.2 billion that should have gone to the Federation Account were not remitted by NPDC and its parent company, NNPC. Losses from crude-for-product swap and Offshore Processing Arrangements (OPA) were put at $198.7 million in 2014.

At the close of the 2014 oil and gas audit, NPDC had not paid the outstanding $1.7 billion for the eight OMLs under the Shell JV divested to it by NNPC. NPDC had also not paid for the four OMLs under the NAOC JV divested to it by NNPC. Those four assets were recently valued by DPR at $2.25 billion; NPDC had sought clarification for the basis of the valuation.

According to the reports, the total revenue flows for the oil and gas sector fell from $58.07 to $55.5 billion between 2013 and 2014, a decline of about 5%. However, revenue flow for the solid minerals sector in 2014 showed a marked improvement over the previous year, with a 48% rise from the N37.676 billion of 2013 to N55.8 billion in 2014.

Forty-one (41) oil and gas companies and 16 government agencies were audited for the 2014 Oil and Gas Audit cycle. These were the producing companies that made material payments of $5 million and above to the federation in 2014 and the government agencies that received funds on behalf of the federation.

109 producing assets were active in the year, comprising: 59 Joint Venture (JV) licenses; 26 Sole Risk and Marginal Field Operating (SRMF) licenses; 23 Production Sharing Contract (PSC) licenses; and one Service Contract (SC) license.

The 2014 oil and gas audit, which was conducted by SIAO and Co., a Nigerian accounting and auditing firm, also reveals the following: 22 billion litres of petroleum products were imported as against the 20 billion litres imported in 2013, with 950 million litres of the products locally produced in 2014 as against the 2.6 billion litres locally produced in 2013; N1.2 trillion was processed as subsidy claims in 2014 as against the N1.3 trillion processed for subsidy in 2013; and N426.6 billion was distributed in 2014 under the Subsidy Re-investment Programme (SURE-P), same as the SURE-P figure for 2013.

Other major highlights of the 2014 Oil and Gas Audit report include the following:

**1. Unremitted Funds by NPDC**

N68.28 billion was the outstanding liabilities from NPDC for PAYE, WHT, EDT, VAT and NDDC Levy while $3.3 billion was the outstanding liabilities for Royalty Oil, Royalty Gas, PPT and Gas Flare Penalty. (Breakdown of the outstanding liabilities of NPDC is in Table 1 below)

**2. Shortfall of N250 billion in Remittances to Federation Account by NNPC**

The value of crude oil allocated to NNPC for domestic use in 2014 came to $15.67billion or N2.44trillion.Only N1.36trillion was received in the year 2014 in respect of domestic crude oil; while the total deduction from domestic crude sales was N830 billion. This therefore leaves an unremitted balance of N250billion from the domestic crude sales.

**3. $1.42billion NLNG Dividend for 2014 Not Remitted by NNPC, totaling $15.8 billion not remitted between 2000 and 2014**

- NLNG paid $1.42 billion to NNPC as dividends, loan and interest repayments for 2014 but the amount could not be traced to the Federation Account.
- Between 2005 and 2013, there was an outstanding of $12.92 billion of dividends, interest and loan repayment made by NLNG to NNPC but not remitted to the Federation Account;
- The 2014 audit uncovered evidence of $1.5 billion paid by NLNG to NNPC between 2000 and 2004 but also not remitted.
- This brings the sum of unremitted NLNG dividends, interest and loan repayment to $15.8 billion as at the end of 2014. (Year-by-year breakdown in Table 2 below).

The audit of the solid minerals sector which was conducted by Amedu Onekpe and Co, a Nigerian accounting and auditing firm, had the following highlights:

- Total of 498 companies covered, out which only 39 met the materiality threshold payments of N3 million and above. But these 39 companies accounted for 90.89% of total payments for the sector.
- Dangote Cement accounted for 32.18% of the total N1.2 billion paid as royalties for the sector;
- Of the 36 million tons produced in the sector, limestone and granite accounted for 56.68% and 30.59% respectively;
- An increase of about 20% in coal production from 106,456 tons in 2013 to 127, 467 tons in 2014;
- The value of exports of solid minerals in 2014 was $26.14 million out of which Lead/Zinc accounted for 90.13% with Free on Board (FOB) value of $23.561 million.

- Exports figures reported by companies were different from those declared by Government Agencies.
- Multiplicity of taxes, fees and levies imposed by the three tiers of government on extractive companies makes the environment unsuitable for business.
- Inefficiency in the system of record keeping and reconciliation process by Government Agencies result in the huge variances between company payments and government receipts.
- The poor monitoring and regulation by regulatory agencies in the sector result in gross under-declaration and misstatement of production volumes, leading to significant revenue loss to the government.
- A total of N9.9 billion that accrued up to 31st December 2014 was shared in July 2016 among the three tiers of government. This is the first time revenue from this sector would be disbursed.
- The solid minerals sector accounted for 4% of total national export earnings for the year 2014; this disclosure reconfirmed Nigeria's over dependence on oil and gas and marginal interest in the solid minerals sector in spite of the infinite opportunities.

On the whole the two reports reveal that most of the remedial issues flagged in previous NEITI audits reports have remained unresolved. NEITI therefore urges the legislature, media, civil society groups and citizens at large to use the information and data contained therein to trigger informed debates, strengthen the demand for reforms, and hold governments and companies to account.

The release of these reports by NEITI is in accordance with the global Extractive Industries Transparency Initiative (EITI) standards which encourages implementing countries to release their independent industry audit reports at most two years in arrears.

The detailed information and data, findings and recommendations contained in the comprehensive reports are available on the NEITI Website www.neiti.gov.ng.

**Table 1: Breakdown of Amount Withheld by NPDC**

| S No. | Un-remitted Funds | Naira (million) | Un-remitted Funds | Dollar (million) |
|---|---|---|---|---|
| | PAYE | 42 | Royalty Oil | 451.4 |
| | WHT | 17,1000 | Royalty Gas | 15.2 |
| | EDT | 15,700 | PPT | 991 |
| | VAT | 7,000 | Gas Flare Penalty | 1820 |
| | NDDC LEVY | 28,300 | | |
| | **TOTAL** | **68.2 million** | | **3.3 billion** |

**Table 2: Breakdown of NLNG Dividends from 2000 to 2014**

| Year | USD'000 |
|---|---|
| 2000 | 211,341.00 |
| 2001 | 322,077.00 |
| 2002 | 226,562.00 |
| 2003 | 436,272.00 |
| 2004 | 280,095.00 |
| 2005 | 207,282.00 |
| 2006 | 332,980.00 |
| 2007 | 842,957.00 |
| 2008 | 2,613,170.00 |
| 2009 | 879,839.00 |
| 2010 | 1,427,512.00 |
| 2011 | 2,537,503.00 |
| 2012 | 2,795,531.00 |
| 2013 | 1,289,592.00 |
| 2014 | 1,420,000.00 |
| **Total** | **15,822,713.00** |