



FGN JV CASH – CALLS EXIT, A BIG RELIEF- ADIO

The Nigeria Extractive Industries Transparency Initiative (NEITI) has commended the Federal Government’s decision to terminate cash call payments on Joint Venture Agreements with major international oil companies.

According to the Executive Secretary Waziri Adio, “NEITI is relieved that the exit from this funding arrangement which has lasted over forty years has received the endorsement of the Federal Executive Council. NEITI applauds this landmark decision as most timely, bold, and courageous and a huge relief given the avoidable huge debt burden which JV Cash payments have imposed on the nation over these years. We note that all NEITI independent audit reports on the oil and gas industry since the last ten years had alerted the nation that the management of JV Cash Call regime had constituted drain pipe to the country’s scarce oil and gas revenues”.

NEITI Reports equally expressed concerns on the process lapses in the management of the Cash Call and the wider implications to huge revenue leakages. For instance, the Reports disclosed that from 2009 to 2013, NNPC had made total Cash Call payments of N2.4 trillion and another \$16.2 billion respectively as Cash Calls obligations for Joint Venture operations in the oil and gas industry. A breakdown of the naira components of the payments alone shows that in 2009, the country paid N460.24 billion while Cash Call for 2010 stood at N441.44 billion. In 2011, the sum of N416.58 billion was paid, and in 2012, the figure rose to N612.93 billion while in 2013 the sum of N492.81 billion was paid as Cash Call to JV operations. A similar breakdown of payments in foreign currency shows that in 2009, the sum of \$3.73 billion dollars was paid. This marginally increased to \$3.78 billion in 2011 while \$2.60 billion was spent by the nation on Cash Call. The total Cash call payments for 2012 and 2013 were \$3.10 billion and \$2.98 billion respectively.

The decision of the Federal Government to terminate this funding arrangement with major oil companies is therefore a bold step in the right direction. One immediate benefit is that it will free the country from complex financial burden and allow the resources to be channeled to other national priorities. Also, with the Federal Government's decision, an important finding and recommendation outlined in the NEITI independent audit reports ignored over the years has been implemented as part of the on-going reforms. The Minister of State for Petroleum Resources, Ibe Kachikwu, and the management of the NNPC also received NEITI's commendation for responding adequately to this remedial issue in NEITI Reports in the overall interest of the nation.