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NIGERIA

Topical Info

Energy Sector

Gas Strategy

Gas



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NIGERIA GAS STRATEGY

**REPORTS OF THE OGIC
[OIL AND GAS SECTOR REFORM
IMPLEMENTATION COMMITTEE]**

**REPORTS ON THE NIGERIAN
OIL AND GAS SECTOR REFORM
IMPLEMENTATION COMMITTEE
ESTABLISHED BY THE
NATIONAL COUNCIL ON
PRIVATIZATION**

**REPORTS ON THE NIGERIAN OIL AND GAS
SECTOR REFORM IMPLEMENTATION
COMMITTEE ESTABLISHED BY THE
NATIONAL COUNCIL ON PRIVATIZATION**

**Oil and Gas Sector Reform Implementation
Committee (OGIC)**

Victor
file away
20/11/00

OIL AND GAS SECTOR REFORM IMPLEMENTATION COMMITTEE

- | | | | |
|------|--|---|-----------------------|
| 1) | Dr Rilwanu Lukman | - | Chairman |
| 2) | Dr Ejike Ignatius Onyia, Member NCP | - | V-Chairman |
| 3) | Permanent Secretary, MPR | - | Member |
| 4) | Special Adviser to President (Utilities) | - | Member |
| 5) | Group Managing Director, NNPC | - | Member |
| ✓6) | Director, DPR | - | Member |
| 7) | Group Executive Director (R&P) | - | Member |
| 8) | Chairman, Technical Committee, NCP | - | Member |
| ✓9) | Dr. Maxwell Gidado | - | |
| | Senior Special Assistant to President on
Constitutional Matters | - | Member |
| 10) | Mr. Funsho Kupolukun | - | |
| | Special Assistant to President (Petroleum) | - | Member |
| 11) | Mr Dennis Odeigah (FMF) | - | Member |
| 12) | Alhaji Jafaru Paki | - | |
| | Managing Director, Unipetrol | - | Member |
| 13) | Mr. Levi Nwokafor, Independent Oil Marketer | - | Member |
| | Executive Secretary, Utilities
Charges Commission | - | Member |
| 14) | Mr. Adams Oshiomhole | - | |
| | President, Nigerian Labour Congress | - | Member |
| 15) | Ms. Anne Okigbo, Ag. Resident Representative
The World Bank | - | Member |
| 16) | Mr. Chamberlain Oyibo Fmr, GMD | - | Member |
| 17) | Engineer M. M. Ibrahim | - | Member |
| 18) | Dr. Onaolapo Soley | - | Member |
| ✓19) | Barrister Sola Adepotun | - | Member |
| 20) | Dr. Nuhu Obaje, Geologist | - | Member |
| 21) | Mr. Yinka Omorogbe, Academic | - | Member |
| 22) | Ms. Donu Kogbara, Journalist | - | Member |
| ✓23) | Director General, BPE | - | Committee Coordinator |
| 24) | Mr. A. A. Udofia, BPE | - | Secretary |

BPE'S STAFF

1. Y. J. MALO
2. J. C. ANICHEBE
- ✓3. I. N. CHIGBUE (MRS)
4. CHIEF U. OKPA-OBAJI
5. G. BEN-OKEZIE (MRS)
6. Y. A. ADAMU

For Inauguration by
12:00 noon at the Villa
25/11/00

**MINUTES OF THE FIRST MEETING OF OIL AND GAS TEAM HELD
ON 24th FEBRUARY, 2000 IN THE BPE BOARDROOM**

ATTENDANCE

1.	Nasir Ahmad El-Rufai	-	DG
2.	A. A. Udofia	-	TL
3.	M. A. Abiodun-Wright	-	ATL
4.	U. Okpa Obaji	-	Member
5.	S. O. Anuta	-	"
6.	J. C. Osuji	-	"
7.	I. S. Njiddah	-	"
8.	H. M. Lazzari	-	"
9.	Baba Mohammed	-	Member/Secretary

APOLOGY

1.	R. G. Omotowa	-	Member
2.	O. Adido	-	"
3.	Y. J. Malo	-	"

ABSENT

1.	A. A. Adesokan	-	Member
✓ 2.	I. N. Chigbue	-	"
3.	A. O. Ibeh	-	"
4.	Y. Adamu	-	"
5.	Chigbo Anichebe	-	"
6.	I. M. Kashim	-	"

OPENING:

The meeting which commenced at 12.30p.m. was presided over by Mr. A. A. Udofia, the Team Leader. He went through the list of enterprises the team was expected to work on and reiterated the need for hardwork to achieve the enormous tasks ahead. He further advised members to acquaint themselves with the peculiar characteristics of the enterprises under Oil and Gas Sector.

INFORMATION MEMORANDUM

The Team Leader stressed the need for members to read the available information memoranda to confirm their adequacy, information gap to be filled and recommend the next line of action. Enterprise officers who handled the affected enterprises under Oil and Gas would be required to submit all the documents at their disposal to the Team soonest.

TERMS OF REFERENCE

The Team Leader came up with Terms of Reference for the Steering Committee to be discussed and possible recommendation for the DG's consideration. Alh. Njiddah also presented the Terms of Reference which the team harmonised with those of the Team Leader. Thereafter, the Team was privileged to have had the DG in attendance. The following terms of reference were finally agreed.

- i) Formulate sector reform proposals for the approval of Council, to enable conditions for the sustainable development of the oil and gas sector.

- ii) Advise Council on policies and programmes to promote competition, efficiency, and transparency in the restructuring and privatisation within the oil and gas sector.
- iii) Formulate proposals for the approval of Council, for reducing government expenditure, and attracting private financing and investment in the oil and gas sector.
- iv) Advise Council on steps to be taken, while undertaking the reform of the oil and gas sector, to improve the efficiency, quality and availability of oil and gas products throughout Nigeria.
- v) Oversee the activities of various government agencies, parastatals, operators in the sector, and Consultants to Council leading to the restructuring, commercialisation and privatisation of NNPC and its subsidiaries, as required by law.
- vi) Coordinate all oil and gas sector activities and brief Council on a regular basis, drawing attention to progress and constraints.
- vii) Provide information briefs and guidance to all appointed consultants of Council on the execution of their assignment.
- viii) Carry out other functions related to the reform, restructuring and privatisation of the oil and gas sector, as may be assigned from time to time by the Council.

SUB-COMMITTEE

The suggestion of sub-committee for oil and gas was thrown open for discussion. Alh. I. S. Njiddah presented the list of Sub-Committees already prepared. Merger and additions were made with the following outcome for the DG's consideration and approval.

1. The Legal & regulatory matters
2. Upstream taxation and marginal fields policy
3. Downstream liberalisation, pricing and taxation policy
4. Rationalisation of non-core investments
5. Price equalisation competition and expansion of white products retailing operations
6. Environmental and other related social issues.

MEMBERSHIP OF STEERING COMMITTEE

The Special Adviser to the President on Petroleum and Energy would chair the Steering Committee, which had been constituted to include all stakeholders in the oil and gas sector. Mr A. A. Udofiah would serve as the Secretary. Details of other members would be made known soon.

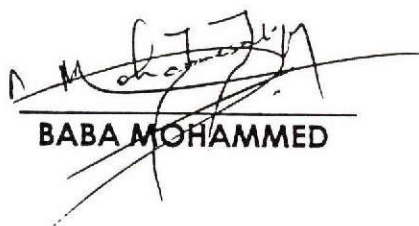
REFORM PACKAGES

Reform packages for the enterprises should be provided for members' use. Members were advised to read the reform packages to update themselves. According to the Team Leader, the audited accounts of NNPC up to 1998 Accounting year were available.

CLOSING

The Team Leader promised to give out all information at his disposal for members to educate themselves and contribute meaningfully. Mr. Osuji noted that there was no prayer at the commencement of the meeting and stressed the need to pray both at the commencement and closure of the meeting. The advice was noted. The TL thanked all members present for attendance and urged them to work hard towards the achievement of the objectives for which the team was set up.

M. A. Abiodun-Wright and Baba Mohammed said the closing prayers. Thereafter, the meeting closed at 1.37p.m.



BABA MOHAMMED

OIL AND GAS REFORM IMPLEMENTATION COMMITTEE (OGIC)

PROPOSED SUB-COMMITTEES FOR OGIC

The following sub-committees may be constituted:

- Legal Framework and Regulatory Matters
- Upstream Taxation and Marginal Fields Policy
- Rationalisation of Non-Core Investments
- Price Equalisation, Competition and Expansion of White Products Retailing Operations
- Downstream Liberalisation, Pricing and Taxation Policy.

TERMS OF REFERENCE

Legal Framework and Regulatory Matters

- ❖ Ensure that legal due diligence is conducted to identify legal issues that would need to be resolved for restructuring, commercialisation and privatisation.
- ❖ Review and approve draft articles, all legal documents including laws regulations, policies and processes governing the sector.
- ❖ Review and recommend clear roles for the Ministry, all regulatory agencies and operators in the Oil and Gas sector under the new dispensation of competition and liberalisation.
- ❖ Review the legal instrument (if any) establishing DPR with a view to empowering DPR as a regulator in a liberalised Oil and Gas sector.
- ❖ Assess the options for a regulatory framework for pipelining, refining, marketing and trading of petroleum products appropriate to a liberalised economy.

- ❖ Review all existing legal documents including laws and regulations governing operators in the sector, with the aim of producing a single document to regulate the activities and operations of the sector.
- ❖ Review all legal instruments establishing NNPC and that of its subsidiaries, and other public enterprises within the sector, with a view to making them operate in a competitive environment.
- ❖ Review in preliminary forms the contractual and bidding documents required for privatisation e.g. pre-qualification procedures, consensus contract, bidding rules, purchase agreement etc.
- ❖ Ensure timely finalisation of the contract/bidding documents for issuance to pre-qualified bidders.

Upstream Taxation and Marginal Fields Policy

- Review fiscal arrangements under the 1991 MOU and the MOU of 1996 recently adopted and make recommendations for its improvement with particular attention to the transfer of major shares of resource rents to Nigeria.
- Assess the level of PPT/Royalty Compliance and advise as appropriate.
- Review current Production Sharing Agreement (PSA)
- Review incentives provided for broad based oil and gas development under the Associated Gas Framework Agreement (AGFA).
- Review the current Marginal Fields Policy and advise as appropriate.
- Provide recommendations for improvements in existing fiscal arrangements and their administration drawing experience from major oil and gas producing countries.

- Review options for upgrading indigenous Nigerian capacity and increasing local content.

Price Equalisation Competition and Expansion of White Products Retailing Operations

- Review the functions and activities of the Petroleum Equalisation Fund and assess its role/relevance under the new dispensation of competition and liberalisation of the sector.
- Identify the broad sector structure and key aspects that need to be reformed for a competitive and liberalised downstream sector.
- Assess the current level of competition in the supply chain so as to ensure reasonable but low costs, and recommend measures to enhance competition at all levels of the supply chain.
- Provide options to reduce excessive market concentration achieved through common ownership and tied supply arrangements.
- Recommend measures for expansion of Retail outlets for white products (and also black products – LPFO)
- Recommend measures to generally enhance competition and a liberalised market.

Rationalisation of Non-Core Investments

- Identify NNPC's non-core investments/projects
- Review and recommend measures to rationalise such non-core investments
- Review the pros and cons of NNPC's financial (equity) participation in joint ventures, assessing that participation against other options.
- Examine alternative financing arrangements/schemes

- Assess current Production Sharing Agreement (PSA) terms against NNPC's joint venture participation.

Downstream Liberalisation, Pricing and Taxation Policy

- Based on detail review of the current situation, on Nigeria crude and product pipelines, refineries and petrochemical plants, recommend measures/options to improve availability, throughput and efficiency and reduce all forms of losses.
- Review the current maintenance practices and maintenance expenditure in place, and recommend measures to achieve improvement against international benchmarks.
- Review the demand for petroleum products in Nigeria. Compare with the quantity of products currently being produced in Nigeria and that, which might be produced if the refineries were to operate at full capacity.
- Identify the additional quantities that should be available for export, and whether the potential market in West African can absorb the surplus along with output of other export refineries in West African countries, and what price premium might apply.
- Review the performance of the import supply chain to forestall shortfall in supply to the home market, consider institution/contractual options for Nigeria to obtain supplies at a fair price
- Assess the impact of petroleum supply problem on the economy generally and recommend the minimum National Stock level.
- Assess the tariffs charged by operators of crude oil and products pipelines and their appropriateness for Nigeria's circumstances.
- Review the current pricing system of petroleum products in the country vis-à-vis the pricing regime commercially determined in a deregulated market.

- Assess the impact on households and businesses of such a revised price system.
- Recommend price methodology for all levels within the petroleum chain including appropriate phasing of deregulation in the sector.



THE PRESIDENCY
NATIONAL COUNCIL ON PRIVATISATION
Secretariat: BUREAU OF PUBLIC ENTERPRISES
1, OSUN CRESCENT, OFF IBB WAY, MAITAMA DISTRICT,
P.M.B 442, GARKI -ABUJA

MINUTES OF THE 7TH MEETING OF THE OIL AND GAS SECTOR
REFORM IMPLEMENTATION COMMITTEE (OGIC) HELD ON
THURSDAY ~~27th JULY~~ 2001 AT NICON HILTON HOTEL, ABUJA.

27th July

**MINUTES OF THE 7TH MEETING OF OIL AND GAS SECTOR REFORM
IMPLEMENTATION COMMITTEE (OGIC) HELD ON 27TH JULY 2001 AT
NICON HILTON HOTEL, ABUJA.**

PRESENT

- | | | | |
|-----|--------------------------------------|---|------------------|
| 1) | Dr. Rilwanu Lukman | - | Chairman |
| 2) | Dr. Ejike Onyia | - | Vice Chairman |
| 3) | Mr. J. O. Gaius-Obaseki | - | Member |
| 4) | Mr. Chamberlain O. Oyibo | - | Member |
| 5) | Mr. M. A. Ofurhie | - | Member |
| 6) | Mr. F. M. Kupolokun | - | Member |
| 7) | Dr. Nuhu Obaje | - | Member |
| 8) | Mrs. J. O. Ogunleye | - | Member |
| 9) | Mrs. Donu Kogbara | - | Member |
| 10) | Dr. Onaolapo Soley | - | Member |
| 11) | Mallam M. M. Ibrahim | - | Member |
| 12) | ^{EMM}
Mansur Ahmed | - | Member |
| 13) | Mr. Ibukun Akinduro | - | Member |
| 14) | Mr. Sola Adepetun | - | Member |
| 15) | Alh. Ja'afaru Paki | - | Member |
| 16) | ^{MYS}
Ms. Yinka Omorogbe | - | Member |
| 17) | Mr. A. A. Udofiah | - | Member/Secretary |

APOLOGY

- | | | |
|---|---|--------------|
| Mr. Akin Kekere-Ekun | - | Member |
| Mal Nasir Ahmad el-Rufai
* Perm Sec. | - | Co-ordinator |

ABSENT

- | | | |
|--------------------------|---|--------|
| Adams Oshiomhole | - | Member |
| Dr. Maxwell Gidado | - | Member |
| Senator Levi I. Nwakafor | - | Member |
| Mr. D. L. Odeigah | - | Member |

ACTION

Mr. Mark Tomlinson - Member
Alh. Saad A. Mohammad - Member

IN ATTENDANCE

Dr. O. Ogunsola - NNPC
(Chief) Mrs. Sena Anthony - NNPC
Oniwon .A. O. - NNPC
Mr. J. C. Okaro -
Mr Yunana Malo - BPE

1.0 OPENING

The meeting commenced at 10.45 a.m. Alhaji Ja'afaru Paki and Mr. J. O. Gaius Obaseki led the opening prayers.

The Chairman welcomed members to the meeting.

2.0 READING OF THE MINUTES OF THE LAST MEETING

2.1 The minutes of the last meeting were reviewed and the following corrections effected.

- 1) The date of the meeting should read 21st and 22nd June 2001.
- 2) On page 1, Dr. Ogunsola should be reflected as a representative of GMD (NNPC) and not a member. Also change Mr. Yinka Omorogbe to ^{Mrs.} Yinka Omorogbe. While Alh. Ja'afaru was present; his name should be spelt "Ja'afaru" and not "Jafaru".
- 3) On Page 2, Section 1.0 Paragraph 3, Change "Vice" to "Deputy"
- 4) On Page 3: Section 3.3, Line 5, delete Network.
- 5) On Page 4, Section 4.1.2, the opening should read "The executive summary on gas policy is as follows:"
Then towards the end of the section a new sentence should be added thus: "And concluded that Nigeria is a gas province with some oil in it". The same sentence, which appeared in section 4.1.6, should therefore be deleted.

- 6) Page 5, Section 4.1.4 Paragraph 2 should be recast as follows:
- i) Port-Harcourt Refinery
 - ii) Warri Refinery and Petrochemicals Company Ltd.
 - iii) Kaduna Refinery and Petrochemical Company Ltd.
 - iv) Eleme Petrochemicals Company Ltd.

On the same page, 3rd paragraph delete "Port-Harcourt Refining Company"; the 4th Paragraph should be rephrased to read "The Sub-Committee made the following observations during their visit to Eleme." And correct the following:

Item 2 to read "There was not much activity at the company; Item 4 "There were pricing and marketing problems in the company which led to stock piling of unsold stocks in the warehouse. Delete item 9.

On page 6, change "break down" to "breakdown" and in section 4.1.6, line 8, change "policy" to "policies".

Page 8, Section 4.2.4 item c, change "dwarf" to "different"

Page 11, Section 4.4.2, item (ii) change "Minister" in both places to "Ministry"

Page 12, item iv, rephrased to read "The commercialised NNPC should be a limited liability company. It should hold government's shares in its privatised subsidiaries". Also in section 4.5.1, 3rd bullet delete JVCs. While in paragraph three, change "PSAs" and "SCAs" to "PSCs" and "SCs".

Page 13, 3rd Paragraph to be changed to: "members also stressed the need for clear policy on contract employees."

Lastly, Section 7.0 should be recast as follows:

"The Chairman thanked members for the productive deliberations. Dr. Onyia and Alh M. M. Ibrahim said the closing prayers. The meeting adjourned at 1.30p.m on the 22nd June 2001."

3.0 MATTERS ARISING

3.1 Report Presentation

Members noted that most of the issues deliberated upon during the last meeting were reports from various sub-committees and should not have occupied much space in the minutes. Thus, it

was pointed out that in future, some of the reports should just be noted. In particular, the reports of some Sub-Committees, were seen to ^{be Contentious} contain errors given that information was not obtained from the NNPC. Deliberations on these issues brought to the fore the following:

- a) That the report on non-core investments was discussed ~~and~~ ^{noted.} but no agreement or approval was given.
- b) That the Sub-Committee had worked in difficult environments with no information forthcoming from NNPC.
- c) That most of the issues raised with regards to the relationship between existing organisations would be discussed when the structure of the industry is to be discussed. *

3.2 Upstream Operations Sub-Committee

The Upstream operations Sub-Committee distributed its second interim report. It was deferred for deliberation during the next meeting.

3.3 Presentation By Total Nigeria Plc

Mr. Shokunbi presented the position paper. It focused on issues on liberalisation, industry standards, taxation, distribution facilities of white products e.t.c. The presentation concluded that current problems in the sector have been due to the non-liberalisation of the market and excessive taxation.

During question and answer session, the following issues were noted:

- a) The need to encourage the use of LPG in order to discourage deforestation through price reductions, which is being worked out by NNPC and the government.
- b) The need to address the problem of scarcity so as to stabilise prices and encourage usage.
- c) The need to enforce standards and maintenance even as the facilities are being prepared for privatisation.
- d) The current levels of taxes (45%) and surcharges should be removed immediately or drastically reduced.

- e) The need for dialogue between NNPC and the marketers to eliminate the observed communications gap and stabilise prices.
- f) The current culture of poor maintenance of cylinders as well as non-manufacturing of new ones should be reversed by instituting a fund for these purposes as proposed in 1999 policy paper.
- g) The need to encourage local production of cylinders and cooking equipment.
- h) The need to liberalise the sector as well as ensure appropriate pricing of products until equilibrium is reached.
- i) Members also noted that LPG has a number of competitors such as Natural gas, Coal briquette, kerosene, e.t.c. Thus subsequent policies should take these into consideration.
- j) The bituminisation programme should be revitalised and made operational.
- k) The use of the Apapa jetty should be streamlined towards ensuring greater efficiency.
- l) Next time representation by Stakeholders should be at the highest level of the organisation (CEO).

3.4 Downstream Sub-Committee

Reported that the final report is being put together for presentation in the next meeting.

3.5 Industry Structure Sub-Committee Report

The Sub-Committee Chairman presented the report. The report reviewed the current industry structure and presented a harmonised view on what the structure of the industry should be. The report was extensively discussed, various scenarios postulated and the following issues noted:

- i) The need to define in details the roles and functions of each unit highlighted to avoid conflict.
- ii) The Committee was advised to consider merging the Secretariat of NPCC and the residual functions of MPR with a different name (say Directorate or Bureau of Petroleum Resources). This would enable the creation of a

Downstream Petroleum Council (DPC)

- professional policy body that is well staffed and remunerated outside the core ministry system.
- iii) The need to ensure that policy signals from the sector emanate from only one source (Minister) to avoid confusion.
 - iv) That NPC should be a major policy body responsible for high ^{level} international policy issues
 - v) That NPC could operate as a council without an Act or if desired with an Act that would make it more elaborate
 - vi) The need to remunerate all players in the industry equally.
 - vii) There may not be the need for a full blown Ministry
 - viii) The need for the Sub-Committee to consider the role and position of other agencies like NAPIMS
 - ix) To achieve a balance and well-informed position, the Sub-Committee was encouraged to under study the structure of Nigeria's competitors. This should include visit to such countries and institutions – Malaysia, Norway
 - x) That NNPC is scheduled for commercialisation while its subsidiaries would be privatised.
 - xi) That members of OGIC need to be kept informed of any major policy decision by NCP on Oil and Gas issues so as to guide the Committee's work.
 - xii) That the policy objective of the current restructuring effort should be made clear to the Committee to enable it work within such limits.

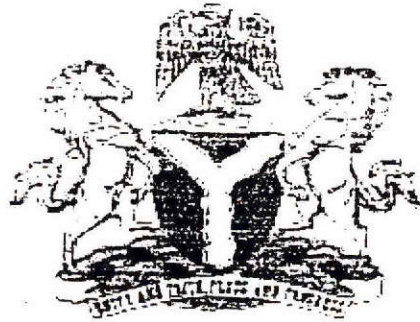
4.0 CLOSING

The Chairman thanked members for their useful contributions during the meeting. He encouraged them to operate with open minds towards ensuring positive transformation of the Sector. That members should not hesitate to suggest new ideas.

Finally, he hoped the Committee would finish its assignment before the December deadline.

CHAIRMAN

SECRETARY



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SECRET:

OIL AND GAS REFORM IMPLEMENTATION COMMITTEE (OGIC)

UPSTREAM OPERATIONS SUB-COMMITTEE

SECOND INTERIM REPORT OF THE SUB-COMMITTEE

1.0 The upstream Operations Sub-Committee of the Oil and Gas Implementation Committee (OGIC) has met five times since inception in July, 2000. This briefing covers from July, 2000 to July 2001.

2.0 MEMBERSHIP OF THE SUB-COMMITTEE

The membership of the Sub-committee is as follows:

- Chief Chamberlain Oyibo - Sub-Committee Chairman
- Dr. Nuhu Obaje - Member
- Chief Alex Udeani - Member
- Mr. Namite Egbedi - Member
- (Replaced by Mrs. J.O. Ogunleye)
- Dr. E. Ayoola - Member
- Mr. Omoregie, T. Eke - Member
- Dr. M.O. Oleka - "
- Mr. F. M. Kupolokun - Member/Facilitator
- Mr. Jean-Charles Osuji - Member/Secretary
- (Replaced by Aminu M. Gwani)

3.0 TERMS OF REFERENCE

The Secretariat of OGIC had earlier developed the following terms of reference for the work of the Sub-committee. These terms were:

- Review fiscal arrangement under the 1991 MOU and the MOU of 1996 recently adopted and make recommendation for it's improvement with particular attention to transfer of major shares of resource rents to Nigeria.
- Assess the level of PPT/ROYAL compliance and advise as appropriate.
- Review current Production Sharing Agreement (PSA).
- Review incentives provided for broad based oil and gas develop under the Associated Gas Framework Agreements (AGFA).
- Review current Marginal Fields policy and ADVISE AS appropriate.
- Review incentives provided for broad based Oil and Gas.
- Provide recommendations for improvements in existing fiscal arrangements and their administration drawing experience from major oil and gas producing countries.

However, in its early meeting, the Sub-Committee reviewed the terms of reference and came up with the following:

- Review fiscal arrangements under the 1991,1996 and the 2000 MOU and make recommendations on them.

- Review current production sharing agreements (PSAs), Risk Service Agreements (RSAs) and Joint Operating agreements (JOAs).
- Determine the adequacy or other wise of the level of PPT/Royalty and also assess the level of compliance and advise as appropriate.
- Review the incentives provided for gas development and utilization under the Associated Gas Utilization Framework Incentives (AGUFI).
- Review existing marginal field policy (if any) or formulate a marginal field policy.
- Provide recommendations for improvements in fiscal arrangements and administration drawing experience from major oil and gas producing countries.
- Review options for upgrading indigenous Nigerian capacity and local content.
- Determine the level of Nigerianisation and domiciliation of technology in the oil and gas industry.
- Consider any other matter relevant to the subject matter.

4.0 PROGRESS REPORT

The following has been deliberated and agreed as:

NPDC

As the Sub-committee has not yet received the report of the NPDC representatives to the Sub-committee, the sub-committee decided to write to the MD to give information on their activities, especially in view of their agreement with Agip Energy as core Investors.

MARGINAL FIELD POLICY

This Sub-committee is of the view that the Marginal Field Policy should be focused on indigenous participation. Therefore, government should dialogue with the Oil Companies to agree on the terms.

1. Fields with reserves of 10-50 million barrels should be considered as marginal, depending on nearness to production and transportation facilities like flow stations, pipelines, terminals, and whether they are on land, swamp, offshore or inland basins. And sometimes also depending on the geological structure of the field.

This suggestion we believe will be fine-tuned if there can be a dialogue between the government, NNPC, DPR, and the Oil Companies, and other interested parties in a form of a workshop.

Also as government has had several meetings with the Oil Companies in this direction, government should let us see a copy of the agreements without prejudice to whatever secrecy arrangements they may have undertaken.

2. Since these oil concessions legally belong to the oil companies, their cooperation will be very necessary. We believe that there must be a dialogue with them. A situation where they say there is no marginal field, it is not acceptable to the country. Fields that are undeveloped for 10 years or above should qualify to be classified as marginal fields. Whoever is going to be awarded marginal fields must have a one to one agreement with the oil companies production level, royalty payable to the original owners of the concessions, ~~community development program~~ and environmental arrangements e.t.c.
3. Marginal fields must be given to 100% to indigenous companies. However, these indigenous companies can give shares to technical partners, but to not more than 40%. Also

preference should be given to professionals in the sector. Host communities and federal character should be important factors.

From now on preference should give to Nigerians even in new concessions (in addition to the marginal oil fields) except in the deep offshore where only the big players can operate.

A marginal field operator should encourage Nigerianisation. He must have Oil Community representation, Federal Character representations and the list of his directors should be approved by government.

Relevant Local Governments should be given some percentage ownership of these companies, for which they need not pay in cash. And no single company should acquire more than two marginal fields initially; however with time, after necessary review, competent companies can be given some more as appropriate.

4. Before a marginal field can be put in production, a gas utilization programme acceptable to the original concession holders and approved by the DPR must be in place.
5. The Marginal Field owner should be responsible for containment, clean up, restoration and compensation where oil spill occurs.

The Marginal field owner should also have access to the Spill contingency group the CLEAN NIGERIA ASSOCIATES (CNA) where the spill is beyond his capability to handle. In case of common problems the operator should find the best way of solving his problem. And where insurance cover is available the operator is advised to take on the necessary insurance.

INDEGENEOUS NIGERIAN CAPACITY & LOCAL CONTENT

FOR Nigeria to have meaningful local content input into the oil industry, the participation of Nigerians in the industry must be increased.

Areas where participation must be increased include:

- **ENGINEERING**

Nigerian Companies that have facilities for Computer Aided Design like NETCO and some other similar companies should be increasingly involved.

There should be a policy that more and more engineering and geological work and other studies should be done in Nigeria. For example, the EA job that is now being done in Dubai could have been done in Nigeria effectively.

- **CONSTRUCTION OF FACILITIES**

Roads, bridges and upgrade of rigs and hoist and more and more production and maintenance activities should be handled by Nigerians.

Services like catering, transportation (especially land and sea), mud logging and mud engineering, and many other drilling services should be reserved for Nigerians.

Geological, geophysical and environmental studies should be handled by Nigerians especially Nigerian Universities where capable staff have been identified.

Nigerian raw materials were available especially in mud engineering, should be used. For example Nigerian bentonite and barite should be used in preference to imported ones.

In all these areas there must be a policy that insists that work should be done in Nigeria and by Nigerians according to a set time frame.

NIGERIANISATION AND DOMICILIATION OF TECHNOLOGY

Earlier in the life of the oil industry in Nigeria there was a clear-cut policy with respect to training of Nigerians to replace expatriates, with specific

7
milestones. But recently that policy has not been adhered to; infact expatriates are now replacing Nigerians. For example this situation has led to strike action in the industry.

Casual and contract staff are being preferred to regular staff resulting in professionals (geologists, engineers e.t.c) being on casual or contract appointment for up to ten years performing the same duties which their expatriate counterparts are doing. That policy that gives preference to Nigerians should now be restored, as more qualified Nigerians are now available worldwide.

The Oil Industry should be more involved in the training of our students in relevant fields in our universities, especially in the area of provision of laboratory equipment and computers.

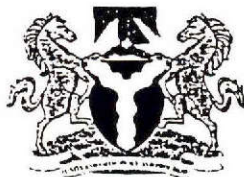
Research and Development in Nigeria should be spearheaded by the NNPC; this should be strengthened and focused.

The Petroleum Training Institute (PTI) should also be strengthened to serve the technology needs of the industry.

27th July, 2001

**REPORTS ON THE NIGERIAN OIL AND GAS
SECTOR REFORM IMPLEMENTATION
COMMITTEE ESTABLISHED BY THE
NATIONAL COUNCIL ON PRIVATIZATION**

**Non-Core Investments of the NNPC sub-
committee**



MEETING OF THE OGIC NON-CORE INVESTMENTS SUB-COMMITTEE HELD AT THE BPE'S BOARD ROOM ON 26TH JULY, 2000

ATTENDANCE

- | | | | |
|----|----------------------|---|----------|
| 1. | Mr. Akin Kekere-Ekun | - | Chairman |
| 2. | Engr. M. M. Ibrahim | - | Member |
| 3. | D. Odeigah | - | " |
| 4. | Alh. Yusouf Bamaiyi | - | " |
| 5. | Bello Aliyu Gusua | - | " |
| 6. | Engr. L. Iloka | - | " |

ABSENT WITH APOLOGY

- | | | | |
|----|--------------|---|---------------------|
| 7. | Mr. O. Acido | - | Alternate/Secretary |
|----|--------------|---|---------------------|

ABSENT

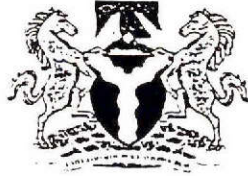
1. Mr Funsho Kupolokun
2. Mr D. Odeigah

1.00 INTRODUCTION

The Chairman declared the meeting open at exactly 3.00 p.m. The opening prayer was said by Engr. Iloka. Starting the meeting at exactly 3.00 p.m, according to the Chairman was very important because he wanted the future meetings and proceedings to be based on a foundation of discipline, control and purposefulness.

1.01 The Chairman in his opening address stated that the NCP intends to use the OGIC as a vehicle to:-

- Avoid conflicting statements by both Government officials and key players in the sector;



- Determine the status of the industry today and what it should be in the future.
- Rationalize and Sanitize the industry for optimal performance.

1.02 As there is no ministry of Petroleum Resources, the Special Adviser on Petroleum Resources has been appointed to Chairman the Oil and Gas Sector Reform Implementation Committee. The membership of the OGIC has accordingly be composed to achieve the above stated objectives and its terms of reference.

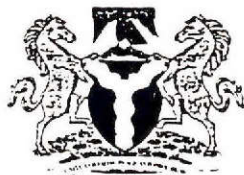
2.00 **DISCUSSION OF THE INAUGURAL ADDRESS AND TERMS OF REFERENCE**

2.01 Dr. E. Onyia Chairman the inaugural meeting and the subsequent formation of six sub-committees, including ours so as to achieve overall goal of sector reform expensively.

2.02 The members of the sub-committee were thereafter asked to introduce themselves and state their background in order to identify on whose shoulder the committee could rest on when issues arise for discussion.

2.03 The terms of reference of the Sub-Committee were restated as follows:-

- Identify NNPC's non-core investments/projects
- Review and recommend measures to rationlise such non-core investments
- Review the pros and cons of NNPC's financial (equity) participation in joint ventures, assessing that participation against other options.



- Examine alternative financing arrangements/schemes
- Assess current Production Sharing Agreement (PSA) terms against NNPC's joint venture participation.

2.04 It was agreed on the first term of reference as follows:-

- To write a letter to the Group Managing Director of the NNPC asking for a full list of the non-core investments/Projects to enable the committee do an accurate job.

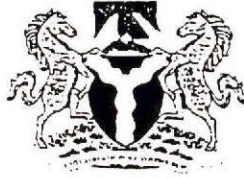
2.05 On the second term of reference, it was agreed that the task ahead of the committee was to determine what these investments are now and what they should be in future.

2.06 With respect to term of reference No. 3, it was agreed to among others, criticize and give alternatives to NNPC equity participation in joint ventures.

2.07 The committee would make alternative financing proposals to Government if it still wants to continue with the cash call arrangement. This was the conclusion on term 4.

2.08 On the fifth term, (PSA), it was decided to wait for full information from the NNPC before any comment was passed on the issue.

2.09 A member observed that there was an apparent overlap in the terms of reference of the Upstream and Downstream Sub-committees. This Committee concluded that the overlap was healthy as it would afford both the OGIC and NCP many options of recommendations to choose from at the end of the day. The overlap will enrich decision making.



3.00 PRESENTATION OF PAPERS

3.01 Members were asked to go through all the materials made available and those they could lay their hands on before the next meeting. Members are expected to make presentations to this Committee in the next meeting.

3.02 Mallam M. M. Ibrahim promised to get additional information on the terms of reference from the NNPC for members use before the next meeting.

3.03 In conclusion, it was agreed as follows:

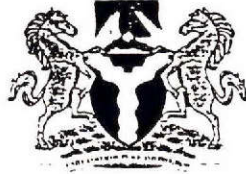
- That all papers given to the main Committee of OGIC should also be made available to the Sub-Committee. This should be on a continuous basis .
- On the three issues of:
 - i) The identification of Non-core Investments
 - ii) Joint venture arrangements and
 - iii) Production sharing agreement;

request should made for information on all of them promptly and timely from the GMD of NNPC as this will determine the time for Committee's next meeting.

DATE OF NEXT MEETING

At least a week's notice must be given to members before any meeting is held.

Sub-committee meetings would hold before the preliminary sessions of the OGIC main Committee meeting.



There must be timely payment of members entitlement

CLOSING

The closing prayer was said by Mallam Gusau at 3.50p.m.

MEMBERS

BACKGROUND

- | | |
|------------------------|--|
| 1. Mr Akin Kekere-Ekun | Banking |
| 2. Alh. Alley | Worked with AP for 26 yrs, has downstream experience. |
| 3. Alh Gusau | Former staff of Ministry of Petroleum Resources. |
| 4. Mr Iloka | Former Banker now a Consultant |
| 5. Mall. M. M. Ibrahim | Former Special Assistant to former Head of State, General Abubakar, now a student in Oxford. |
| 6. R. G. Omotowa | BPE Staff |

Secretary

Chairman

MINUTES OF THE 5TH MEETING OF THE OGIC SUB-COMMITTEE ON NON-CORE INVESTMENT OF NNPC, HELD AT THE NCP SECRETARIAT (BPE) ON 22RD DECEMBER 2000.

ATTENDANCE

- | | |
|------------------------------------|--------------------|
| 1. Mr. Akin Kekere- Ekun | - Chairman |
| 2. Mal. M.M. Ibrahim | - Member |
| 3. Alh. Yusouf Bamaiyi Omale Alley | - “ |
| 4. Dr. Bello Aliyu Gusau | - “ |
| 5. Engr. F. Kupolokun | - “ |
| 6. Mr. R.G. Omotowa | - Member/Secretary |

ABSENT

- | | |
|-------------------|----------|
| 1. Engr. L. Iloka | - Member |
| 2. Mr. D. Odeigah | - “ |

IN ATTENDANCE

- | | |
|-----------------------|-------|
| 1. Mal. Lawal Y. Gada | - BPE |
| 2. Hannatu Mohammed | - BPE |

INTRODUCTION

The meeting started with a prayer from Alhaji Yusouf Omale Alley. Each member present went through the minutes of the 4th meeting and corrections were effected on it as follows:

1.0 REVIEW OF MINUTES

- 1.01 On page 1, under the attendance list
- Mr. M.A. Ofurle is to read as Mr.M.A Ofurie.
 - Mr. David Ogbojo is to read as Mr. David Ogbodo.
- 1.02 On page 2, the second line of the paragraph 3.01 is to read as “premier indigenous engineering company in the oil industry in Nigeria”.
- 1.03 On page 2, line nine (9) of paragraph 3.01, the word “abruptly” is to be replaced with “abruptly” while the words “from here” on line 11 of the same paragraph are deleted.
- 1.04 The word “enough” in paragraph 3.06, page 3 is to be replaced with the word “enough”.
- 1.05 The 7th and 8th lines of paragraph 3.11 On page 4 are to be recast as follows:” Furthermore, NETCO is said to have the technical capability to undertake most engineering consultancy activities”, while the last sentence on page 4 should now read as “NETCO is of the view that the patronage it enjoys from the NNPC is so insignificant that it can do without the association with the latter.
- 1.06 Delete the last bullet point in paragraph 4.01 of page 5.
Delete the word “EPC” in bullet point 5 in paragraph 4.02 on page 5.
- 1.07 Cancel the first sentence of paragraph 6.03 on page 6 and whole of paragraph 6.00 on page 7.
- 1.08 The last bullet point on page 8 should be recast to read as follows:
“The condition of most of the already laid pipelines is good. An integrity test has to be carried out to determine the current status of the Oben-Ajaokuta pipeline”.

- 1.09 The last sentence of paragraph 7.14 on page 9 is to be cancelled.
- 1.10 In bullet point 3, paragraph 7.15 on page 9, change "litre" to "cubic meter".
- 1.11 In paragraph 9.07 on page 10, cancel the last sentence i.e the 3rd line therein and replace as follows in the first sentence of the same paragraph.
- 2IDS with 2-D seismic;
 - 3IDS with 3-D seismic.

After all the above corrections were made, Dr Gusau moved for the adoption of the minutes as adopted and was seconded by Alh. Yusouf Omale Alley.

2.0 INTERIM REPORT OF THE OGIC SUB- COMMITTEE ON NON-CORE INVESTMENTS OF THE NNPC

- 2.01 This report was ready for the last OGIC meeting but was not taken because of the OGIC tight schedule. It was however circulated to all the OGIC members present.
- 2.02 Arising from the circulation of this report, Engr. Kupolokun made an appearance before this sub-committee. He informed the committee that the sole reason why he came for the meeting was to come and make reactions to the issues raised in the interim report, and in particular, to defend the existence of Duke oil and convince the sub-committee of why the company should not be privatized.
- 2.03 He posited that Duke oil was established in 1988, as a trading company and its main objective was to monitor the movement of oil prices in the international market. He advised that because of its uniqueness it should not be privatized.
- 2.04 He advised the privatization of NPDC and argued that NPDC is the only subsidiary of NNPC involved in one of the core activities of NNPC, which is exploration and production. It is this subsidiary that makes NNPC an oil producing company in the mode of Petronas and Petrobras.

- 2.05 Engr. Kopolokun drew the attention of the sub-committee to the fact that PSC is a very complex matter. Many issues go into the formation of the agreement including water depth, duration of contract and the international price of crude oil. In addition, he disclosed that certain stringent conditions would have to be met before a signed PSC can be opened up.
- 2.06 He also cautioned that agreements were not amended halfway in order to ensure stability in the market. According to him, PSCs with the following companies have already been signed.
- 2.07 Engr. Kupolokun submitted that the PSC could be rescheduled only after the above agreements have run their courses as none of them could in fact commence production by 2007.
- 2.08 The secretary was directed to obtain the PSC decree of may 1999 from the Ministry of Justice while it was agreed that Mal. M.M. Ibrahim would present the Sub-committee's report to the OGIC meeting on the 11th Jan. 2001.

3.0 SUB-COMMITTEE DECISIONS ON THE NON-CORE INVESTMENTS (NPDC)

3.01 Nigerian Petroleum Development Company (NPDC)

The NPDC is 100% Nigerian Government owned. It was decided that the 40% supposedly reserved for core investor should be sold to Nigerian oil and gas institutional investors by private placement. The remaining 60% was recommended for sale to the public through the Nigerian Capital Market.

3.02 Integrated Data Services Limited (IDSL)

The IDSL was incorporated in 1988 as one of the subsidiaries of the NNPC to offer Geophysical and Petroleum Engineering Services in the upstream sector of the oil industry.

The IDSL was recommended to be privatised as follows:

- 40% core investor
- 40% institutional investors (oil companies, Engineering companies, and investors from related industry)
- 20% to the Nigerian public through the Nigerian capital market.

3.03 Nigeria Engineering & Technology Co. Ltd (NETCO)

NETCO was recommended to be treated as the IDSL case above. This means that it should not be restricted to Nigerians alone.

3.04 Information System Department

The Information System Department (ISD) was noted as the information nervous system for the NNPC. The committee noted that the operators in the industry run their own independent information system at the moment. However, the committee believed in the need to create synergy between different information systems for efficient and cost effective dissemination of information in the industry, which shall be industry funded and managed.

Consequently, the NAHCO-model of restructuring (in the aviation industry) is recommended for the eventual restructuring of the ISD. This transformation will engender better funding and infusion of more expertise.

3.05 National Strategic Seismic Data Storage

The NSSDS is basically a seismic data bank. Other departments in the ministry and the DPR and other institutions of higher learning duplicate its functions. Consequently, there is a need to rationalize all these similar institutions and locate them in the DPR. It should be regarded as a national statistical data bank focused on hydrocarbon resources management.

3.06 Petroleum Research Center and the Research and Development Division of the NNPC are recommended for handover to the PTDF. The PTDF is a Trust Fund with a life in perpetuity. It is designed to be an intensive intervention organization charged with the responsibility of developing manpower and the domestication of technology in the petroleum sector of the national economy.

3.07 The Nigerian Gas Company (NGC) by its current mode of operation is actually a gas transmission company. However, with envisaged restructuring of the NGC, it will be expected to:

- Handle the transmission of gas on an open access basis (common carrier agency).
- Have a sole responsibility of gas transmission, and it will neither buy nor sell gas or have any ownership stake in the production and tertiary distribution of gas.
- Remain 100% state owned
- Have the responsibility for network expansion through or by working in conjunction with potential BOT investors, gas producers and tertiary distributors.

3.08 Hyson is a company in which there is already a core investor. The Committee is recommending the sale of the remaining shares to the Nigerian public.

3.09 The London office of the NNPC is recommended for sale too.

3.10 Duke Oil, the committee concluded, is a paper company ostensibly meant for price intervention? It is not capitalized at all. Notwithstanding the fact that it does not meet the condition set by the FGN for the lifting of Nigeria crude oil, it has over the years been a beneficiary of crude oil term contract. It is not capitalized and has no structure in place. Consequently, its activities should be wound up and its functions are to be performed by a price intelligence committee to be made up of the representatives of the ministries of petroleum resources, finance and national planning commission.

3.11 Stallion properties is currently owned 51% by the NNPC and 49% by

Unipetrol Plc. The committee recommended that the 51% belonging to NNPC should be advertised and sold to interested investors at a competitive price. In view of the privatized Unipetrol Plc, it is imperative that the NNPC's 51% be subject to immediate placement in the stock market.

3.12 Dr. Gusau was asked to prepare a presentation on TOR no. 3 in the next meeting while Mallam M. M. Ibrahim was asked to do the same on TOR 4.

3.13 CLOSING

The meeting closed at 1.00pm and the next one was slated for 13/01/01

Summary of decisions taken at the 5th OGIC non-core investment of NNPC Sub-Committee

1. NPDC should be privatized as follows:
 - a. Nigerian Public: 60%
 - b. Institution Investor: 40%
2. IDSL should be privatized as follows:
 - a. Core Investor: 40%
 - b. Institutional Investor: 40%.
 - c. Nigerian Public: 20%.
3. NETCO is recommended to be privatized in the same way and proportion as the IDSL
4. ISD: NAHCO model of privatization was recommended for the eventual restructuring of ISD.
5. NSSDS should not be privatized. It should be regarded as a national statistical databank.
6. The Petroleum Research Centre and the Research and Development Division are recommended for hand over to the

PTDF. The PTDF is a trust fund with a life in perpetuity. It is charged with the development of manpower in the sector.

7. NGC should remain 100% Government owned but charged with network expansion through the medium of BOT investors.
8. Hyson: It is partly owned by a core investor. The remaining percentage equity is recommended for privatization to the Nigerian public.
9. The London office of NNPC is recommended for sale .
10. Duke Oil's activities are recommended to be wound up and its functions transferred to a price intelligence committee.
11. NNPC'S 51% stake in Stallion Properties is recommended for sale to interested investors through competitive bidding.
12. The Secretary was directed to obtain the PSC decree of 1999 from the Ministry of Justice.
13. Mallam M.M. Ibrahim was asked to present the sub-committees report to OGIC on 11/01/01.
14. Messrs M.M. Ibrahim and Gusau were mandated to make presentations to the sub-committee on TORs 4 and 3 respectively.

MR. AKIN- KEKERE-EKUN
Chairman

R.G. OMOTOWA
Secretary

MINUTES OF THE 6TH MEETING OF THE OGIC SUBCOMITTEE
ON NON-CORE INVESTMENTS OF NNPC, HELD AT THE NCP
SECRETARIAT – BPE ON 2ND AUGUST 2001

PRESENT

- | | | |
|----------------------------|---|---------------------|
| 1. Dr. Bello Aliyu Gusau | - | Ag. Chairman/Member |
| 2. Engr. L. Iloka | - | Member |
| 3. Alh. Yusouf B. O. Alley | - | “ |
| 4. Mal. M.M Ibrahim | - | ” |
| 5. Mr. R. G. Omotowa | - | Secretary/Member |

APOLOGY

- | | | |
|-------------------------|---|----------|
| 1. Mr. Akin Kekere-Ekun | - | Chairman |
|-------------------------|---|----------|

ABSENT

- | | | |
|-----------------------|---|--------|
| 1. Engr. F. Kupolokun | - | Member |
| 2. Mr. D. Odeijah | - | “ |

IN ATTENDANCE

- | | | |
|--------------------|---|-----|
| 1. Rahila Onya | - | BPE |
| 2. Omodara Adebola | - | BPE |

1.0 OPENING PRAYERS AND REMARKS

- 1.1 The meeting started at 2.30 p.m and was presided over by Dr. Bello Aliyu Gusau in the absence of the Chairman, Mr. Akin kekere-Ekun. Engr. Iloka led the opening prayers.
- 1.2 The Ag. Chairman called upon M.M Ibrahim to brief the meeting about the first interim report, which was to be presented at the last OGIC meeting held on January 11, 2001.

2.0 BRIEF ON THE 1ST INTERIM REPORT

- 2.1 M.M Ibrahim informed the meeting that the 1st Interim Report was not presented on January 11, 2001 due to time constraint. However, it was circulated to members present at the meeting. He said that the Chairman was absent for the meeting held on 26th June 2001 so he had to take note and react to some of the comments made by members.
- 2.2 He stated that members felt very strongly about the extent to which the Committee had carried out its assignment. They were of the view that the Committee had gone beyond its terms of reference and carried out what other subcommittees should have done. In addition, some members were of the view that the content of the report was not based on facts of the Corporation but on mere sentiments.
- 2.3 Furthermore, he said that a member at the meeting stressed that the Committee was geared towards destroying NNPC, which would have an adverse effect on the economy at large. It was at this juncture he said the Chairman-OGIC intervened stating that the Committee was working along its terms of reference. The Chairman-OGIC further stated that the Committee had to go to the Ministry of Finance Incorporated (MOFI) to get some required information because efforts to get same from NNPC had repeatedly failed.
- 2.4 Finally, M.M Ibrahim informed the meeting that the MD (NNPC) stated that as far as the Committee's report is concerned it was merely noted and not discussed. However, this wasn't the case

because the report was actually discussed going by all the comments raised by members.

3.0 **ADOPTION OF MINUTES OF THE LAST MEETING**

3.1 The meeting considered the minutes of the last meeting and corrections were made. A copy indicating the corrections and a clean copy of the last minutes are attached.

3.2 Thereafter, Alh. Alley moved the motion to adopt the minutes and M.M Ibrahim seconded.

4.0 **MATTERS ARISING**

4.1 The meeting was informed that the patronage NETCO enjoys from NNPC is very insignificant but nevertheless, the company has the technological capability to undertake most of the engineering consultancy activities in the industry. In view of this, the Committee recommended that the company be excised from NNPC and be a subject of privatization.

4.2 The meeting noted that the condition of most of the laid pipelines is uncertain. Therefore, an integrity test needs to be carried out especially that of Oben – Ajaokuta pipeline, which has never been used.

4.3 The meeting was also of the view (as stated by Engr. Kupolokun in the Committee's last meeting) that NPDC is the only subsidiary of NNPC involved in one of the core activities of NNPC, which is exploration and production. Thus, it is this subsidiary that makes NNPC an oil producing company in the mode of Petronas and Petrobras.

4.4 The meeting also discussed the issue of NPDC's ownership in the long – run and unanimously agreed that NPDC should be 100% Nigerian owned. Therefore, the Committee recommended that the 40% supposedly reserved for the Core Investor should be sold to Nigerian Oil & Gas Institutional Investors. The remaining 60% should be sold to the public through the Nigerian Capital Market. However, this recommendation is subject to full house ratification.

5.0 CLOSING

- 5.1 The meeting adjourned at 6.15 p.m with closing prayers led by Alh. Alley to reconvene the following day of 3rd August 2001 at 10 a.m. From this point they would proceed to NICON Hotel for a workshop on Oil & Gas and convene at 2.30 p.m for the meeting.

Mr. Akin kekere-Ekun
Chairman

Mr. R. G. Omotowa
Secretary

**MINUTES OF THE 6TH MEETING OF THE OGIC SUBCOMITTEE
ON NON-CORE INVESTMENTS OF NNPC, HELD AT THE NCP
SECRETARIAT – BPE ON 3RD AUGUST 2001**

PRESENT

- | | | |
|----------------------------|---|---------------------|
| 1. Engr. L. Iloka | - | Ag. Chairman/member |
| 2. Alh. Yusouf B. O. Alley | - | Member |
| 3. Mal. M.M Ibrahim | - | ” |
| 4. Ms. Rahila Onya | - | Ag. Secretary |

APOLOGY

- | | | |
|--------------------------|---|------------------|
| 1. Mr. Akin Kekere-Ekun | - | Chairman |
| 2. Dr. Bello Aliyu Gusau | - | Member |
| 3. Mr. R. G. Omotowa | - | Secretary/member |

ABSENT

- | | | |
|-----------------------|---|--------|
| 1. Engr. F. Kupolokun | - | Member |
| 2. Mr. D. Odeijah | - | “ |

IN ATTENDANCE

- | | | |
|--------------------|---|-----|
| 1. Rahila Onya | - | BPE |
| 2. Omodara Adebola | - | BPE |

1.0 OPENING PRAYERS AND REMARKS

- 1.1 The members of the Committee attended a seminar on local contempt in the oil and gas industry, which took place at Nicon Hotel from 9 a.m to 3 p.m. Therefore, the meeting commenced at 3.40 p.m with prayers led by M.M Ibrahim. Engr. L. Iloka presided over the meeting in the absence of the Chairman and the Ag. Chairman who was down with fever.
- 1.2 Thereafter, the meeting proceeded with the next item on the agenda, which was to review the first interim report.

2.0 REVIEW OF 1ST INTERIM REPORT

- 2.1 The Committee considered the report and came up with the following recommendations for privatizing each non-core investment of NNPC identified:

1. Nigeria Petroleum Development Company (NPDC)

- Nigerian Public – 60%
- Institutional Investor – 40%

2. Integrated Data Services Limited (IDSL)

- Core Investor – 40%
- Institutional Investor – 40%
- Nigerian Public – 20%

3. Nigeria Engineering Technical Company (NETCO)

- Should be privatized in the same way and proportion as the IDSL

4. Information Systems Department (ISD)

- NAHCO model of privatization was recommended for eventual restructuring of ISD

5. National Strategic Seismic Data Storage (NSSDS)

- This should be privatized and regarded as a national statistical databank.
6. The Petroleum Research Centre (PRC) and the Research and Development Division (RDD) are recommended for hand over to the Petroleum Trust Development Fund (PTDF). It is charged with the development of manpower in the sector.
 7. Nigeria Gas Company (NGC) should remain 100% Government owned but charged with network expansion through the medium of BOT investors.
 8. Hydrocarbon Services of Nigeria Ltd (Hyson)
 - It is partly owned by a core investor. Therefore, the remaining percentage equity is recommended for privatization to the Nigerian public.
 9. The London office of NNPC is recommended for sale.
 10. Duke Oil's activities should be wound up and its functions transferred to a price intelligence committee.
 11. NNPC's 51% stake in Stallion properties is recommended for sale to interested investors through competitive bidding.

3.0 CLOSING

- 3.1 The Secretary was directed to produce the 2nd Interim Report based on the proceedings of the meeting and circulate to all members. The meeting decided that the next meeting would address No. 3 & 4 of the TOR, which should be prepared for presentation by Dr. Gusau and M.M Ibrahim respectively.
- 3.2 Thereafter, Alh. Alley moved the motion to adjourn the meeting and M.M Ibrahim seconded. The meeting ended at 5.45 p.m with prayers led by Engr. Iloka.

Mr. Akin kekere-Ekun
Chairman

Mr. R. G. Omotowa
Secretary

**MINUTES OF THE 7TH MEETING OF THE OGIC SUBCOMITTEE
ON NON-CORE INVESTMENTS OF NNPC, HELD AT THE NCP
SECRETARIAT – BPE ON 3RD OCTOBER 2001**

PRESENT

- | | | |
|----------------------------|---|---------------|
| 1. Mr. Akin Kekere-Ekun | - | Chairman |
| 2. Dr. Bello Aliyu Gusau | - | Member |
| 3. Engr. L. Iloka | - | “ |
| 4. Alh. Yusouf B. O. Alley | - | “ |
| 5. Mal. M.M Ibrahim | - | ” |
| 6. Ms. Rahila Onya | - | Ag. Secretary |

APOLOGY

- | | | |
|----------------------|---|------------------|
| 1. Mr. R. G. Omotowa | - | Secretary/Member |
|----------------------|---|------------------|

ABSENT

- | | | |
|-----------------------|---|--------|
| 1. Engr. F. Kupolokun | - | Member |
| 2. Mr. D. Odeijah | - | “ |

IN ATTENDANCE

- | | | |
|--------------------|---|-----|
| 1. Omodara Adebola | - | BPE |
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1.0 OPENING PRAYERS AND REMARKS

- 1.1 The meeting started at 2.25 p.m under the Chairmanship of Mr. Akin Kekere-Ekun who was congratulated on the National Award bestowed on him by the President over the public holiday. Thereafter, Engr. Iloka led the opening prayers.
- 1.2 The Chairman thanked members and welcomed all to the meeting. Thereafter, he informed the meeting of the second interim report, which he presented at the OGIC last meeting. He stated that most of the subcommittee's recommendations on the non-core investments of NNPC, which were seen as radical were strongly opposed and the Subcommittee seen as rebellious.
- 1.3 However, the Committee noted that irrespective of OGIC's desire to change most of the recommendations proffered, it is the duty of the Subcommittee to maintain the position that would be in the best interest of the nation.
- 1.4 However, the Subcommittee should use all the information gathered from OGIC to review the report and particularly focus on the areas of contention, which may lead the Subcommittee to make changes if the need arises.
- 1.5 Finally, the meeting noted that after the recommendations on the non-core investments of NNPC have been presented and submitted to the OGIC, it might decide to alter or change these recommendations.

2.0 ADOPTION OF MINUTES OF THE LAST MEETING

- 2.1 The meeting considered the minutes of the last meeting and the following corrections were made:
 - 2.1.1 Minutes of 2nd August 2001:
 - Page 1; Replace the heading "ATTENDANCE" with "PRESENT"
 - Page 3; item 4.4; line 5: delete the words "by private placement"

Thereafter, M.M Ibrahim moved the motion to adopt the minutes and DR. Bello Gusau seconded the motion.

2.1.2 Minutes of 3rd August 2001

- Page 1; Replace the heading "ATTENDANCE" with "PRESENT"
- Page 2; item 2.1; line 2; "non-investment" to read "non-core investment"
- Page 2; item 2.1 (#2 subheading): Replace "d" in "data" with "D"
- Page 2; item 2.1 (#3 subheading): Replace "t" in "technical" with "T" and "ompany" to read "company"
- Page 2; item 2.1 (#4 subheading): Replace "d" in "department" with "D"

Thereafter, Engr. Iloka moved the motion to adopt the minutes and Alh. Alley seconded the motion.

3.0 **REVIEW OF THE SECOND INTERIM REPORT**

- 3.1 The meeting noted that the first part of the report was basically a recap of the first interim report, which covered No.1 Terms of Reference (TOR). However, members noted that one of the issues that NNPC representatives strongly opposed was the statement in the report that referred to NNPC as an "Asset Management Company". The meeting irrespective of that was of the view that the same statement should be captured in the Subcommittee's final report to OGIC.
- 3.2 The meeting still maintained its position on all recommendations made after considering the second interim report. However, the meeting was of the view that all recommendations made should be backed with cogent reasons and the basis used to arrive at the recommendations outlined. (yes.)
- 3.3 For instance, the recommendations on the Information System Department (ISD) of NNPC, which was strongly opposed, could further be defended with a paper presented at a seminar on "Local

Content Development in the Oil & Gas Industry” by projects.Sourcing Specialist of Mobil, which was in line with the Subcommittee’s recommendations.

3.4 The paper highlighted the need to create synergy between different information systems, which would produce for NAPIMS an efficient process, transparency and development of local content. For the Nigerian Supplier: it would increase market visibility, identify opportunities and take note of pre-qualifications. Furthermore, Operators on the other hand, would now have common systems and reliable data. Finally, the International Suppliers who would also benefit from this synergy would be able to register and maintain their information presence, identify local sub-contractors and increase local content. A diagram, which depicted this proposed structure was distributed.

4.0 OTHER MATTERS

4.1 In the course of reviewing the second interim report two pertinent questions were raised. They are:

- After all the subsidiaries of NNPC are privatized, what becomes of NNPC?
- What shall be the funding process of the Federation Account in the event of transforming the JVs into Joint Stock Company option?

Good Question

4.2 The meeting deliberated extensively on these two issues and decided that members should go home and ponder over them against the next day’s meeting. It was decided that options should be brought up on how Government can have access to the proceeds from the JSCs for development on a monthly basis. Furthermore, members should also give a thought to the NPDC and NLG model for discussions at the next meeting.

4.3 The Chairman promised to try his very best to obtain the JV Agreement Document between NPDC and Agip, which would help the Subcommittee in producing a 3rd interim report covering # 3, 4 & 5 of the TOR.

5.0 CLOSING

- 5.1 The meeting adjourned at 5.45 p.m with closing prayers led by Dr. Bello Gusau to reconvene the following day of 4th October 2001 at 11 a.m.

Mr. Akin kekere-Ekun
Chairman

Mr. R. G. Omotowa
Secretary

**MINUTES OF THE 7TH MEETING OF THE OGIC SUBCOMITTEE
ON NON-CORE INVESTMENTS OF NNPC, HELD AT THE NCP
SECRETARIAT – BPE ON 4th OCTOBER 2001**

PRESENT

- | | | |
|----------------------------|---|---------------|
| 1. Mr. Akin Kekere-Ekun | - | Chairman |
| 2. Dr. Bello Aliyu Gusau | - | Member |
| 3. Engr. L. Iloka | - | “ |
| 4. Alh. Yusouf B. O. Alley | - | “ |
| 5. Mal. M.M Ibrahim | - | ” |
| 6. Ms. Rahila Onya | - | Ag. Secretary |

APOLOGY

- | | | |
|----------------------|---|------------------|
| 1. Mr. R. G. Omotowa | - | Secretary/Member |
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ABSENT

- | | | |
|-----------------------|---|--------|
| 1. Engr. F. Kupolokun | - | Member |
| 2. Mr. D. Odeijah | - | “ |

IN ATTENDANCE

- | | | |
|--------------------|---|-----|
| 1. Omodara Adebola | - | BPE |
|--------------------|---|-----|

1.0 OPENING PRAYERS AND REMARKS

- 1.1 The meeting started at 12.00 p.m under the Chairmanship of Mr. Akin Kekere-Ekun. M. M Ibrahim led the opening prayers.
- 1.2 Thereafter, the Chairman welcomed all to the continuation of the meeting, which had started the previous day. He informed the meeting that he was unable to obtain the JV Agreement Document between NPDC and Agip. However, he said the MD NNPC had promised to send it to the Subcommittee during the meeting.

2.0 ADOPTION OF MINUTES OF THE LAST MEETING

- 2.1 The meeting considered the minutes of the last meeting and the following corrections were made:
 - Page 4; item 4.1: The 1st bullet is to read, "After all the subsidiaries of NNPC are privatized, what becomes of NNPC?"
 - Page 4; item 4.1: The 2nd bullet is to read, "what shall be the funding process of the Federation A/C in the event of transforming the JVs into the Joint Stock Company option?"

Thereafter, Dr. Bello Gusau moved the motion to adopt the minutes and the Chairman seconded the motion.

3.0 THE PROPOSED STRUCTURE OF THE NNPC JOINT VENTURES (JVs)

- 3.1 The meeting extensively deliberated on different structures the JVs of NNPC may adopt to make them competitive and more efficient. The meeting also identified reasons the JVs required a new structure. They were as follows:
 - Budgetary control in the current JV is very lax and non-transparent;
 - Lack of competition in the JVs;
 - Inadequate communication system;
 - No transfer of skills and know-how have been achieved

3.2 In view of the foregoing, five options were identified:

- Option A – Joint Stock Company (JSC) Model:

In order to properly understand the JSC model, the meeting carefully analyzed the definition of a Joint Stock Company and its implication. A JSC was defined as a firm of the business organization in which the capital contribution of the partners is represented by shares, which are transferable without the consent of other shareholders.

In view of the definition and how the Federation Account would be funded, as well as the fact that no known JSC exists in Nigeria, the meeting decided to drop option A.

- Option B – Service Contract Model:

The meeting dropped this model also referred to as the Saudi Model because it required a bidding process, which was best suited for new fields. In addition NNPC would be required to finance the contract in line with usual contractual terms, which the Federal Government may not have fund to implement.

- Option C – NPDC Model:

The meeting was of the view that the difference between the NPDC model and the current JV structure were not much. Therefore, it would not serve the purpose of changing the old structure, which was to among others, allow for competition and to enforce the necessary transfer of skills and know-how to Nigerians. This model was also dropped.

- Option D – NNLG Model:

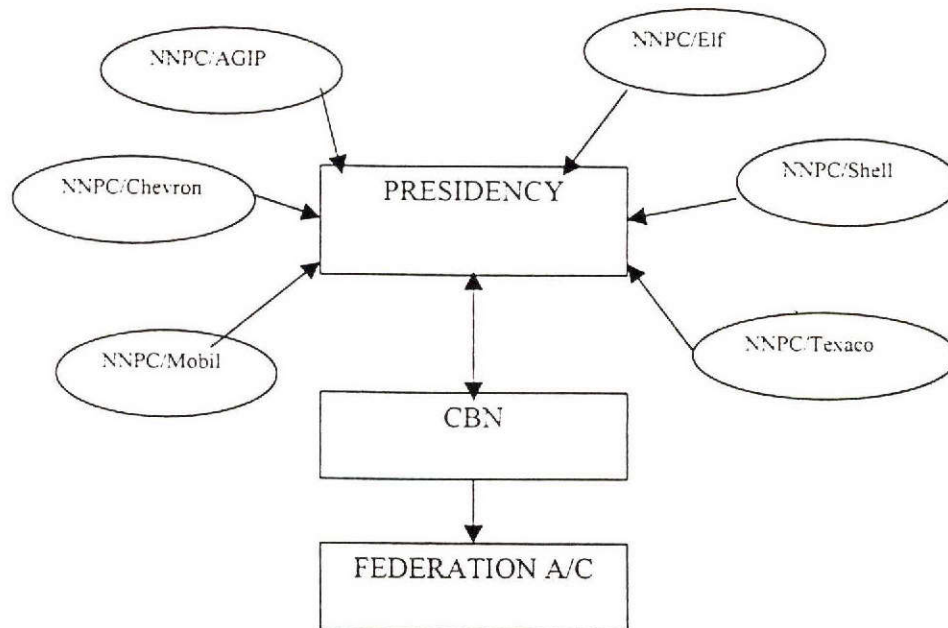
The meeting was informed that the NNLG model has a management that reflects the shareholding structure in the company's equity. It makes use of loans, which are usually offset with subsequent proceeds. The meeting was not agreeable to this model and decided to drop it as an option.

- Option E – Modify the current JVs:

After the meeting explored options A to D, it unanimously agreed to adopt option E. The current structure has NAPIMS as the coordinating and monitoring/supervisory body of the JVs, which channels its proceeds through the Crude Oil Marketing Department (COMD) to the CBN and from there to the Federation Account.

The new arrangement (which is to modify the current JVs) demands the current JVs to be transformed into separate independent entities that would explore, produce and market crude oil. This would infuse the necessary competition and transparency into the manner in which crude oil is produced and marketed. Furthermore, it would enforce the necessary transfer of skills and know-how to Nigerians as each of the separate companies would strive to work with the most efficient and skilled personnel.

The proposed JV structure is as shown below:



Under the proposed structure the JVs will be funded through budgetary allocation. Each Company will have a Board. The Companies will also have a Management, which will correspond with the relative shareholding by each partner.

4.0 **NNPC'S FINANCIAL (EQUITY) PARTICIPATION IN JOINT VENTURES**

4.1 The meeting addressed # 3 of the TOR, which required the subcommittee to review the pros and cons of NNPC's financial participation in JVs, assessing that participation against other options.

4.2 The pros and cons of NNPC's financial participation in JVs were identified as follows:

- In the early 90's the reduction in Government's equity by sale (NNPC/Shell JV) became very contentious. Consequently, the subcommittee was of the opinion that any revision of the current NNPC financial equity participation in the JVs may jeopardize National interest. Therefore, it is evident that the restructuring of the current JVs in line with the proposed structure would halt the current leakages, thus controlling cost and enhancing revenue for the nation derivable from the JV operations.
- The issue of delays in cash calls presents a potential inhibiting factor to the smooth operation of the new JVs. However, the meeting noted that the industry had witnessed a remarkable improvement in cash calls.
- A reduction in the Government's equity in the JVs is bound to drastically affect the revenue accruing to the Nigerian Government considering the gross inadequacies in the system of tax administration in the country.

5.0 FINANCING AGREEMENTS/SCHEMES

5.1 The meeting examined the difference between the Build-Operate-and-Transfer (BOT) and Production Sharing Contract (PSC). The differences identified were as follows:

	PSC	BOT
1.	Ownership rest in Nigeria	Ownership rest in the investor for a couple of years and then transferred to the Federal Government thereafter
2.	The contractor takes 100% risk as in cost recovery	There is no risk involved with regards to cost recovery
3.	Contracts starts from production	Contract is assumed from the beginning of the project
4.	Proceeds are shared in 4 parts: <ul style="list-style-type: none">- Royalty oil- Cost oil- Tax oil (PPT)- Profit oil	Proceeds are not shared

5.2 Thereafter, the meeting decided that for # 5 of TOR to be effectively discussed the meeting would require the Agreement Document between NPDC/Agip and the papers (PSC & JOA) presented sometime back by M.M. Ibrahim and Dr. Bello Gusau. The Chairman directed that the papers should be made available to members at the next meeting so as to have a better deliberation on the issues at hand.

6.0 CLOSING

6.1 The meeting adjourned at 6.00 p.m with closing prayers led by Engr. Iloka. The next meeting was scheduled to hold on 2nd November 2001.

Mr. Akin kekere-Ekun
Chairman

Ms. Rahila Onya
Ag. Secretary

**MINUTES OF THE 8TH MEETING OF THE OGIC SUBCOMITTEE
ON NON-CORE INVESTMENTS OF NNPC, HELD AT THE NCP
SECRETARIAT – BPE ON NOVEMBER 2, 2001**

PRESENT

- | | | |
|----------------------------|---|---------------|
| 1. Mr. Akin Kekere-Ekun | - | Chairman |
| 2. Alh. Yusouf B. O. Alley | - | Ag. Chairman |
| 3. Dr. Bello Aliyu Gusau | - | Member |
| 4. Engr. L. Iloka | - | “ |
| 5. Mal. M.M Ibrahim | - | ” |
| 6. Ms. Rahila Onya | - | Ag. Secretary |

APOLOGY

- | | | |
|----------------------|---|------------------|
| 1. Mr. R. G. Omotowa | - | Secretary/Member |
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ABSENT

- | | | |
|-----------------------|---|--------|
| 1. Engr. F. Kupolokun | - | Member |
| 2. Mr. D. Odeijah | - | “ |

1.0 OPENING PRAYERS AND REMARKS

- 1.1 The meeting started at 10.35 a.m under the Chairmanship of Mr. Akin Kekere-Ekun. However, two hours into the meeting the Chairman excused himself to enable him to attend the Annual Dinner of the Bankers in Lagos. In his absence Alh. Yusouf Alley chaired the meeting. Engr. Iloka led the opening prayers.

2.0 ADOPTION OF MINUTES OF THE LAST MEETING

- 2.1 The meeting considered the minutes of the last meeting and the following corrections were made:

Minutes of October 3, 2001: This had been adopted during the last meeting. However, some vital corrections were made. They are as follows:

- Page 2; item 1.1: The first sentence is to read “The meeting started at 2.25 p.m under the Chairmanship of Mr. Akin Kekere-Ekun who was congratulated on the National Award (OFR) bestowed on him by the President over the public holiday”
- Page 2; item 1.3: 1st line: replace “Chairman further stated” with “Committee noted”
- Page 2; item 1.4: delete the first sentence
- Page2; item 1.5; delete the last sentence

Minutes of October 4, 2001: The following corrections were made:

- Page 2; item 3.1; 1st bullet: “Budgeting” to read “Budgetary”
- Page2; item 3.1: delete bullets 2, 5 and “(e.g JOA)” in the last bullet
- Page 5, the first paragraph to read, “Under the proposed structure the JVs will be funded through budgetary allocation. Each Company will have a Board. The companies will also

have a Management, which will correspond with the relative shareholding by each partner”

- Page 6; item 5.1; number 4: delete “(non capital and capital cost)

Thereafter, M.M Ibrahim moved the motion to adopt the minutes and Dr. Bello Gusau seconded the motion. The Chairman initially stated that for subsequent meetings that would roll over to the next day, only one written minutes would suffice.

3.0 MATTERS ARISING

3.1 The Proposed Structure of the NNPC JVs (TOR 3)

3.1.1 The meeting once again deliberated extensively on the proposed structure of the NNPC JVs, which was option E. Option E, which is to modify the current JVs demands the current JVs to be transformed into separate independent entities that would explore, produce and market crude oil. Under the proposed structure, the JVs will be funded through budgetary allocation. Each Company will have a Board as well as a Management, which would correspond with the relative shareholding by each partner.

3.1.2 Thereafter, the Committee identified three broad objectives of the attempt to review the JVs operations in Nigeria’s oil industry. They were as follows:

- i. Provide Nigeria and Nigerians with more operational control of the upstream sector of the industry, especially the critical area of exploration and production of crude oil;
- ii. Institute and strengthen further, forward and backward integration with a view to domesticating the oil sector in the service of the large Nigeria economy; and
- iii. Engender competition among the different Joint Ventures with a view to improving efficiency.

3.1.3 Furthermore, the Committee noted that the above goals would not and cannot be achieved within current operational structure of the joint ventures. In this regard, the committee recommended as follows:

- i. The joint venture framework should be retained considering the centrality of oil revenues to our National treasury; and the underdeveloped capacity of the Nigerian state to collect taxes;
- ii. The present centralised management of the joint ventures should be jettisoned in favour of a more decentralised structure with each joint venture constituted into Separate Corporate entities controlled and managed;
- iii. Each of the new entities should have members of Board of Directors commensurate to the strength of its equity holding in the corporation;
- iv. A model of Management with the partners providing Management staff corresponding with their equity strength should be adopted; and
- v. The new companies should be encouraged as much as possible to compete against one another in all the relevant aspects of exploration and production of crude oil.

3.1.4 In order to satisfy the constitutional provision [Sec 162(1) & Sec 162(10)(a)(b)] which makes it mandatory that all revenue, including proceeds from the sale of crude oil be resided in the Federation Accounts, the Committee proposed the following options:

Option A:

The entire crude oil produced by each company should be marketed and traded by, same. The entire proceeds from the sale shall then be paid into the Company's account with the CBN. The CBN in turn will make appropriate payment to the JV partners in proportion with the equity holding in the Company after making all appropriate deductions (PPT, Royalty).

Option B:

At the point of marketing the crude oil, a proportion to the equity holding of the partners in the Company shall be apportioned out to each partner. That of Government shall equally be contracted out to any appointed Government created outfit (e.g Duke oil or any other Company/Vehicle that maybe created for that purpose). Proceeds therefrom the sale of crude oil by that Company shall then be paid into its account with CBN for the purpose of funding the Federation Account.

4.0 ALTERNATIVE FINANCING AGREEMENTS/SCHEMES (TOR 4)

- 4.1 The meeting having examined the alternative possible financing schemes in the economy generally, the Build-Operate-Transfer (BOT) arrangement seem to be a novel idea in industrial sectors of world economy. By its features and mode of operation, it is evident that while it maybe viable to industrial and infrastructural development, it is certainly inappropriate for the oil and gas industry, which fundamentally concerns the ownership control of mineral resources (non-renewable resources).
- 4.2 Consequently, the Committee recommends the retention of the Production Sharing Agreement system, which is currently in operation with very significant modifications and improvement. This is done comprehensively by the treatment of TOR 5.

5.0 PRODUCTION SHARING AGREEMENTS (TOR 5)

- 5.1 A discussion paper on Production Sharing Contract (PSC) prepared by the Committee sometime back was read and analysed. The paper basically gave a background as to when the PSC was first introduced in Nigeria, the major provisions of the PSC, the structure and the changing structure of Nigeria's PSC.
- 5.2 Thereafter, the meeting highlighted the following points, which would be discussed at the next meeting. They were as follows:

- i. National Security
- ii. Lack of monitoring capacity
- iii. Problems of transfer technology
- iv. Complete cut-off from municipal economy in terms of absolute absence of any linkage whatsoever (value adding)
- v. Royalty Issues: should be revisited with the view to making appropriate provisions for probable future issues in resource control
- vi. Future concern on control over territorial waters
- vii. De-commissioning (environmental issues)
- viii. Variety of terms and conditions

6.0 CLOSING

- 6.1 The meeting adjourned at 5.30 p.m with closing prayers led by M. M. Ibrahim. December 3, 2001 was tentatively scheduled for the next meeting.

Mr. Akin kekere-Ekun
Chairman

Ms. Rahila Onya
Ag. Secretary

MINUTES OF THE 9TH MEETING OF THE OGIC SUBCOMITTEE ON NON-CORE INVESTMENTS OF NNPC, HELD AT THE NCP SECRETARIAT – BPE ON DECEMBER 3, 2001

PRESENT

- | | | |
|----------------------------|---|------------------|
| 1. Mr. Akin Kekere-Ekun | - | Chairman |
| 2. Dr. Bello Aliyu Gusau | - | Member |
| 3. Engr. L. Iloka | - | " |
| 4. Alh. Yusouf B. O. Alley | - | " |
| 5. Mal. M.M Ibrahim | - | " |
| 6. Mr. R. G. Omotowa | - | Secretary/Member |

ABSENT

- | | | |
|-----------------------|---|--------|
| 1. Engr. F. Kupolokun | - | Member |
| 2. Mr. D. Odejah | - | " |

IN ATTENDANCE

1. Rahila Onya

1.0 OPENING PRAYERS AND REMARKS

- 1.1 The meeting started at 10.30 a.m under the Chairmanship of Mr. Akin Kekere-Ekun who welcomed all to the meeting. Thereafter, M. M Ibrahim led the opening prayers.

2.0 ADOPTION OF MINUTES OF THE LAST MEETING

- 2.1 The meeting considered the minutes of the last meeting and the following corrections were made:

- Page 3; item 3.1.2(ii); second line; "towards" to read "to"
- Page 3; item 3.1.2(iii); rephrase sentence to read, "Engender competition among the different joint ventures with a view to improving efficiency".
- Page 4; item 3.1.3; last sentence to read, "In this regard, the Committee recommended as follows:"
- Page 4; item 3.1.3(i); first sentence; "ventures" to read "venture"
- Page 4; item 3.1.3(ii); third line; "Corporation" to read "Corporate"
- Page 4; item 3.1.3(iii); first line; "Corporation" to read "entities" – second line; delete "in the corporation"
- Page 4; item 3.1.3(iv); first line; "The" to read "A"
- Page 4; item 3.1.4; second line; insert " revenue, including" between "all" and "proceeds" – delete "CBN for the purpose of funding" and "for the disposal of crude oil"
- Page 5; item 3.1.4; option B; second line; "contracted" to read "apportioned" – 4th line; "Duke Oils" to read "Duke Oil"
- Page 6; item 5.2(i) & (iv); "Securities" to read "Security" and "value added" to read "value adding"

Thereafter, M.M Ibrahim moved the motion to adopt the minutes and DR. Bello Gusau seconded the motion.

3.0 MATTERS ARISING

- 3.1 The meeting discussed once again the constitutional provision, which makes it mandatory that all consolidated revenue, including proceeds from the sale of crude oil be resided in the Federation Accounts. The meeting noted that the provision is still very relevant and should be referred to at any point in time.

4.0 DISCUSSIONS ON PRODUCTION SHARING AGREEMENT (TOR 5)

- 4.1 The meeting was informed that there was a uniform policy on production sharing by the Federal Government and noted that offshore production is now the in thing even though it seems to be tending towards very deep

offshore before long. It was further noted that there was the need to bring in National Security to monitor their activities because even with an onshore operation, Nigeria does not have the facility to monitor them. For instance with deep off shore operation a foreign country's frigate can come in and load Nigerian oil and go off site without detection. Therefore, the real National Security problem with deep offshore operation is the theft of our oil proceeds.

4.2 The meeting suggested that OPEC could be contacted for help on how to monitor volume of production of the JVC, which will also help to address some safety and environmental issues. OPEC involvement would also guide against over production and pilfering of oil barrels. Some other options considered that would guide against theft of our revenue in deep offshore operation are:

- Well trained National personnel be positioned there permanently to monitor production activities; and
- Nigerian Government should install gadgets on land to monitor deep offshore operations

4.3 One solution the meeting noted that could solve revenue theft is the adoption of a joint management for the JVC production. Joint management is advocated for PSC just as in the case of the NPDC structure. For instance, if the Technical Manager is Italian, his deputy must be a Nigerian and if the Operations Manager is American, his deputy must be Nigerian. All of them would swap position every three years. However, the MD/CEO would always be the Italian or the American.

4.4 The Committee believes that the above arrangement would achieve transfer of technology and optimise revenue, which is actually a problem related to PSCs (Revenue theft and no transfer of technology). The meeting noted that the NPDC/Agip agreement was the most standard one and the most improved upon. It is a JVC, which combines Joint Management and Joint Management Committee.

5.0 **RECOMMENDATIONS ON TERMS OF REFERENCE (TOR) No. 5**

5.1 The Committee discussed extensively the features of the Production Sharing Contract (PSC) and noted that the PSC was first introduced in Nigeria in 1974 with Ashland Oil (Nigeria) as the first operator. This remained the only such case for a long time. As the cash call problem in funding ongoing venture operations persisted, however, it became increasingly resorted to. In fact from 1991 it became the standard means of funding operations for all new acreages. At the moment Shell, Mobil, Elf, Exxon and BP-Statoil all have on-going PSCs with different OPLs.

5.2 In view of these discussions the Committee recommended as follows:

- ❖ Government should adopt the NPDC/Agip agreement i.e. for all PSCs because it encapsulates the following:
 - Transfer of technology;
 - It is good in sustaining investment in the oil and gas industry;
 - It takes care of the security of our territorial water;
 - The revenue theft from the oil industry is minimised; and
 - It has Cost recovery component, which is a key difference between the old and new PSC.

- ❖ Cost Recovery is either duration or production bound. The Committee recommends that it should be based on duration of cost recovery – in the process you share the profits together.

- ❖ The PSC framework should be retained as a major means of financing collaborations/operations due to its apparent advantage of its self-sustainability. However, the following amendments/provisos should be incorporated into the PSC arrangement:
 - All PSCs should be conducted on the basis of joint operations of the partners. Under this scheme operating structure shall be put in place where the various dept/units shall be managed by joint teams having substantive positions with corresponding deputies alternatively manned by the parties with periodic swapping of positions;
 - The Management Committee, made up of, representatives of the partners (equal number) shall be established. It will provide direction on all matters pertaining to petroleum operations and work programmes; and
 - Fields should revert back to Government upon full cost recovery by the contractor.

- ❖ **National Security and Control:** Considering the fact that most of the PSCs are located in deep offshore, stringent measures must be legally instituted to ensure the security of all facilities and the sovereignty of Nigeria over such territorial waters

- ❖ **Health, Safety and Environment (HSE):** In view of the fact that the PSCs are located in deep waters, coupled with the growing environmental concerns, operations must conform with relevant international conventions on health, safety and environment

- ❖ **Post Cost Recovery:** At this stage, Government would consider alternative options for the Management of the fields, which may include, but not limited to Joint Venture in the mould recommended above.
- ❖ **Linkage with the Larger Economy:** By the nature of PSCs, which is predominantly deep water in character, the concern is often the complete severance from the larger economy. Consequently, Government should implore partners to invest and patronise activities concentrated at the export processing zones, which are their natural neighbours.

6.0 ANY OTHER BUSINESS

- 6.1 The meeting noted that a common financing scheme among oil producing countries is the Service Contract, an arrangement by which the foreign oil company acts as a contractor that is paid off at the end of the contract without any legal entitlement to the oil. This would have been an ideal arrangement for Nigeria if the necessary fiscal structure and discipline to actualise it can be instituted and sustained.

7.0 CLOSING

- 7.1 The meeting adjourned at 5.05 p. m with closing prayers led by Alh. Y. B. Alley to reconvene the following day of 4th December 2001 at 10 a. m to discuss the format of the final report. The next subcommittee meeting was scheduled tentatively for January 7, 2001 to discuss and adopt the final report before it is presented it to OGIC.

Mr. Akin kekere-Ekun
Chairman

Mr. R. G. Omotowa
Secretary

FINAL REPORT

OF THE

**OGIC SUB-COMMITTEE ON NON-CORE
INVESTMENTS OF NNPC**

OF THE

**OIL AND GAS SECTOR REFORM
IMPLEMENTATION COMMITTEE (OGIC)**

January 2002

January 22nd, 2002.

The Chairman,
Oil & Gas Sector Reform Implementation Committee (OGIC)

Dear Sir,

Submission of Final Report

1.2 The Sub-Committee on Non-Core Investment of the NNPC is one of the six Sub-Committees constituted to facilitate the task of the oil and Gas Sector Reform Implementation Committee (OGIC) of the National Council on Privatization (NCP). It held its inaugural meeting on 26th July, 2000, and since then, has held eight other meetings. During our meetings, the Sub-Committee deliberated extensively and in-depth on its five points Terms of Reference (TOR). Some of the Terms of Reference included the identification of the Non-Core Investments/ Projects of NNPC, review of the pros and cons of NNPC's financial (equity) participation in joint ventures, assessing that participation against other options, examination of alternative financial agreements/schemes and the assessment of the production sharing agreement (PSA) terms against NNPC's joint venture participation.

1.3 We are happy to inform you that we have worked extensively on the different terms of reference given to us. The Sub-Committee reviewed various papers, documents and agreements sourced from members of the Committee, Revenue Department of Ministry of Finance and the NNPC in order to proffer recommendations to the Terms of Reference (TOR) ~~of the NNPC~~ into the objectives of OGIC, especially in the light of the up coming policy and regulatory reform in the industry. The Committee also made reference to the Constitution of the Federal Republic of Nigeria as guide to some of the recommendations made there in.

The CEO/MD of each of the Non-Core Investment outfits were invited to make presentation to the Committee. Individual members were assigned tasks in their areas of specialty and reported back to the full house of the Committee.

1.4 We have the distinct pleasure to submit to you our final report, which touches on all the Terms of Reference given to our Sub-Committee appropriate recommendations. You may recall that we submitted an Interim Report earlier on January 11th, 2001. This Report brought about a lot of comments; suggestions and advice from members of OGIC. The Sub-Committee considered the various suggestions received in mapping out strategies for the completion of its work and the preparation of the final Report.

Please accept our gratitude and appreciation for the opportunity given to us to serve our country in this unique way. We hope that our modest contribution will assist the Oil and Gas Implementation Committee (OGIC), especially in the light of the upcoming Policy and Regulatory Reform in the Industry.

We remain, Mr. Chairman,

Yours faithfully,

Mr. Akin Kekere-Ekun, (OFR)
Chairman

Engr. L Iloka
Member

Dr. Bello Aliyu Gusau
Member

Alhaji Yusuf B. Omale Alley
Member

Engr. Funsho Kupolokun
Member

Mall. M.M. Ibrahim
Member

Mr. D. Odeigah
Member

Mr. R.G. Omotowa
Member/Secretar

January 2002

EXECUTIVE SUMMARY

1.1 TOR I: Non-core Investments/projects of NNPC:

1.1.1 The following were identified as the non-core investments of the NNPC:

- ❖ Nigerian Petroleum Development Company (NPDC)
- ❖ Integrated Data Services Limited (IDSL)
- ❖ Nigeria Engineering Technical Company (NETCO)
- ❖ Information Systems Department (ISD)
- ❖ Oil Assets Insurance (OAI)
- ❖ National Strategic Seismic Data Storage (NSSDS)
- ❖ Petroleum Research Centre (PRC)
- ❖ Housing Estate Management (HEM)
- ❖ Engineering and Technical Directorate (ETD)
- ❖ Nigeria Gas Company (NGC)
- ❖ Research and Development Division (RDD)
- ❖ Hydrocarbon Services of Nigeria Limited (HYSON)
- ❖ In addition to all the above, NNPC's investments include:

1. London Office
2. Duke Oil
3. NAFCON
4. Stallion properties (51% owned by NNPC and 49% by Unipetrol Nigeria Plc)

However, the Committee was of the view that the above investments/projects would have ordinarily been core to the activities of the NNPC had the Corporation not become essentially an asset management company.

2.2 TOR 11: Measures to Rationalise the Non-core Investments NNPC

Several options for restructuring these investments were identified. Amongst the options considered was that while some would be privatized, others may be merged due to the synergy in their operations while some others maybe subject of outright liquidation.

2.3 TOR III: Pros and Cons of NNPC's Financial (equity) Participation in JVs Against Other Options

2.3.1 The most contentious issue is often that of delay in cash calls, which presents a potential inhibiting factor to the smooth operation of the JVs. However, the Committee noted that the industry has witnessed a remarkable improvement in cash calls. Therefore, a reduction in Government's equity in the JVs is bound to drastically affect the revenue accruing to the Nigerian Government considering the gross inadequacies in the system of tax administration in the country.

Under the proposed structure the JVs will be funded through budgetary allocation. Each Company will have a Board. The Companies will also have a Management, which will correspond with the relative share holding by each partner.

The new arrangement will engender the necessary competition through benchmarking which ultimately will lead to higher efficiency, profitability and of course, more revenue to the Federal Government of Nigeria.

2.4 TOR IV: Alternative Financing Agreements

2.4.1 The Committee discussed and examined the differences between the Build-Operate-and-Transfer (BOT) and Production Sharing Contract (PSC), which are alternative possible financing schemes in the economy generally. The differences identified were as follows:

	PSC	BOT
1.	Ownership rests in Nigeria	Ownership rests in the investor for a couple of years and transfers to the Federal Government thereafter
2.	The contractor takes 100% risk as in cost recovery	There is no risk involved with regards to cost recovery
3.	Contracts starts from production	Contract is assumed from the beginning of the project
4.	Proceeds are shared in 4 parts: <ul style="list-style-type: none"> - Royalty oil - Cost oil - Tax oil (PPT) - Profit oil 	Proceeds are not shared

The Committee recommended the retention of the production sharing Agreement system, which is currently in operation with very significant modifications and improvements.

2.5 TOR V: Assess Current Production Sharing Agreement (PSA) against NNPC'S joint venture participation.

Since the early 1970s, the terms of Nigeria's PSC have been changing constantly. As a matter of fact, the terms of Nigeria PSC may be said to have been variable, complex, and progressively in favour of the contractor but for the recent review (NPDC/AGIP).

In this regard the PSC framework should be retained as a major means of financing collaborations/operations due to its apparent advantage of its self-sustainability. Consequently, the Committee is of the opinion that Government should adopt the NPDC/AGIP agreements for all PSCs. This entails a PSCs that includes Joint Management and Joint operations.

**FINAL REPORT OF THE OGIC SUB-COMMITTEE ON NON-CORE
INVESTMENTS OF NNPC**

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FINAL REPORT OF THE OGIC SUB-COMMITTEE ON NON-CORE INVESTMENTS OF NNPC

1.0 INTRODUCTION

1.1 BACKGROUND

The Sub-committee on Non-Core Investments of NNPC is one of the six Sub-Committees constituted to facilitate the task of the Oil & Gas Sector Reform Implementation Committee (OGIC) of the National Council on privatisation (NCP).

It held its inaugural meeting on July 26, 2000 and since then has held nine other meetings. The Sub-Committee during its meetings, deliberated extensively and in depth on its five point terms of reference. The observations and recommendations of these deliberations are embodied in this final report of the Committee.

The membership of the Committee is as follows:

- | | | |
|---------------------------|---|-----------|
| 1. Mr. Akin Kekere-Ekun | - | Chairman |
| 2. Mr. Akin Oluwalana | - | " |
| 3. Dr. Bello Aliyu Gusau | - | " |
| 4. Engr. L. Iloka | - | " |
| 5. Engr. Funsho Kupolokun | - | " |
| 6. Mr. D. Odeigah | - | " |
| 7. Mr. M. M. Ibrahim | - | " |
| 8. Mr. R. G. Omotowa | - | Secretary |

1.2 Terms Of Reference

The Sub-Committee was given the following terms of reference:

- ❖ Identify NNPC's non-core investments/projects;
- ❖ Review and recommend measures to rationalize such non-core investments;
- ❖ Review the pros and cons of NNPC's financial (equity) participation in joint ventures, assessing that participation against other options;
- ❖ Examine alternative financing agreements/schemes; and
- ❖ Assess current Production Sharing Agreement (PSA) against NNPC's joint venture participation.

1.3 Methodology

The Sub-Committee reviewed various papers, documents and agreements sourced from members of the Committee.

order to proffer recommendations to the Terms of Reference (TOR) given to the Committee. It is expected that this would fit into the objectives of OGIC, especially in the light of the upcoming policy and regulatory reforms in the industry. The Committee also made reference to the Constitution of the Federal Republic of Nigeria as a guide to some of the recommendations therein.

The CEOs/MDs/HODs of each of the non-core investment outfits were invited to make presentation to the Committee. Individual members were assigned tasks in their areas of speciality, and reported back to the full house of the Committee.

2.0 OBSERVATIONS AND RECOMMENDATIONS OF THE SUB-COMMITTEE

2.1 TOR I: Non-core Investments/projects of NNPC:

2.1.1 The following were identified as the non-core investments of the NNPC:

- ❖ Nigerian Petroleum Development Company (NPDC)
- ❖ Integrated Data Services Limited (IDSL)
- ❖ Nigeria Engineering Technical Company (NETCO)
- ❖ Information Systems Department (ISD)
- ❖ Oil Assets Insurance (OAI)
- ❖ National Strategic Seismic Data Storage (NSSDS)
- ❖ Petroleum Research Centre (PRC)
- ❖ Housing Estate Management (HEM)
- ❖ Engineering and Technical Directorate (ETD)
- ❖ Nigeria Gas Company (NGC)
- ❖ Research and Development Division (RDD)
- ❖ Hydrocarbon Services of Nigeria Limited (HYSON)
- ❖ In addition to all the above, NNPC's investments include: -

2. Duke Oil
3. NAFCON
4. Stallion properties (51% owned by NNPC and 49% by Unipetrol Nigeria Plc)

However, the Committee was of the view that the above investments/projects would have ordinarily been core to the activities of the NNPC had the Corporation not become essentially an asset management company.

2.1.2 In order to identify the aforementioned investments of the NNPC, the Committee had to rely on the list drawn and submitted by the Revenue Department of the Ministry of Finance due to the lack of the desired response from the NNPC Management.

2.2 TOR II: Measures to Rationalise the Non-core Investments of NNPC

2.2.1 The Managing Directors/CEOs/HODs of the NNPC non-core investments identified were invited to make presentation to the Committee in order to gather more information about the investments.

2.2.2 In the course of the interactive sessions with the Departmental, Divisional and SBU Heads, observations and suggestions were made which could enhance on-going operations along the lines of the privatisation exercise.

2.2.3 Several options for restructuring these investments were identified. Amongst the options considered was that while some would be privatised, others may be merged due to the synergy in their operations while some others may be subject of outright liquidation.

2.2.4 In view of the above, the Committee recommends as follows:

❖ Nigeria Petroleum Development Company (NPDC):

~~NPDC is a subsidiary of NNPC involved in one of the core activities of NNPC, which is exploration and production. Thus, it is the subsidiary that makes NNPC an oil producing company in the mould of State-owned oil companies such as PETRONAS, PETROBRAS, STATOIL, ARAMCO, etc~~

However, due to successive negative Government intervention, abuse and control; 12 years after NPDC establishment, its only achievement is a current production of about 7, 000 BOPD.

Therefore, the Committee recommends that in order to retain its Nigerian character and identity the 40% supposedly reserved for core investor should be sold to Nigerian oil and gas institutional investors. The remaining 60% should be sold to the public through the Nigerian Capital Market. This is in view of the fact that NPDC is 100% Government owned.

❖ Integrated Data Services Ltd (IDSL):

The IDSL was incorporated in 1988 as one of the subsidiaries of the NNPC to offer Geophysical, Geo-Chemical, Seismic and other related services in the upstream sector of the oil industry.

The Committee recommends that IDSL should be privatized as follows:

- 40% core investor
- 40% institutional investors (oil companies, Engineering companies, and investors from related industry)
- 20% to the Nigerian public through the Nigerian capital market.

The Committee notes that the privatization of IDSL is different from that of NPDC because it provides technological services globally. Therefore, there is the need for international participation for an enhanced and sustained technological capability and competitiveness.

❖ Nigeria Engineering & Technology Co. Ltd (NETCO):

The Committee observed that the patronage NETCO enjoys from NNPC was very insignificant but nevertheless, the company like IDSL has the technological capability to undertake most engineering consultancy activities in the industry. Therefore, the Committee recommends that it should be privatised along the lines of IDSL.

- 40% Core Investors
- 40% Institutional Investors Oil Companies, Engineering Company
- 20% to the Nigeria Public through Nigerian Capital Market.

❖ Information System Department (ISD):

The Committee notes that ISD is the information nervous system for NNPC and the operators in the industry run their own independent information systems at the moment. However, the Committee believes in the need to create synergy between different information systems for efficient and cost effective dissemination of information in the industry, which shall be industry funded and managed.

As a matter of fact the general opinion in the industry suggests the need to create such synergy between different information systems, which would produce for NAPIMS an efficient process, transparency and development of local content. For the Nigerian Supplier: it would increase market visibility, identify opportunities and take note of pre-qualifications. In addition, Operators on the other hand, would now have common systems and reliable data.

Finally, the International Suppliers who would also benefit from this synergy as they would be able to register and maintain their information presence, identify local sub-

Consequently, the NAHCO-model of restructuring (in the aviation industry) was recommended for the eventual restructuring of the ISD. National Aviation Handling Company (NAHCO) is a Joint Company of various Airlines operating in Nigeria, which has the responsibility of handling their various terminal operations.

This transformation will engender better funding and infusion of more expertise.

It must be noted however that this recommendation does not in anyway ignore the desirability of any operator to own and manage an internal independent (but limited in scope and cost) information systems.

❖ National Strategic Seismic Data Storage (NSSDS):

The NSSDS is basically a seismic data bank. Other Government Departments, Ministries and the Department of Petroleum Resources (DPR) and institutions of higher learning duplicate its functions. Consequently, there is a need to rationalize all these similar institutions and locate them in the DPR. It should be regarded as a national statistical data bank focused on hydrocarbon resources management.

Therefore, in order to ensure compliance and gather as much information as possible, it may be necessary for Government to compel current holders (such as Geological surveys, Nigerian Mining Corporation; NNPC; Ministry of Petroleum Resources; Ministry of Solid Minerals; Government Agencies etc) to release them to DPR or its successor.

❖ Petroleum Research Centre (PRC) and the Research and Development Division (RDD) of the NNPC:

These are recommended for handover to the Petroleum Technology Development Fund (PTDF). It is designed to be an intensive intervention organization charged with the responsibility of developing manpower and the domestication of technology in the petroleum sector of National economy.

❖ The Nigerian Gas Company (NGC):

NGC by its current mode of operation is actually a gas transmission company. However, with the envisaged restructuring, the NGC will be expected to:

- Handle the transmission of gas on an open access basis (common carrier agency);
- Have a sole responsibility of gas transmission, and it will neither buy nor sell gas or have any ownership stake in the production and tertiary distribution of gas;
- Remain 100% state owned; and
- Have the responsibility for network expansion through or by working in conjunction with potential Build-

Operate and Transfer (BOT) investors, gas producers and tertiary distributors.

❖ Hydrocarbon Services of Nigeria Ltd (HYSON):

HYSON is a company in which there is already a foreign partner. The Committee recommends the sale of the remaining shares to the Nigerian public.

❖ NNPC London Office:

The London office of the NNPC is recommended for sale or it should be taken over by the Federal Government

❖ Duke Oil:

On Duke Oil, the Committee concluded that it is a paper company ostensibly meant for market monitoring. It is not capitalized and has no structure in place. Notwithstanding the fact that it does not meet the condition set by the FGN for the lifting of Nigeria crude oil, it has over the years been a beneficiary of crude oil term contracts. Consequently, its activities should be wound

up. The price intelligence monitoring should be performed by a Price Intelligence Committee to be made up of the representatives of the Ministries of Petroleum Resources, Finance and National Planning Commission and other relevant agencies as Government may determine.

❖ Stallion Properties:

NNPC and Unipetrol currently own Stallion Properties in the proportion of 51% and 49% respectively. The Committee recommends that the 51% belonging to NNPC should be advertised and sold to interested investors at the most competitive price.

Furthermore, the Committee notes that based on its recommendations the BPE has commenced the process of privatising Stallion Properties.

2.3 TOR III: Pros and Cons of NNPC's Financial (equity) Participation in JVs Against Other Options

2.3.1 The pros and cons of NNPC's financial participation in JVs were identified as follows:

- In the early 90's the reduction in Government's equity by sale (NNPC/Shell JV) became very contentious. Consequently, the Sub-Committee is of the opinion that any revision of the current NNPC financial equity participation in the JVs may jeopardize National interest.
- Budgetary control in the current JVs is very lax and non-transparent;
- The issue of delays in cash calls presents a potential inhibiting factor to the smooth operation of the JVs. However, the Committee notes that the industry has witnessed a remarkable improvement in cash calls.
- A reduction in the Government's equity in the JVs is bound to drastically affect the revenue accruing to the Nigerian Government considering the gross inadequacies

- There is lack of competition in the JVs

2.3.2 In view of the foregoing, five options were identified:

- **Option A – Joint Stock Company (JSC) Model:**

In order to properly understand the JSC model, the Committee carefully analysed the definition of a Joint Stock Company and its implication. A JSC was defined as a firm of business organization in which the capital contribution of the partners is represented by shares, which are transferable without the consent of other shareholders.

In view of the security implication as well as the difficulty of the model in ensuring timely and non-disruptive funding of the Federation Account, the Committee is of the opinion that this scheme is not worthy of consideration.

▪ **Option B – Service Contract Model:**

This option was dropped because it required a bidding process, which was best suited for new fields. In addition NNPC would be required to finance the contract in line with usual contractual terms. Such funds may not be readily available when required.

▪ **Option C – NNLG Model:**

This model has a management that reflects the shareholding structure in the company's equity. It makes use of loans, which are usually offset with subsequent proceeds. The Committee was not agreeable to this model and decided to drop it as an option.

▪ **Option D – Modify the current JVs:**

The current structure has NAPIMS as the coordinating and monitoring/supervisory body of the JVs, which channels its proceeds through the Crude Oil Marketing Department (COMD) of the NNPC to the CBN and from there to the Federation Account.

The Committee identified three broad objectives of the attempt to review the JVs operations in Nigeria's oil industry as follows:

- i. Provide Nigeria and Nigerians with more operational control of the upstream sector of the industry, especially the critical areas of exploration, production and trading of crude oil;
- ii. Institute and further strengthen, forward and backward integration with a view to domesticating the oil sector in the service of the larger Nigerian economy; and
- iii. Engender competition amongst the different Joint Ventures with a view to improving efficiency.

Furthermore, the Committee notes that the above goals would not and cannot be achieved within current operational structure of the

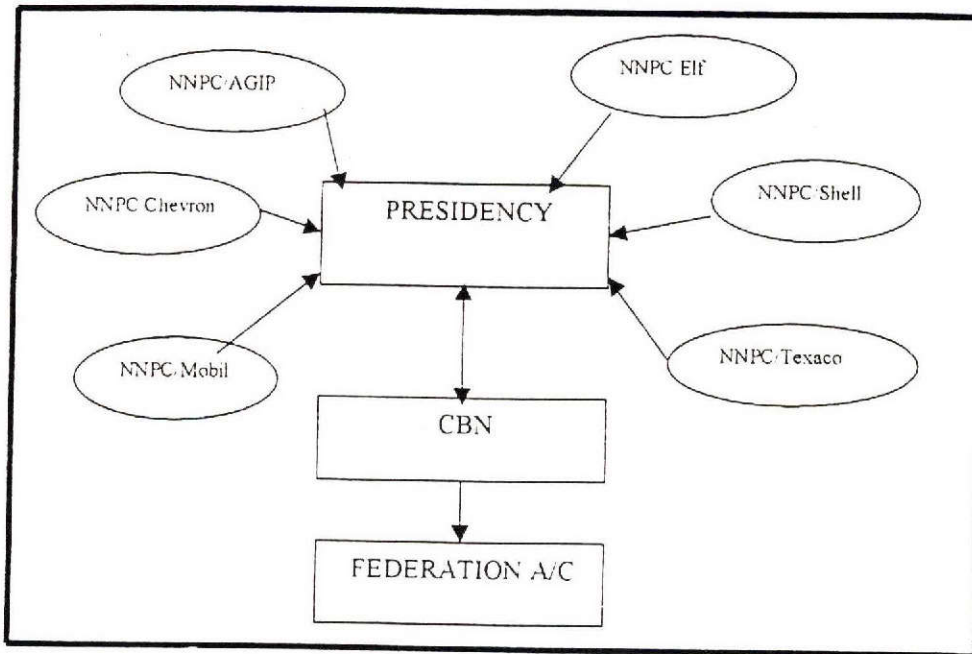
*At the CMC model
the Senior Partners
always hold on
the managing
Director position
of NNPC Deputy
Managing Director
& Chairman NNPC
From what has
been said about
- NG there are
many
problems
relating to
abuses in
the senior
partners hold
the M.D position*

joint ventures. In this regard, the Committee recommends as follows:

- i. The joint venture framework should be retained considering the centrality of oil revenues to our National treasury; and the underdeveloped capacity of the Nigerian state to collect taxes;
- ii. The present centralised management of the joint ventures should be jettisoned in favour of a more decentralised structure with each joint venture constituted into Separate Corporate entities independently controlled and managed;
- iii. Each partner of the new entities should have members of Board of Directors commensurate to the strength of its equity holding in the corporation;
- iv. A model of Management with the partners providing Management staff corresponding with their equity strength should be adopted; and
- v. The new companies should be encouraged as much as ~~possible to explore and exploit all the~~ relevant aspects of exploration and production of crude oil.

After the Committee explored options A to D, it unanimously agreed to adopt option D.

The proposed modified JV structure is graphically shown below:



Operational practicality needs to be explored - says lawyer

2.3.3 Funding of the Federation Account:

In order to satisfy the constitutional provision [Sec 162(1) & Sec 162(10)(a)(b)] which makes it mandatory that all revenue, including proceeds from the sale of crude oil be resided in the Federation Accounts, the Committee proposed the following options:

Option A:

The entire crude oil produced by each company should be marketed and traded by same. The proceeds from the sale shall then be paid into the Company's account with the CBN. The CBN in turn will make appropriate payment to the JV partners in proportion with the equity holding in the Company after making all appropriate deductions (PPT, Royalty e.t.c).

Option B:

At the point of marketing the crude oil, a proportion to the equity holding of the partners in the Company shall be apportioned out to each partner. That of Government shall equally be contracted out to any appointed Government created outfit (any Company/Vehicle that maybe created for that purpose). Proceeds there from the sale of crude oil by that Company shall then be paid into its account with CBN for the purpose of funding the Federation Account.

2.4 TOR IV: Alternative Financing Agreements

2.4.1 The Committee discussed and examined the differences between the Build-Operate-and-Transfer (BOT) and Production Sharing Contract (PSC), which are alternative possible financing schemes in the economy generally. The differences identified are as follows:

	PSC	BOT
1.	Ownership rests in Nigeria	Ownership rests in the investor for a couple of years and transfers to the Federal Government thereafter
2.	The contractor takes 100% risk as in cost recovery	There is no risk involved with regards to cost recovery
3.	Contracts starts from production	Contract is assumed from the beginning of the project
4.	Proceeds are shared in 4 parts: <ul style="list-style-type: none">- Royalty oil- Cost oil- Tax oil (PPT)- Profit oil	Proceeds are not shared

2.4.2 The Committee notes that the BOT arrangement seems to be a novel idea in industrial sectors of world economy. By its features and mode of operation, it is evident that while it maybe viable to industrial and infrastructural development, it is certainly inappropriate for the oil and gas industry, which fundamentally concerns the ownership control of mineral resources (non-renewable resources).

2.4.3 Another common financing scheme amongst oil producing countries is the Service Contract, an arrangement by which the foreign oil company acts as a contractor that is paid off at the end of the contract without any legal entitlement to the oil. This would have been an ideal arrangement for Nigeria if the necessary fiscal structure and discipline to actualise it can be instituted and sustained.

2.4.4 Consequently, the Committee recommends the retention of the Production Sharing Agreement system, which is currently in operation with very significant modifications and improvements.

2.5 TOR V: Assess the Current Production Sharing Agreement (PSA) against NNPC's Joint Venture Participation.

2.5.1 The Committee discussed extensively the features of the Production Sharing Contract (PSC) and notes that the PSC was first introduced in Nigeria in 1974 with Ashland Oil (Nigeria) as the first operator. This remained the only such case for a long time. As the cash call problem in funding ongoing venture operations persisted, it became increasingly ~~resorted to in fact from 1991 it became~~ the standard means of funding operations for all new acreages. At the moment Shell, Mobil, Elf, Agip, Texaco and BP-Statoil all have ongoing PSCs with different OPLs.

2.5.2 The Committee notes that the major attraction of the PSC is that it removes all up-front risks and expenses from the Government. Its major provisions are that:

- ❖ The contractor provides all the funds for petroleum exploration, development and production facilities, as well as operating expenses and bears all the risks involved; and
- ❖ That there is automatic termination of the contract if oil is not discovered within a fixed exploration period.

2.5.3 The Committee also notes that since the pioneering Ashland acreage in the early 1970s, the terms of Nigeria's PSCs have been changing constantly, and not necessarily always in

favour of the country. The original arrangement provides that 47% would be set-aside for Royalty and tax; Cost oil 26%; and Profit oil 27%. The profit sharing formula itself is variable. When production is under 50, 000bpd; the ratio is 65% for Government and 35% for the contractor; if however, it exceeds this, the ratio changes to 70% and 30% respectively. The distinctive character of this formula is that cost recovery is not given undue weight. The implication of this is that when the technical costs of operations are exceedingly high, the operator will spend a long time in recovering his costs.

2.5.4 However, the above arrangement has been amended. Instead of allocating fixed shares of production for cost recovery (including royalty payment), payment of the PPT, and then profit sharing, the amendment allows the oil company to recover operating cost in the year of expenditure, and amortize capital costs over five years. Thus giving a lot of weight to cost recovery and by implication creating the temptation for cost escalation.

2.5.5 The new formula is as follows:

0 – 30,000bpd:	35% for Government and 45% the contractor
- 30 – 50, 000bpd:	59% and 41% respectively
- 50 – 100,000bpd:	61% and 39%respectively
- Above 100,000bpd:	56% and 33%respectively

Other features are investment tax credit ranging from 5% – 20% linked with water depth. By 1993 when SNEPCO and others became major participants in PSC, further changes were introduced with the inclusion of deep offshore concessions. Royalty ranged from 16.67% to 0%. PPT rate was at a flat rate of 50%. Investment tax credit was 50%. Profit sharing also changed to reflect cumulative production.

2.5.6 In a nutshell, the terms of Nigeria's PSC have been variable, complex and progressively in favour of the contractor. This may not be unconnected with the need to spur further investments, especially in the deep off shore acreages. As Nigeria's crude oil production becomes increasingly favourably disposed towards the PSC, it is pertinent that a

further look is directed towards making it more effective. There is need for standardisation and the reorganisation of our monitoring capacity.

2.5.7 In view of the above analysis and discussions carried out, the Committee recommends as follows:

❖ Government should adopt the NPDC/Agip agreement for all PSCs. The NPDC/Agip model entails a PSC that includes Joint Management and Joint Management Committee, which encapsulates the following:

- Transfer of technology;
- Good in sustaining investment in the oil and gas industry;
- Takes care of the security element;
- Fraud is minimised.

❖ Cost Recovery is either duration or production bound. The Committee recommends that it should be based on duration.

❖ The PSC framework should be retained as a major means ~~of financing, collaboration, operations due to its apparent~~ advantage of its self-sustainability, with the following amendments/provisos:

- All PSCs should be conducted on the basis of joint operations of the partners. Under this scheme operating structure shall be put in place where the various dept/units shall be managed by joint teams having substantive positions with corresponding departments alternately manned by the parties with periodic swapping of positions;
- The Management Committee, made up of, representatives of the partners (equal in number) shall be established. It will provide direction on all matters pertaining to petroleum operations and work programmes; and
- Field should revert back to Government upon full cost recovery by the contractor.

Key element
of the NPDC/
Agip model

- ❖ **National Security and Control:** Considering the fact that most of the PSCs are located in deep offshore, stringent measures must be legally instituted to ensure the security of all facilities and the sovereignty of Nigeria over such territorial waters.
- ❖ **Health, Safety and Environment (HSE):** In view of the fact that the PSCs are located in deep waters, coupled with the growing environmental concerns, operations must conform with relevant international conventions on health, safety and environment, including issues related to decommissioning.
- ❖ **Post Cost Recovery:** At this stage, Government would consider alternative options for the Management of the fields, which may include, but not limited to Joint Venture in the mould recommended above.
- ❖ **Linkage with the Larger Economy:** By the nature of up coming PSCs in Nigeria, which are predominantly deep water, the concern is often the complete severance from the (Municipal) larger economy. Consequently, Government should insist that partners invest and patronise activities concentrated at the export processing zones, (calabar, Onne) which are their natural neighbours.

**REPORTS ON THE NIGERIAN OIL AND GAS
SECTOR REFORM IMPLEMENTATION
COMMITTEE ESTABLISHED BY THE
NATIONAL COUNCIL ON PRIVATIZATION**

Gas and Petrochemicals Sub-Committee

**MINUTES OF THE 1ST MEETING OF OGIC
SUBCOMMITTEE LEGAL FRAMEWORK AND
REGULATORY MATTERS HELD ON 26TH JULY,
2000 AT THE OFFICE OF THE SENIOR SPECIAL
ASSISTANT TO THE PRESIDENT ON
CONSTITUTIONAL MATTERS.**

ATTENDANCE

- | | | | |
|----|-----------------------------|---|----------|
| 1) | Dr Maxwell M. Gidado | - | Chairman |
| 2) | Mrs Yinka Omorogbe | - | Member |
| 3) | Mr Sunday M. Jimmy | - | " |
| 4) | Mrs Jumoke Akinjide-Balogun | - | " |
| 5) | Engr Cally I. Eneh | - | " |



IN ATTENDANCE

- | | | | |
|----|----------------------|---|-----|
| 1) | Mr Victor Okechi | - | BPE |
| 2) | Mr Ugochukwu Ogbonna | - | " |

APOLOGIES

- | | | | |
|----|-------------------|---|---------------------|
| 1) | Mrs I. N. Chigbue | - | Secretary/Member |
| 2) | Mal. I. M. Kashim | - | Alternate Secretary |
| 3) | Sola Adepetun | - | Member |
| 4) | Uche Nwokedi | - | " |
| 5) | Dr Gbolahan Elias | - | " |

1.0 OPENING

- 1.1 The meeting commenced at 10.45a.m. with an opening prayer by Engr Cally I. Eneh.
- 1.2 The Chairman welcomed members to the meeting. Thereafter he briefed members on the inauguration of the Sub-committees by the Steering Committee in its last meeting at NICON Hilton Hotel.

2.0 PERUSAL OF TERMS OF REFERENCE

Members went through the Terms of Reference and noted the enormous task before the Sub-committee. In this regard the Chairman enjoined members to be dedicated to the assignment so as to achieve positive results.

2.1 **OBSERVATIONS AND COMMENTS**

Members made the following comments and observations on the Terms of Reference:

- Due to overlap of some items in the terms of reference with that of other OGIC sub-committees there is need for members to liaise with those sub-committees so as to enable them make necessary inputs in areas that relate to their assignment.
- Members agreed to work closely with the NCP particularly the legal department of BPE so as to source draft articles and all legal documents governing the oil and gas sector for the subcommittees' review and approval as stated in paragraph 2 of the Terms of Reference.
- Members expressed uncertainty on the legality of the Department of Petroleum Resources (DPR).

Members agreed that one of the Sub-committee's primary tasks would be to investigate the existence of any legal instrument establishing the Department of Petroleum Resources and expressed the need to liaise with National Assembly for eventual sponsoring of a bill to give the body a legal framework.

The same process would apply to NNPC.

3.0 **ENGAGEMENT OF ADVISERS/CONSULTANTS**

The Chairman intimated members of the advertisements in the Newspaper for Advisers/Consultants on privatisation by the NCP and promised to make a copy of the advertisement available to members at the Sub-committee's next meeting.

Members expressed the need for consultants to be engaged to assist the sub-committee but stressed that such engagement would be subject to approval by the Secretariat.

Members, however, emphasised the importance of going through previous consultancy works by experts as a guideline in the sub-committees assignment. In this regard, the BPE was mandated to liaise with the legal department of NNPC and Mr Trevor Byer of

the World Bank to ensure that relevant documents were made available to members as soon as possible.

- 4.0 The Chairman reiterated the need to get privatisation materials from the BPE or alternatively provide to fund for books and other materials required for the assignment.

Members suggested that Mr Trevor Byer be contacted for books on privatisation and legislative drafting. The Chairman encouraged members to source vital information to the assignment from the Internet and make relevant books and documents available to the Sub-committee and be adequately reimbursed. Some of the vital documents to the Sub-committee's work includes the following:

- All Petroleum Laws
- Petroleum Act ,1969 and amendment/regulations
- NNPC Act and amendments
- All necessary draft laws e.g. Act establishing Petroleum Commission of Nigeria (PCN)
- Indigenous Product Act
- Memorandum and Articles of Association of NNPC subsidiaries
- Contractual and bidding documents for privatisation
- World Bank documents
- Books on privatisation legislation.

5.0 **MEETINGS**

Members emphasised the need for the Sub-committee to meet frequently. It was agreed that the Chairman should obtain the approval of the Secretariat to enable the Sub-committee to meet as often as necessary.

The Chairman urged members to notify him of any vital information relevant to the task of the Subcommittee to be passed to members which may necessitate the committee to meet at any given time.

6.0 **ALLOWANCES OF MEMBERS**

Due to unsatisfactory arrangement for accommodation of members by the Secretariat, members agreed that their allowances be paid in cash to them so that they can arrange for their accommodation and transportation.

7.0 OTHER MATTERS

- 7.1 In view of the Sub-committee's enormous work and considering the numerous documents involved in the assignment, members suggested that Messrs Victor Okechi and Ugochukwu Ogbonna both of the BPE Legal Department be co-opted to take care of logistics for sub-committee.

The Chairman promised to take up the issue with the Sub-committee secretary who is also the head of BPE Legal Department before the next meeting.

- 7.2 Members suggested that names and addresses of Sub-committee members be made available to all members. It was agreed that a list be made out in this respect and attached to notices of the Sub-committees next meeting to be circulated to members.

It was also suggested that the sub-committee meets in Lagos as and when necessary considering the **availability** of vital materials required for the Committee's work. The Chairman promised to seek the approval of the Steering Committee on the issue.

CLOSING

A motion to adjourn the meeting was moved by Mrs Akinjide-Balogun and was seconded by Mr. Cally Eneh.

Mrs Yinka Omorogbe said the closing prayer.

The meeting ended at 12.22p.m.

Secretary

Chairman

DR G. LATAO D1-0640578-

3,4,5,7

**MINUTES OF THE THIRD MEETING OF OGIC SUB-COMMITTEE ON
LEGAL FRAME WORK AND REGULATORY MATTERS HELD ON
THE 16TH NOVEMBER, 2000 AT THE OFFICE OF THE SENIOR
SPECIAL ASSISTANT TO THE PRESIDENT ON CONSTITUTIONAL
MATTERS, ABUJA.**

PRESENT

- | | | |
|----|------------------------------|----------|
| 1. | Dr. Maxwell M. Gidado | Chairman |
| 2. | Engr. Cally I. Eneh | Member |
| 3. | Mr. Sunday M. Jimmy | " |
| 4. | Mr. Sola Adepetun | " |
| 5. | Mrs. Jumoke Akinjide-Balogun | " |
| 6. | Dr. Gbolahan Elias | " |
| 7. | Mrs. Yinka Omorogbe | " |

ABSENT WITH APOLOGIES

- | | | |
|----|--------------------|------------------|
| 1. | Mr. Uche Nwokedi | Member |
| 2. | Mrs. Irene Chigbue | Member/Secretary |

IN ATTENDANCE

- | | | |
|----|-----------------------|-----|
| 1. | Mrs. Halima Halilu | BPE |
| 2. | Mr. Victor Okechi | " |
| 3. | Mt. Ugochukwu Ogbonna | " |

1.0 OPENING

The meeting commenced at 11.53 a.m with an opening prayer by Mrs. Yinka Omorogbe.

- 1.1 Members were informed of the new directive from the BPE that further meetings of sub-committees was suspended pending when a policy on sub-committee meeting is issued

2.0 MINUTES OF THE LAST MEETING

The minutes of the 2nd meeting was read, and the following amendment made:

- i. Page 3 Clause 5.0 No.5 was corrected to read "Indigenous Participation/Marginal Field Policy". Thereafter, motion for adoption of minutes was moved by Mr. Sola Adepun seconded by Dr. Gbolahan Elias.

3.0 MATTERS ARISING FROM THE MINUTES

- 3.1 Chairman reiterated the need for Mrs Irene Chigbue's presence at meetings to clarify issues vital to the committees assignment.
- 3.2 Chairman directed the secretariat to update the address, phone and fax numbers of the members for easy communication.
- 3.3 Members agreed that the following members- Dr. Maxwell Gidado Mr. Sola Adepun and Mrs. Yinka Omorogbe should serve as liason Officers..

4.0 PRESENTATION OF INTERIM PROGRESS REPORT

The report was read, and the following amendment made. Page 2, clause C No. 1 was corrected to read "Indigenous Participation/Marginal Field Policy in the Oil Industry". Members agreed that the outcome of the 3rd meeting should be incorporated into the Interim Report.

5.0 PRESENTATION OF POSITION PAPERS/REPORTS

5.1 Mrs. Yinka Omorogbe presented a paper on 'DPR and the Regulation of the Oil and Gas Industry'. She informed members that components needed to present a paper on the gas Policy were not available. She further stated that her paper would concentrate on the legal aspect of the topic. The paper covered the following subjects:

a. **The Current State of the Industry**

The presenter discussed the conflicting interest of the NNPC and the Ministry of Petroleum. The Roles of President, Presidential Adviser on Petroleum, as well as the role of the MD, NNPC, and whom he reports to. The role of the Alternate Chairman under the newly constituted Board of NNPC was also discussed and whether the NNPC Act makes provision for an Alternative Chairman.

b. **The DPR**

The presenter-informed members that the DPR which is the regulatory arm of the Oil & Gas Industry is weighed down with problems. The DPR depends on the industry it regulates for funds, logistics etc. Some of its problems are:

- i. Lack of Funds,
- ii. Lack of Autonomy
- iii. Inadequate staff and equipment
- iv. Inconsistency in regulatory laws/Ungazetted and Outdated laws
- v. Unhealthy relationship between the DPR and the Ministry of Environment.

Members were informed of two options for Restructuring DPR.

Option 1

(MPR's) perspective. The DPR to be merged with NAPIMS and would be an autonomous body under the MPR named Nigeria Petroleum Development.

- Option 2

(DPR's) Perspective. To have an Independent body called the Petroleum Inspectorate Commission of Nigeria with increased functions and full Environmental Responsibilities.

c. **The Regulatory Framework**

- i. What should the Law be like?
- ii. What should it Achieve?
- iii. How do we get the Laws that Assists the Achievement of Nigerian Desires and Aspirations.

The presenter observed that major current laws covering the industry are Inadequate, out-dated, difficult to obtain and in some areas not covered by the Law e.g, Indigenous companies, and conflicting jurisdiction.

She stated that an Ideal Regulatory framework should:

- Complement and advance areas of Energy, Oil and Gas Policy.
- Advance National objectives,
- Promote/stimulate the Oil & Gas Investments in the upstream and downstream sector.
- The ideal law should be flexible enough to react to market forces and changes in the industry.

In order to achieve this, she stated that:

- i. Inputs should be obtained from all stakeholders in the industry.

- ii. Incentives should be put to make the environment attractive
- iii. Find the Energy Oil & Gas Policy
- iv. The structures in the Industry should be ascertained
- v. The law should be re-drafted, amended, or repealed in line with the above.

5.2 The Chairman thanked the presenter for her paper and called for comments on the paper.

Members deliberated extensively on the paper and recommend the following:

- i. The N.N.P.C Act does not make provision for a Special Adviser on Petroleum. A substantive Minister of Petroleum should be appointed.
- ii. The DPR and Ministry of Environment are important to the Oil & Gas Industry. Therefore, they should try to work together complimenting each others roles. *Report "Ship" full*
- iii. The DPR should be an Autonomous body.
- iv. The laws regarding the Oil and Gas Sector should be revisited.

6.0 The second paper was presented by Dr. Gbolahan Elias who also chaired the meeting after the Chairman asked to be excused to attend another meeting. The paper presented was titled "Summary of preliminary suggestions of OGIC".

6.1 The paper was divided into three sections.

- (a) The NNPC Act. The presenter highlighted the following issues:

- Whether NNPC should operate like any other Limited Liability company after commercialization.
- Non-political interference in NNPC's running.
- The Inspectorate Dept referred to in part II of the NNPC Act should be dissolved into the proposed regulatory commission.
- The Issue of Investment by the proposed Restructured (slimed down) NNPC.

(b) Petroleum Act.

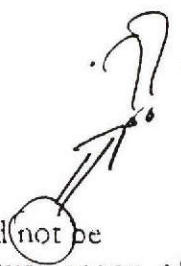
The presenter stated that the Act should be updated amended or reviewed. He stated that the issue of granting licences to Nigerian entities and allowing foreigners to take no more than 40% is good for Nigerian Investment. However, the machinery for revoking licenses should be quicker, transparent and more consistent.

Other issues highlighted were:

- The problems that may arise as to the meaning of the words "Holder" and "Assignment" in section 14 of schedule 1 of the Act. And on whether a person "farming in" would need the consent of the Minister".
- The commercial viability of 10,000 bpd.
- The regulatory powers vested in the Minister
- Rules on safety and the environment.

(c) Fiscal

The presenter highlighted the following:

- 
- i. Fiscal laws relating to Petroleum should not be Codified in on specialist statute because many of those laws are part of general companies income Tax laws.
 - ii. All fiscal provisions should be transparent, published, and should have legislative backing.
 - iii. Legislative process should be faster. The Federal Executive should have more statutory powers to vary applicable rules or grant some specific exemptions.

6.2 Members deliberated extensively on the issues raised above and agreed that:

- i) N.N.P.C should operate like any other Limited Liability Company with the benefit of a Statute after Commercialisation.
- ii) The Minister for Petroleum should not interfere in the day-to-day running of N.N.P.C.
- iii) The Restructured N.N.P.C should invest the Government Shares in its privatized Subsidiaries.
- iv) N.N.P.C. should retain enough fund to cover its operational and recurrent expenses.
- v) The Petroleum Act should updated, amended, revisited.
- vi) The New Act should consider environmental issues.

vii) There should be an Advisory committee membership of whom should include experts from the Oil & Gas Industry (Public & Private) to advice the Minister from time to time on current issues regarding the industry.

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(pseudo)

viii) The Act should also be redrafted in such a way that it is flexible enough to give room for changes.

7. CLOSURE

The meeting came to an end at 5.45 p.m.



THE PRESIDENCY
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The Secretariat of the National Council on Privatisation

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**MINUTES OF THE 2ND MEETING OF OGIC
SUB-COMMITTEE ON LEGAL FRAMEWORK AND
REGULATORY MATTERS HELD ON 20TH OCTOBER, 2000
AT THE OFFICE OF THE SENIOR SPECIAL ASSISTANT
TO THE PRESIDENT ON CONSTITUTIONAL MATTERS.**

ATTENDANCE

- | | | |
|---------------------------------|---|----------|
| 1. Dr. Maxwell M. Gidado | - | Chairman |
| 2. Mr. Sunday M. Jimmy | - | Member |
| 3. Mrs. Jumoke Akinjide-Balogun | - | ” |
| 4. Dr. Gbolahan Elias | - | ” |
| 5. Mr. Sola Adepetun | - | ” |

IN ATTENDANCE

- | | | |
|--------------------------|---|-----|
| 1. Mr. Ugochukwu Ogbonna | - | BPE |
| 2. Mr. Victor Okechi | - | ” |

APOLOGIES

- | | | |
|------------------------|---|---------------------|
| 1. Mrs. I.N. Chigbue | - | Secretary/Member |
| 2. Mal. I.M. Kashim | - | Alternate Secretary |
| 3. Engr. Cally I. Eneh | - | Member |
| 4. Mrs. Yinka Omorogbe | - | ” |
| 5. Uche Nwokedi | - | ” |

1.0 OPENING.

- 1.1 The meeting commenced at 11.00 a.m with an opening prayer by Mrs. Jumoke Akinjide-Balogun.
- 1.2 The Chairman welcomed members to the meeting and suggested that for subsequent meetings the secretariat meet with him two days to the next meeting date to prepare and perfect the agenda for the meeting. He also suggested that a

copy of the agenda be sent along with notices of meetings to members to enable them prepare adequately for the issues to be discussed at the meeting.

2.0 MATERIALS REQUESTED FROM BPE

Members observed that there has not been any response from BPE in respect of the sub-committee's request to it for some materials relevant to the committee's assignment.

The Chairman informed members that he has not been able to get intouch with Mrs. Chigbue of BPE, the sub-committee's secretary, to discuss the issue as well as other matters that has arisen in the course of deliberations in the sub-committee's last meeting. He emphasised the importance of the presence of the secretary to meetings and directed the representatives of BPE at the meeting to ask Mrs. Chigbue to get intouch with him before the next meeting.

The Chairman also directed that a letter be made out to Mrs. Chigbue requesting her presence in subsequent meetings of the sub-committee.

Members agreed that contact addresses of members be left with the secretary for easy distribution of materials to members.

3.0 PROGRESS REPORT TO STEERING COMMITTEE

The Chairman suggested that the sub-committee prepare a progress report to the steering committee which report should also emphasise the sub-committee's needs.

Mr. Sola Adepetun and Mrs. Jumoke Akinjide-Balogun undertook to carry out the task.

4.0 ASSIGNMENT OF A LIAISON OFFICER AS MONITOR

Members agreed to assign a liaison officer, from amongst themselves, to monitor the deliberations of each of the other sub-committees, identify key issues that affects members assignments and brief the sub-committee.

5.0 ASSIGNMENT OF TASKS TO MEMBERS

Members identified key areas in the sub-committee's assignment and assigned various tasks to members.

A member is required to review the task assigned and produce a position paper or report to the sub-committee in two weeks. Members are to be guided by the terms of reference of the other sub-committees in carrying out their assignments.

The tasks were broken down as follows:

<u>MEMBER(S)</u>	<u>AREAS OF ASSIGNMENT</u>
1. Engr. Eneh & Mrs. Omorogbe	- DPR/Regulatory Framework

2. Uche Nwokedi & Engr. Eneh - Downstream issues(Except Gas, but including petro-chemicals)
3. Dr. Gbolahan Elias - NNPC/The role of National Oil Companies; Fiscal terms & Petroleum Act/Memorandum of Understanding.
4. Mrs. Y. Omorogbe - Gas policy.
5. Mr. S. Adepetun - Indigenous policies.
6. Mrs. J. Balogun - Contracts for operators/ Contractual Agreements (Framework for operators in petroleum industry; Review of contractual & bidding documents for privatisation)
7. Mr. S.M. Jimmy - Bills in progress; Local Contents & Liaison with National Assembly Committee.

6.0 MEETINGS

Members agreed that subsequent meetings should be for two days. This will encourage extensive deliberations by members of the issues on the agenda and enable the sub-committee to come out with a tangible report for the Steering Committee.

7.0 CLOSING

The meeting adjourned to tentative dates of 16th & 17th of November.

Dr. Gbolahan Elias said the closing prayer.

The meeting ended at 12.50 p.m.

**REPORT OF THE LEGAL AND REGULATORY SUB-COMMITTEE
OF THE OIL AND GAS SECTOR IMPLEMENTATION
COMMITTEE (OGIC) PRESENTED TO THE OGIC STEERING
COMMITTEE ON NOVEMBER 5TH 2001.**

The Legal and Regulatory sub-Committee met on 30th and 31st October 2001. Guided by its terms of reference, the Committee worked on the following:

- (A) - a study of reports from various sub-Committees with a view to making recommendations from a legal perspective.
- (B) - a draft framework for a proposed omnibus petroleum code for the Nigerian petroleum sector.

A. The Subcommittee made the following comments after a full and careful study of the following issues raised in the reports mentioned below.

1. The Proposed Structure of the Oil Industry.

After careful study, the Committee is of the opinion that the structure would be more in line with the expectations of a post-privatized oil industry if the following adjustments were made.

(i) The presence of the Vice-President in the National Petroleum Council.

It was felt that, like the President, the presence of the Vice – President should also have the effect of transforming the NPC into the Petroleum Advisory Council so that he can also conduct an impartial review of reports received from the PAC.

(ii) The composition of the PAC.

In view of section 44 of the Constitution, which provides that the regulation of all matters relating to petroleum are within the competence of the legislature, the subcommittee believes that the inclusion of relevant members of the National Assembly such as the Chairpersons of the Senate and House Committees on oil and gas should be considered.

(iii) The perceived roles of the CEO of the National Oil Company (NOC).

Under the organogram the CEO/NOC has an "annual performance contract" and reports directly to the NPC. The subcommittee notes that in accordance with proper principles of company law and corporate governance the CEO is obliged to report to his Board of Directors.

The sub-committee further notes that the Structure sub-committee envisages a fully privatized NOC. Under such circumstances a privatized NOC cannot be subject to government regulations and to the Minister, as if it were still wholly owned by the government, and so a privatized NOC is out of place within this organogram as it exists. The subcommittee also notes that the organogram and accompanying report do not completely correlate, particularly as the report refers to a CEO/NOC who "enjoys operational and financial autonomy without bureaucratic bottlenecks and political interference."

(iv) DPR/PIC

Regarding DPR/PIC the subcommittee suggests that the environmental responsibilities relating to the oil and gas industry should remain with the DPR/PIC and that the body should have sole authority over enforcement in that area, in addition to its regulatory responsibilities. Members were however of the view that these environmental functions should be ultimately subject to the Ministry of the Environment, in the event of a conflict in standards.

These measures, it was felt, would go a long way to resolve any conflicts between the two bodies and, if acceptable, the provisions relating to the PIC and its functions would be drafted in line with the above.

2. Non-core Investments.

After a careful study of the report by the subcommittee on Non-Core Investments the subcommittee noted the need to determine the legal status of the companies slated for privatisation, as the structure of the company will determine the legal procedure to be adopted prior to privatisation. All of such companies need to be incorporated under the

Companies and Allied Matters Act. It is also expected that issues such as pre-emption rights will be considered and resolved.

The subcommittee notes that if NNPC is to remain as the National Oil Company (NOC) it should have at least the capacities to explore for and produce crude oil, and the ability to trade. In line with this the status of Duke Oil could be examined. As for the National Petroleum Development Corporation (NPDC) the subcommittee notes that a strengthened NPDC, with the support of Government, will greatly accelerate indigenisation and technology transfer.

3. Upstream Operations

The subcommittee studied the reports of the upstream operations subcommittee, particularly the one titled. "Options for upgrading Local contents Nigerianisation and Indigenous participation" and noted as follows:

- For law and policy relating to indigenisation the subcommittee states that invariably, all companies, irrespective of ownership, are required to be incorporated (registered) in Nigeria, and therefore the emphasis should be on indigenous ownership rather than registration.
- If the intent of paragraph 6 on P.2 is to upgrade the facilities of the Petroleum Training Institute, the Government should first strengthen and encourage its growth through adequate funding, as opposed to Initially restricting training to PT1.
- the subcommittee believes that the Nigerianisation of the Nigeria oil industry will be further strengthened if all indigenous operators are encouraged to develop research and development capability.

The subcommittee considered the various possible devices to give effect to the issues raised within these reports. Essentially these consist of legislative, administrative and contractual mechanisms, and policy. Whilst none are mutually exclusive in the sense that almost all the points in the report can be achieved through more than one option, members have tentatively categorized the various segments as follows:

ADMINISTRATIVE	LEGISLATIVE	POLICY
Paragraph 16	Paragraph	Paragraphs

	1,2,3,4,12,13,14	5,6,7,8,10,11;15.
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B. DRAFT PETROLEUM CODE

The subcommittee agreed on an initial framework for the Draft Petroleum code, which is attached to this Report. The Petroleum Code is expected to be an omnibus law which will deal with all aspects of the oil and gas industry, including its institutions.

CONCLUSION

The next meetings of the subcommittee will involve further reviews of the present and proposed legal frameworks for the Nigerian Petroleum Industry and for oil and gas sector privatization in line with our stated terms of reference.

The Steering Committee should please note that work on the final Report of this subcommittee will be concluded after the Final Reports of the other sub-committees have been submitted, as it must be based on the decisions reached.

DR. MAXWELL GIDADO	-	Chairperson
MRS YINKA OMOROGBE	-	Member
MR SOLA ADEPETUN	-	Member
MRS JUMOKE AKINJIDE -BALOGUN	-	Member
DR. GBOLAHAN ELIAS	-	Member
MR. A. E. JIMMY	-	Member
MR. UCHE NWOKEDI	-	Member
ENGR. CALIXTUS ENE	-	Member

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INTERIM REPORT SUBMITTED BY THE CHAIRMAN OF THE OGIC SUB-COMMITTEE ON LEGAL FRAMEWORK AND REGULATORY MATTERS

The above Sub-Committee since its inauguration has met three times. The inaugural meeting took place on 26th July, 2000 at the Office of the Senior Special Assistant to the President on Legal and Constitutional Matters, Bullet Building Abuja. The Second meeting was held on 20th October, 2000 and the 3rd on 16th – 17th November, 2000. Both meetings were held at the same venue.

At the first two meetings members examined the Terms of Reference (TOR) and decided to proceed with their assignment as follows:-

- a) To liaise with other OGIC Sub-Committees so as to obtain their reports and make inputs where necessary.
- b) The Sub-Committee resolved to work closely with the following bodies to source relevant materials and draft legislation, model contracts, legal papers, books, etc.
 - i) Legal Department, B.P.E.
 - ii) Legal Department, N.N.P.C.
 - iii) Legal Department, Ministry of Petroleum Resources.
 - iv) Relevant National Assembly Committees
 - v) Department of Petroleum Resources
 - vi) World Bank/IFC
- c) The Sub-Committee identified the broad issues to be considered under the Terms of Reference and assigned to individual members the task of preparing position papers on the different issues as follows:

S/No.	Area of Assignment	Member
1.	Indigenous participation/Marginal Field Policy in the Oil Industry	Mr. Sola Adepetun
2.	NNPC, Fiscal Terms and Petroleum Act	Dr. Gbolahan Elias
3.	DPR, Regulatory Framework and Gas Policy	Mrs. Yinka Omorogbe
4.	Downstream Issues (including Petro-Chemicals).	Mr. Uche Nwokedi
5.	Downstream Issues (including Petro-Chemical & DPR)	Engr. Cally I. Eneh
6.	a) Bills in Progress & Local Content b) Liaison with National Assembly	Mr. Sunday M. Jimmy
7.	Contractual Framework for Operators in the Upstream Sector and bidding documents for Privatisation	Mrs. Jumoke Akinjide-Balogun

- d) At the Third meeting, two members presented their reports.
- 1) DPR and the Regulation of the Oil and Gas Industry by Mrs. Yinka Omorogbe.
 - 2) Summary of Preliminary suggestions to OGIC (NNPC, Fiscal and Petroleum Act) by Dr. Gbolahan Elias

Members deliberated extensively on the papers presented and came up with the following suggestions.

- 1) There is currently no Minister for Petroleum. This has created uncertainty because the Petroleum Law gives extensive responsibilities to a Minister for Petroleum and none to a Special Adviser. A substantive Minister for Petroleum should be appointed.
- 2) As the Law currently stands, the DPR does not have sufficient autonomy and authority to be an efficient regulator of the Industry. The DPR should be granted autonomy from the Ministry and made answerable to the Presidency rather than the Minister.
- 3) The respective roles of the Minister and the DPR should be separated. The Minister should have the power to make policy and regulations for the Industry while the autonomous DPR will enforce those regulations.
- 4) Currently there is no credible forum for reviewing Oil Regulations and Policy. There should be a standing Petroleum Advisory Committee to make recommendations to the Minister on Oil Policy and Regulations. Committee members should at minimum include representatives of the DPR, the Ministry and the operators in the Industry.
- 5) The Petroleum Act of 1969 and the regulations made under it are out of date, often unclear and are not comprehensive. A more modern clearer and more comprehensive Act is needed. Inputs should be sought from all stakeholders in drafting the new legislation.

- 6) N.N.P.C should be a 100% Government owned company under the Ministry of Petroleum organized and run on a strictly business basis. It should operate like any other regular limited liability Company without the benefit of any special statute or protection. The N.N.P.C. Act should be repealed accordingly. The N.N.P.C should continue to hold and invest Government's share in its privatized subsidiaries and divisions. The Minister for Petroleum Resources should not interfere in the management and day-to-day running of the N.N.P.C.
- 7) NAPIMS should be separated from the N.N.P.C, made independent and brought under the Ministry of Petroleum.
- 8) All regulations and policy matters regarding the Industry should be made public and properly Gazetted in a timely manner.

.....
CHAIRMAN

.....
SECRETARY

FINAL REPORT
OF THE
LEGAL FRAMEWORK AND
REGULATORY MATTERS
SUB-COMMITTEE

OF THE
OIL AND GAS SECTOR
REFORM IMPLEMENTATION
STEERING COMMITTEE (OGIC),
APRIL 2002

EXECUTIVE SUMMARY

1. The subcommittee noted the defects of the existing legal framework and the lack of harmonization of some current attempts at reform. We note the presence of directly related bills at various stages in the National Assembly. If the reform of the present legal framework is not done in a systematic fashion the existing framework could end up being replaced with one that has retained the characteristics of the latter.

2. The Subcommittee recommends the preparation of a Petroleum Code that will deal with all major areas relating to the oil and gas industry. This will make for clarity and greater comprehensiveness. The various parts of the proposed Code would incorporate all the accepted recommendations of the Main Committee relating to the relevant parts of the code. The frame of this law is contained in the main body of this Final Report, as are comments on salient parts of the proposed legislation.

2. The subcommittee also made comments on legal and regulatory issues dealt with by the various other subcommittees, details of which are contained in the main body of this report.

1.0 INTRODUCTION

1.1 BACKGROUND

The Legal Regulatory sub-committee is one of the six committees set up by the Oil and Gas Sector Reform Implementation Committee (OGIC) established by the National Council on Privatisation (NCP).

The membership of the committee is as follows:

1. Dr. Maxwell Gidado	Chairperson
2. Mr. Sola Adepotun	Member
3. Mrs. Yinka Omorogbe	Member
4. Mr. Uche Nwokedi	Member
5. Mr. Sunday Jimmy	Member
6. Mrs. Jumoke Akinjide- Balogun	Member
7. Egnr. Cally Eneh	Member
8. Dr Gbolahan Elias	Member
9. Mrs. Lateefa Kuru	Secretary

The Sub-committee held its inaugural meeting on 26th July 2000, and held a total of eight meetings. The subcommittee presented an Interim Report to the OGIC Steering Committee on November 5th 2001. This is the Final Report of the subcommittee.

1.2 TERMS OF REFERENCE

COE

The sub-committee was given the following Terms of Reference: 1)

Work with Advisers /Consultants to the National Council on Privatisation on behalf of FGN to:

Use for legal & Regulatory DPR

- 1 • Ensure that legal due diligence is conducted to identify legal issues that would need to be resolved for re-structuring, Commercialisation and privatisation .
- 2 • Review the legal Instrument (if any) establishing DPR with a view to empowering DPR as a Regulator in a liberalized Oil and Gas sector *NNPC Act*
- 3 • Assess the options for a regulatory framework for pipelining, refining, marketing and trading of petroleum products appropriate to a liberalized economy.
- 4 • Review all existing legal documents including laws and regulations governing operators in the sector, with the aim of producing a single document to regulate the activities and operations of the sector.
- 5 • Review all legal instruments establishing NNPC and that of it's subsidiaries, and other public enterprises within the sector, with a view to making them operate in a competitive environment.

- Review in preliminary forms the contractual and bidding documents required for privatisation e.g. pre-qualification procedures, consensus contract, bidding rules purchase agreement etc.
- Ensure timely finalisation of the contract/ bidding documents for issuance to pre-qualified bidders.

The subcommittee concentrated mainly on the second to fifth terms of reference as the opportunity to work on the first and sixth terms did not arise. These terms of reference required that a substantial part of its work would be based on recommendations of the other subcommittees, particularly the Structures Committee. Ideally the legal subcommittees work should have been based on the Final report of the steering committee and we had indicated this to the Committee. As we have been mandated to present our Final report within a designated time framework that precedes the report of the Main committee our report is based on the reports of the other subcommittees. In several instances the subcommittees have reached different conclusions. Where these have impacted on legal or regulatory issues we have made comments and given suggestions where appropriate.

THE STATUS OF EXISTING LAW, POLICY AND REGULATORY INSTRUMENTS PERTAINING TO THE OIL AND GAS INDUSTRY

Nigerian oil and gas legislation has existed since 1897 when the first petroleum ordinance was enacted. The current major laws are the Petroleum Act and its attendant Petroleum (Drilling and Production) Regulations, both

of which came into force in 1969. Some other laws directly pertaining to or impacting on the oil and gas industry are:

- Petroleum Profits Tax Act
- Oil in Navigable Waters Act
- Oil Terminal Dues Act
- Nigerian National Petroleum Corporation Act
- Federal Environment Protection Agency Act
- Environmental Impact Assessment Act
- Oil and Gas Export Free Zone Act
- Deep Offshore and Inland Basin
Production Sharing Contracts Decree 1999
- Niger Delta Development Commission Act 2000

• *CAMA* •

In addition to these there are several policy papers and directives that, over the years have come to govern the industry. Most of these, with the major exception of the Memorandum of Understanding, have neither legislative nor contractual status. Some, such as the Associated Gas Framework Agreement, are actually a collection of letters and pronouncements rather than a formal legal document as one would suppose from its name. The result is that knowing what the Nigerian legal and regulatory regime is for the petroleum industry can be confusing.

The legal framework also suffers from the following defects:

1. Obsolete provisions: Some laws are outdated or overtaken by events. Prominent examples are the FEPA and NPPC Acts which refer to entities that no longer exist in the formats indicated in the respective laws but which have been renamed and remodeled without any amendments to the laws (the Petroleum Inspectorate and FEPA).
2. The laws are scattered. Allied to this is the fact that amendments are often difficult to locate.

The subcommittee notes the lack of harmonization of some current attempts at reform. We note the presence of directly related bills at various stages in the National Assembly. If the reform of the legal framework is not done in a systematic fashion the existing framework could end up being replaced with one that has retained the characteristics of the latter.

2.0. RECOMMENDATIONS OF THE LEGAL AND REGULATORY SUBCOMMITTEE

2.1 PETROLEUM CODE

The Subcommittee recommends the preparation of a Petroleum Code which will deal with all major areas relating to the oil and gas industry. This will make for clarity and greater comprehensiveness.

The draft outline for the recommended Code is as follows:

A. PRIMARY LEGISLATION

PART I: SOVEREIGNTY

1. Ownership (including continental shelf)
2. Fiscal (including tax and MOUs)
3. Training and transfer of technology (indigenisation).
4. Rights duties and function [of public officers].

PART II: INSTITUTIONS

1. Non- commercial (e.g. NNPC, PIC, MPR, Training/ Research)
2. Commercial (e.g. NPDC, NAPIMS)

PART III UPSTREAM

1. Title [grants, dispositions, including marginal fields and relinquishment]
2. Operation [exploration, production including training and safety and the environment].

PART IV NATURAL GAS

PART V: DOWNSTREAM

1. LNG
2. Refining
3. Transport
4. Pipelines
5. Storage
6. Distribution
7. Petrochemicals

PART B: SECONDARY LEGISLATION

PART I: FISCAL (incorporating

PART II: INSTITUTIONS

PART III: DRILLING AND PRODUCTION

PART IV: REFINING

PART V: PIPELINES

PART VI: TRANSPORT

PART VII: STORAGE

PART VIII: DISTRIBUTION (SUPPLY, PRICING ETC. INCLUDING

EMERGENCIES AND EQUALISATION

PART IX: ENVIRONMENT

PART X: HEALTH AND SAFETY

PART XI: COMPETITION

2.2. FURTHER CLARIFICATION

The various parts of the proposed Code would incorporate all the accepted recommendations of the Main Committee relating to the relevant parts. In particular we comment on the following:

Fiscal: this part should incorporate all the fiscal provisions pertaining to the petroleum sector. The subcommittee believes that this should include all elements in the Memorandum of Understanding that are tax or royalty related. The companies to which it applies should be clearly stated. In line with recommendations of the other committees the fiscal provisions should be drafted in line with the desire to increase flexibility and reduce the present complexities thereby making for easier administration.

Institutions: The various committees have suggested various institutions, and all accepted by the main committee would be included in the part on institutions. With respect to the Petroleum Training Institute and the proposed Petroleum Research Institute, methods of funding should be clearly specified within the provisions of the Code. There is the supposition that the Natural Gas Company will be a transmission company post-privatization.

The committee notes the conflicting recommendations from the upstream and non-core committees. If the recommendation of the upstream

committee is accepted then the NPDC will be one of the companies dealt with in Part II. The Frontier Exploration Service should not be included in legislation, except as a department of the NNPC.

With reference to the work of the Structures committee the committee is unclear as to the status of the envisaged national oil company. Will the NPDC coexist with this NOC? Will it be a subsidiary? What is the status of the regulator? In a privatized climate the power to fix rates, charges etc. can only belong to the regulator, in this instance the Petroleum Inspectorate Commission (PIC)

Too small!

2.4 COMMENTS ON THE REPORTS OF OTHER COMMITTEES

2.4.1 COMMENTS ON STRUCTURES COMMITTEE.

The committee saw no substantial change between the previous and final reports of the Structures Committee. The earlier recommendations made in our interim report still stand and are reproduced here.

1. The Proposed Structure of the Oil Industry.

After careful study, the Committee is of the opinion that the structure would be more in line with the expectations of a post-privatized oil industry if the following adjustments were made.

- (i) The presence of the Vice-President in the National Petroleum Council.**

It was felt that, like the President, the presence of the Vice – President should also have the effect of transforming the NPC into the Petroleum Advisory Council so that he can also conduct an impartial review of reports received from the PAC.

(ii) The composition of the PAC.

In view of section 44 of the Constitution, which provides that the regulation of all matters relating to petroleum are within the competence of the legislature, the subcommittee believes that the inclusion of relevant members of the National Assembly such as the Chairpersons of the Senate and House Committees on oil and gas should be considered.

(iii) The perceived roles of the CEO of the National Oil Company (NOC).

Under the organogram the CEO/NOC has an “annual performance contract” and reports directly to the NPC. The subcommittee notes that in accordance with proper principles of company law and corporate governance the CEO is obliged to report to his Board of Directors.

The sub-committee further notes that the Structure sub-committee envisages a fully privatized NOC. Under such circumstances a privatized NOC cannot be subject to government regulations and to the Minister, as if it were still wholly owned by the government, and so a privatized NOC is out of place within this organogram as it exists. The subcommittee also notes that the organogram and accompanying report do not completely correlate, particularly as

the report refers to a CEO/NOC who “enjoys operational and financial autonomy without bureaucratic bottlenecks and political interference.”

(iv) **DPR/PIC**

Regarding DPR/PIC the subcommittee suggests that the environmental responsibilities relating to the oil and gas industry should remain with the DPR/PIC and that the body should have sole authority over enforcement in that area, in addition to its regulatory responsibilities. Members were however of the view that these environmental functions should be ultimately subject to the Ministry of the Environment, in the event of a conflict in standards.

Supported

~~AA~~

*environmental
na*

*Oforium
requests
clarification*

*general
an*

Oforium is concerned that

These measures, it was felt, would go a long way to resolve any conflicts between the two bodies and, if acceptable, the provisions relating to the PIC and its functions would be drafted in line with the above.

2.4.2 COMMENTS ON THE DOWNSTREAM COMMITTEE REPORT

Supported

1. The committee believes that the suggested committee/ agency to monitor and review the pricing of petroleum products nation- wide should be part of the proposed PIC.
2. The recommendation as to the use of the NPA and private jetties by all participants should be clarified as it is not practicable to control or

impose the entities that the owner of a private jetty might choose as a customer.

3. The recommendation for the establishment of a Pipeline and Depots Utilities Commission is at variance with the existing report of the Structures Committee. Fourthly and finally the committee notes that the proposed Strategic Reserve Agency of Nigeria (SRAN), if accepted, should be funded by the independent marketers and not through the PEF.

2.4.3 COMMENTS ON THE NON- CORE COMMITTEE REPORT

1. A majority of the members of this committee support the view of the Downstream report that the NPDC should not be privatized, for the reasons given on pages 62-64 of the Upstream Report.
2. Whilst the committee agrees that the IDSL should be privatized, it believes that prior to this the various contract should be strengthened so as to make it mandatory for companies to submit all data and give proprietary rights to the government with the proposed PIC as depository. It would be necessary to clarify the position of the suggested joint company and the position of the Petroleum Technology Development Fund.
3. The committee is unable to locate the legal differences between the various types of joint ventures numbered as A, C and D in the report. The tax and cost implications of the various options need to be considered as do the impact of contracts such as the MOU.
4. The committee notes that proceeds from the companies' oil cannot legally be paid into the Federation account. Possibly further clarification is needed.

all envisage shares of some sort

as against current structure

we are participating in trust is maintained and not shares.

5. The recommendations on page 16 concerning the PSC are unclear. The committee notes that, at all times under a PSC, the Oil Mining Lease is vested in the government through NNPC. Is the non- Core Committee saying that PSCs should be terminated after cost recovery but before profit oil?

2.4.4 COMMENTS ON THE GAS AND PETROCHEMICALS

COMMITTEE REPORT

1. The committee believes that the penalties for gas flaring under the proposed Petroleum Code should be more than what presently pertains. All suggested natural gas incentives should be part of the section on natural gas.
2. Provisions dealing with health safety and the environment (HSE) should be one of the subsidiary laws.
3. No comments are possible on the loan and marketing agreements for Eleme as they were not seen by the subcommittee.

2.4.5 COMMENTS ON THE REPORT OF THE UPSTREAM OPERATIONS SUB COMMITTEE

1. The subcommittee notes the use of the phrase “excess gas” by the Upstream subcommittee and is of the opinion that this definition should be restricted to gas at the flare, in line with the current law that allows for the use of natural gas “free of cost at the flare”.
2. With reference to paragraph V1 of the Executive Summary on Upgrading Local Content the opinion was that, in order to encourage indigenous participation the phrase “locally registered” should be

changed to "Nigerian owned" as practically all foreign companies have locally registered companies.

3. On the issue of reserving 25% 40% of all consultancies in the sector y to Nigerian universities and research institutes it was suggested that legislation should be phrased so as to allow for the participation of Nigerian entities in both the private and public sectors.
4. All of the recommendations on training, if accepted, should be incorporated into legislation. This will possibly require the establishment of another training institute apart from the Petroleum Training Institute. It is recommended that a predetermined percentage of income for funding should be specified within the law.
5. With reference to the recommendation in paragraph XIV the suggestion is that primary responsibility for the communities should be with the federal government and a percentage of the tax payable to the federal government by the oil companies should be given to the communities.

CONCLUSION

The recommendations contained in the Final Report of the Steering Committee need to be incorporated into the envisaged legal framework. Therefore we believe that this subcommittee needs to meet after the Fianl Report has been completed to complete the task which has been given to us. We are grateful for the opportunity that has been given to us to be of assistance in the work of contributing towards the creation of a conducive legal and administrative framework for the privatization of the oil and gas industry.

**REPORTS ON THE NIGERIAN OIL AND GAS
SECTOR REFORM IMPLEMENTATION
COMMITTEE ESTABLISHED BY THE
NATIONAL COUNCIL ON PRIVATIZATION**

**Sub-Committee on Legal Framework and
Regulatory Matters**

Amendment 00-13

MINUTES OF THE 1ST MEETING OF GAS AND PETROCHEMICAL SUB-COMMITTEE OF THE OIL AND GAS REFORM IMPLEMENTATION COMMITTEE (OGIC) HELD ON WEDNESDAY JULY 26, 2000 AT ROCKVIEW HOTEL, ABUJA.

PRESENT

- | | | | |
|----|------------------------|---|----------|
| 1. | DR. ONAOLAPO SOLEYE | - | Chairman |
| 2. | DR. E. A. DENNAR | - | Member |
| 3. | ENGR. STEPHEN A. BELLO | - | " |
| 4. | MR. DERIN ADEWUMI | - | " |
| 5. | MR. IBUKUN AKINDURO | - | " |
| 6. | MS. DONU KOGBARA | - | " |
| 7. | MRS. MAYEN I. MBUK | - | " |

APOLOGY

- | | | | |
|----|-------------------------------|---|------------------|
| 8. | MRS. Modupe A. ABIODUN-WRIGHT | - | Member/Secretary |
|----|-------------------------------|---|------------------|

ABSENT

- | | | | |
|----|---------------|---|--------|
| 9. | DR. P. NNANDI | - | Member |
|----|---------------|---|--------|

IN ATTENDANCE

- | | | | |
|-----|-----------------------------------|--|----------------|
| 10. | MR. SYLVANUS EMOKHOR - (BPE) | | Taking Minutes |
| 11. | MISS SHAKIRAT BUKOYE - (NYSC)/BPE | | " " |

1.0 OPENING PRAYERS

The Chairman declared the meeting open at 11.20a.m and invited Dr. Dennar to say the opening prayers.

Members noted the absence of both the Secretary and Alternate Secretary to the Subcommittee and expressed dissatisfaction with their absence. In his response, a representative from the BPE – Mr. Emokhor explained to the committee that the secretary was unavoidably absent as a result of series of meetings with foreign investors coupled with the fact that some staff members including the secretary to OGIC, Mr. A. A. Udofia were out of the country for training programmes.

The Chairman emphasised that continuity must be ensured if the objective of sub-committee was to be achieved, and that the secretary's presence especially at this 1st meeting of the subcommittee was necessary.

AGENDA FOR THE MEETING

1. OPENING PRAYERS
2. INTRODUCTION OF MEMBERS
3. BRIEF INTRODUCTORY REMARKS BY THE CHAIRMAN
4. CONSIDERATION OF TERMS OF REFERENCE (TOR) OF THE SUB-COMMITTEE
5. MODUS OPERANDI OF THE SUB-COMMITTEE
6. ANY OTHER BUSINESS
7. CLOSING.

2.0 INTRODUCTION OF MEMBERS

As part of the agenda for the meeting, the Chairman solicited members' self-introduction as an opportunity of knowing each other at the first meeting of the Sub-Committee. This was done briefly.

3.0 BRIEF INTRODUCTORY REMARKS BY THE CHAIRMAN

The Chairman briefed members on a general note. The role of the Gas and Petrochemical Subcommittee vis-a-vis the Terms of Reference (TOR) which was to be used as a guide to assist the committee in fashioning out appropriate TOR was emphasised. The Chairman drew members' attention to the enabling legislation with a view to identifying enterprises slated for privatisation, which the Subcommittee would be considering in the course of its assignment. He made reference to the 1st Schedule of the NCP Enabling Legislation and the following enterprises slated for the programme were noted:

- (i) Kaduna Refinery and Petrochemicals
- (ii) Warri Refinery and Petrochemicals
- (iii) Eleme Petrochemicals.

Members also considered National Fertilizer Company of Nigeria Limited (NAFCON) as one of the gas and petrochemical sector enterprises under the Subcommittee in view of its operations.

The Chairman pointed out that the following papers should be made available at every meeting to serve as reference/guiding materials to members:

- Imperative of Privatisation
- Guidelines on Privatisation
- The Enabling Legislation of the NCP.

On his part, Dr. Dennar, Managing Director of Eleme Petrochemicals Company Limited gave a brief description of the Gas and Petrochemical sub sector of the Oil & Gas industry in Nigeria. The Chairman observed that Dr. Dennar was a professional in the industry and could as well provide the committee with reading materials. Members therefore requested Dr. Dennar to assist in providing some reading materials based on his analysis of the industry for the layman's understanding. This should be circulated to members on or before the next meeting. Dr. Dennar further substantiated the classification of some enterprises in view of their production techniques.

Secretariat

Dr. Dennar/
Secretariat

4.0 CONSIDERATION OF TERMS OF REFERENCE (TOR)

The Sub-Committee's Terms of Reference (TOR) as contained in the Draft memorandum of OGIC were considered. Members decided to examine the TOR one after the other with a view to identifying various sources of relevant information that would assist the Subcommittee in its deliberations.

4.1 TOR – 1: Advise on measure to end massive gas flaring.

Members noted that over 70% of gas produced is flared in the country today. The Chairman therefore solicited members' cooperation in the supply of current information on gas flaring in Nigeria.

In her response, Ms Doru Kogbara informed the Committee that she had written on behalf of OGIC, soliciting information on gas flaring from the Nigerian National Petroleum Corporation (NNPC).

Ms. Kogbara

On his part, Mr Ibukun Akinduro informed members, that he had already given a copy of a document by African Development Consulting Group Limited on Gas operation to the Chairman before the commencement of the meeting. He however requested that the document be photocopied and circulated to members on or before the next meeting.

Chairman/
Secretariat

Members thereafter considered and identified the following institutions where relevant data on gas should be sourced:

- (i) Petroleum Inspectorate Office, Lagos
 - (ii) Nigeria Gas Company (NGC)
 - (iii) Multinational Oil Companies in Nigeria such as:
 - Mobil Oil producing
 - AGIP Oil
 - Shell Petroleum Dev. Company
 - Gas Exploration Company in Port Harcourt
 - Chevron
 - Texaco
- etc.

It was therefore resolved that the Subcommittee Secretary should formally write to these institutions and all other gas flaring companies requesting the following data:

Secretariat

- (i) Enabling Legislation on Gas flaring

- (ii) Relevant penalties for non-compliance
- (iii) Government legislation on gas operations in Nigeria
- (iv) Gas Reservoir capacity and operations
- (v) Quantity of gas produced, utilised and flared
- (vi) Strategies developed towards harnessing gas resources in Nigeria.

ACTION

It was agreed that the letter to the Inspectorate Company in Lagos should be specific on field information. This was to ensure an understanding of the various segments/fields where gas was flared during operation.

Secretariat

Ms. Kogbara promised to forward a document on gas from the Managing Director of Shell and some newspaper cuttings to the Secretariat for photocopy and circulation to members before the next meeting.

Ms. Kogbara/
Secretariat

4.2 TOR – 2: *Review and recommend measures and strategy for rapid development of a domestic and regional gas market.*

The Chairman read the second TOR as contained in the Draft Memo of OGIC and invited members to contribute meaningfully in a bid to identify measures and strategies for rapid development of a domestic and regional gas market in Nigeria.

Dr. Dennar gave a brief description of the role of NGC in gas operation in Nigeria. He explained that NGC did not produce gas, but had direct interface with gas producers for the purpose of gas marketing.

After due discussion, members directed that publication on Daily Times of 25th July, 2000 was very relevant and requested the Secretariat to get it photocopied and circulated to members in addition to other materials to be circulated on or before the next meeting.

Secretariat

4.3 TOR – 3: *Recommend measures/options to improve availability throughput and efficiency of petrochemical plants based on detailed review of current situation.*

Members discussed the three (3) petrochemical plants vis-à-vis their products as follows:

1. Warri Refineries & Petrochemical

This plant produces :

- (i) Polythene of about 35,000 metric tonnes per annum

- (ii) Carbon black (used for making tyres) of about 18,000 metric tonnes per annum.

2. **Kaduna Refinery & Petrochemical:** Produces:

- (i) Linear Alkyl Benzene (L A B) - used for making detergents
- (ii) Kerosolvent (for drycleaning)
- (iii) Benzene (for toluene)

3. **Eleme Petrochemical** Produces:

- (i) Polyethelene
- (ii) Polypropylene

While the Sub-Committee discussed the issue of accessing information on current situation of the petrochemical products, Dr. Dennar promised to send in a commercial brochure for circulation to members.

Dr. Dennar/
Secretariat

The meeting thereafter agreed that meetings/working visits could be held at these plants to enable members assess their current situation vis-à-vis their efficiency and product availability.

- 4.4 TOR – 4: *Examine the adequacy or otherwise of the current incentives for producers and distribution companies to enhance gas utilisation and the desirability of extending the benefits/incentives to customers converting to gas.*

After due discussion, members agreed that the following agencies be contacted for relevant information on current incentives for producers and distribution companies:

- (i) Ministry of Petroleum Resources
- (ii) NNPC
- (iii) Ikeja Chambers of Commerce – for their views on customers converting to gas, of some petroleum products.

While on pipeline distribution channels, Dr. Dennar informed the Committee that there are plans to use NNPC Housing Estates as distribution units. Also, the Edgeba Housing Estate in Warri is being proposed for same.

Members noted that domestic gas development was already discussed in TOR –2 above and therefore agreed that at subsequent meetings, additional terms of reference might be accommodated.

5.0 MODUS OPERANDI OF THE SUB-COMMITTEE

Members discussed and adopted the following lines of actions that will empower the committee towards achieving its objectives:

i Planned Visits to the Petrochemical plants.

It was agreed by members that at the next meeting of the sub-committee in Abuja, venues for subsequent meetings will be decided, possibly on any of the petrochemical plants. Such meeting/working visits would enable sub-committee members assess the current situation of the plants.

ii Communication:

Members discussed and unanimously agreed that all correspondences should be addressed to the Secretary to the main committee (i.e the steering committee of OGIC) Mr. A. A. Udofia, who will through the sub-committee secretary circulate such information to the sub-committee members.

iii Schedule of Meetings

Members resolved that meetings could be held outside Abuja, possibly in the premises of any of the petrochemical plants as mentioned in (i) above. As appropriate meetings could be held before the main committee meeting to finalise progress report to be submitted to the main committee.

The meeting also accepted Mr. Akinduro's opinion that the BPE Secretariat should provide a personal computer system at every meeting to enable them access information on diskettes supplied by members.

Secretaria

The Chairman urged members to share information with one another as a way of preparing members for fruitful deliberations at every meeting. He therefore requested that a list of names of members and their addresses/telephone numbers be written, typed and circulated to members before the next meeting.

iv Date of Next Meeting

Members deliberated on the date of the sub-committee's next meeting and unanimously agreed as follows:

Date: Wednesday 30th August, 2000
 Venue: To be decided by the BPE Secretariat
 Time: 10.00 a.m.

Secretariat

Notice of Meeting: a Notice of next meeting should be reach members one week before the date of the meeting.

Secretariat

b. All reading materials to members should be assembled, processed and circulated to members two weeks before the meeting. This is to ensure adequate preparation for the meeting.

v **Assignment:**

The Chairman noted that the BPE Secretariat was very busy with schedules of privatisation activities and therefore drew members' attention to the need to assign duties. Thereafter the following members were assigned duties as follows:

Secretariat

Dr. E.A. Dennar: To produce a document on current situation of petrochemical sector in Nigeria.

Mr. Ibukun Akinduro: To produce an Executive Summary on the Gas Industry in Nigeria.

6.0 **ANY OTHER MATTERS**

In the absence of any other business requested that an Agenda for the next meeting be drawn as follows:

**AGENDA FOR THE MEETING
OF 30TH AUGUST, 2000.**

1. OPENING PRAYERS
2. MINUTES OF LAST MEETING
3. MATTERS ARISING FROM
 - (i) MINUTES OF LAST MEETING
 - (ii) CURRENT SITUATION OF PETROCHEMICAL SECTOR BY DR. DENNAR
 - (iii) EXECUTIVE SUMMARY OF THE GAS INDUSTRY BY MR. AKINDURO
4. COMMENTS/DISCUSSIONS ON 3 ABOVE

5. REVIEWS OF DATA COLLECTED
6. DATE AND VENUE OF NEXT MEETING
7. ANY OTHER BUSINESS
8. CLOSING

7.0 **CLOSING**

The Chairman thanked members for their useful contributions, wished them journey mercies and Miss Shakirat Bukoye said the closing prayers at 1.40 p.m.

Amended Copy.

MINUTES OF THE 2nd MEETING OF THE GAS AND PETROCHEMICAL SUB-COMMITTEE OF THE OIL AND GAS REFORM IMPLEMENTATION COMMITTEE (OGIC) HELD ON WEDNESDAY 30TH AUGUST 2000 IN THE MEETING ROOM 3 OF THE BUREAU OF PUBLIC ENTERPRISES (BPE) MAITAMA, ABUJA

PRESENT

- | | | | |
|----|--------------------------------|---|------------------|
| 1. | Dr. Onaolapo Soley | - | Chairman |
| 2. | Ms. Donu Kogbara | - | Member |
| 3. | Mr. Ibukun Akinduro | - | " |
| 4. | Mrs. Mayen Mbuk | - | " |
| 5. | Engr. Stephen A. Bello | - | " |
| 6. | Mr. Derin Adewumi | - | " |
| 7. | Mrs. Modupe. A. Abiodun-Wright | - | Member/Secretary |

ABSENT

- | | | | |
|----|------------------|---|--------|
| 1. | Dr. E. A. Dennar | - | Member |
| 2. | Dr. P. Nnadi | - | " |

IN ATTENDANCE

- | | | | |
|----|----------------------|---|------------|
| 1. | Miss Sewuese Igbadu | - | (BPE) |
| 2. | Miss Shakirat Bukoye | - | (NYSC/BPE) |
| 3. | Mr. Tope Borishade | - | (NYSC/BPE) |

1.0 OPENING

The Chairman declared the meeting open at 10.51a.m. The opening prayer was said by Mrs. M. A. Abiodun-Wright.

2.0 REVIEW OF MINUTES OF THE LAST MEETING

2.1 Relevant corrections were made in the minutes of the last meeting. Ms. Donu Kogbara moved the motion for the adoption of the minutes Mrs. Mbuk Mayen seconded.

3.0 MATTERS ARISING

3.1 The Chairman, referred to the First schedule section 1 (1) of the Public Enterprises (Privatisation and Commercialisation) Act 1999 reflecting the percentage Equity holding after privatisation for the Strategic Investor, Federal Government Parastatal and Nigerian individuals for the Organisations listed and observed that there was no indication for the Kaduna Refinery and Petro-chemicals. He regarded the omission as very serious. He therefore requested the Secretariat to formally write the appropriate authorities for clarification.

Secretariat

3.2 It was also observed that the National Fertilizer Company Nigeria Limited (NAFCON) which is classified under the fertiliser companies sub sector should be under the Petroleum/Oil Sector because the company uses gas as feedstock.

3.3 The Chairman emphasised the review of the Terms of Reference (TOR) so as to avoid any obstacle in the execution of the Committee's responsibility.

3.4 At that point, Mr. Udofiah (OGIC Steering Committee Secretary) joined the meeting. He welcomed members and related that the Vice President is not satisfied with the activities of the main committee. Although Gas & Petrochemicals sub- committee is observed to be making progress. He further added that a monthly progress report is required and the Sub-committee promised that the minutes of the meeting will be comprehensive to satisfy the report.

3.5 The Chairman emphasised the need for additional material on Oil and Gas and that the Secretariat should ensure that all necessary documents are sent to members at least one week before the meeting date to enable the Committee work at a faster pace.

ACTION

3.6 Mr. Akinduro inquired after the Personal Computer (PC) that was requested by the Committee at its last meeting. In response, Mr. Udofiah said all documents on diskette(s) will be printed out by the Secretariat and that a PC would be provided whenever one is required for a presentation.

Secretariat

3.7 Members discussed the absence of Dr. Dennar at the meeting more so as no feedback was received on the paper expected from him – "The current situation of the Petrochemical Sector". The Chairman directed that the Secretariat should make concerted effort to obtain the paper and circulate same before the next meeting.

3.8 Dr. Dennar is also expected to provide information on the:

- Warri Refinery and Petrochemicals
- Kaduna Refinery and Petrochemicals
- Eleme Petrochemicals

Dr. Dennar

With regards to each factory's

- i) installed capacity per product
- ii) actual production over time
- iii) costs associated with production
- iv) constraints of capacity utilisation
- v) comparison of operations to similar ones in other countries.

3.9 The Committee also requested the Secretariat to inquire about Dr. P. Nnadi and find out reasons for his continuous absence.

Secretariat

3.10 To ensure efficient performance of the Committee, the Chairman suggested that:

- Members should endeavour to attend every meeting and to notify the Secretariat in advance of absence.
- The Committee should have a standing order that the absence of a member (be it the Chairman or any other person), would not disturb the operation of any meeting.
- Members should keep in touch with one another.

3.11 Mr. Akinduro presented his executive report on Natural Gas baseline survey. In the course of his presentation he referred members to Pgs 51 & 52 of the Guardian Newspaper of Wednesday 30th August 2000 regarding West African Gas Project

ACTION

(WAGP), the extract was added to the reading materials of the committee.

Reacting to Mr. Akinduro's report, the Chairman observed that the statement ; "**Nigeria is a Gas province with some oil in it**", would make an impressive Publicity and mobilisation slogan for OGIC. He therefore asked the Secretariat to produce a sample sticker for future promotions on the Gas sector. He emphasised the need to sensitise Nigerians to the need for gas usage going by its abundance in the country.

Secretariat

3.12 The Secretariat was asked to carry out the following:

Secretariat

- Obtain information on other countries' existing gas policy from their respective Embassies e.g. Malaysia and Norway.
- Organise for an executive of Nigeria Gas Company (NGC) to present a paper
- Obtain relevant information on Gas from Ikeja Business District
Mr. Adewumi informed members that he had consulted an Industrial Executive for a detailed document.
- Obtain the Finance Miscellaneous Taxation Provisions Decree 1998
- Obtain Associated Gas re-injection (Amendment) Decree 1985 and the details of revenue realised from fines since its inception.
- Obtain copy of the Vision 2010 Report
- Make copies of Oil report submitted by Mr. Akinduro and the Cabinet report.
- Inquire about the status of West African Gas Pipeline project from NGC.

Mr. Adewumi

Secretariat

Secretariat

3.13 The Chairman asked for comments on Mr. Akinduro's report with emphasis on the key issues highlighted on page 10 of the report. After further deliberation, Ms. Donu Kogbara advised all members to study the report in greater detail.

3.14 A checklist of the committee's documents in members possession was conducted by the chairman and Members agreed that they all have the following documents:

- The Nigerian Gas Industry report by ADCG
- National Council on Privatisation handbook
- Oil and Gas Industry extract from Investor's Guide to Nigeria
- The New Democratic Nigeria by Mr. Ron Von den Berg.
- Obaseki's report on Petroleum supply
- Edem Duke's report: Nigerian Petroleum Industry
- Natural gas baseline survey by Mr. I. Akinduro.
- Nigerian Gas Market offers opportunities to investors' Daily Times Tuesday 25 July 2000
- 5000 Metric Tonnes of Cooking Gas Arrive in Lagos' Guardian Wednesday 20 August 2000
- Lukman Stresses Importance of Natural Gas' This Day and Vanguard Tuesday 22 August 2000

3.15 DECISIONS TAKEN

Members agreed that Mr Akinduro's report should guide in the final report. Thus the key issues raised by his survey were related to the Terms Of Reference (TOR) of the Sub-committee viz:

TERMS OF REFERENCE (TOR)	KEY ISSUES ON NATURAL GAS BASELINE SURVEY
<p><u>TOR 1</u> Advise on measures to end massive Gas flaring.</p>	<p><u>ITEM 3</u>: Gas cycling/ flaring</p> <ul style="list-style-type: none"> i). Enabling legislation on gas flaring ii) Relevant penalties collected for non-compliance per company iii) Relevant legislation on gas flaring from other countries e.g. Malaysia and Norway.
<p><u>TOR 2</u> Review and recommend measures and strategy for rapid development of a domestic and regional gas market</p>	<p><u>ITEM 4 & 6</u></p> <ul style="list-style-type: none"> - Investment in Gas field Development and On-going projects: What progress? i) National Gas Policy ii) Market report from Ikeja Business Club. - Domestic Market – Nigerian Gas Company. - Regional – Chevron, Exxon iii) The status of West African Gas Pipeline Project.

<p>TOR 3 Recommend measures/options to improve availability throughput and efficiency of petrochemical plants based on detail review of current situation</p>	<p>Petrochemicals i) Obaseki's report on NNPC ii) Dr. Dennar's paper</p>
<p>TOR 4 Examine the adequacy or otherwise of the current incentives for procedures and distribution companies to enhance gas utilisation and the desirability</p>	<p>i) Business report from Ikeja Business Club.</p>

4.0 **NEXT MEETING**

Members agreed that the next meeting would take place as follows:

Date: Thursday 21st September, 2000
Venue: BPE meeting room.
Time: 10.00a.m

4.1 **AGENDA FOR THE NEXT MEETING**

1. Opening Prayers
2. Minutes of last meeting
3. Dr. Dennar's report
4. Market development and investment promotions strategy by Engr. Stephen Bello.
5. Presentation of views and comments by members
6. Date & venue of next meeting.
7. Any Other Business
8. Closing

5.0 **ANY OTHER BUSINESS**

Ms. Donu Kogbara expressed the concern that, the secretariat might have difficulties in obtaining certain requested information. Consequently, the Chairman may want to use his clout to get urgent attention. In response, the chairman insisted that the Secretariat should follow the normal procedure and that any difficulty accessing required information should be documented for expression in the final report.

That notwithstanding Members agreed to assist the Secretariat to obtain relevant information where necessary. All these documents are expected to reach every member before Thursday 14th Sept. 2000.

6.0 CLOSING

Mr Adewumi moved the motion for adjournment which was seconded by Engr. Stephen. The closing prayer was said by Miss Sewuese Igbadu, and the meeting adjourned at 6.45 p.m.

ACTION

Amended Copy

**MINUTES OF THE 3RD MEETING OF THE GAS AND
PETROCHEMICALS SUB-COMMITTEE OF THE OIL AND GAS
IMPLEMENTATION COMMITTEE (OGIC) HELD ON THURSDAY
21ST SEPTEMBER 2000 IN THE MEETING ROOM 3 OF THE BUREAU
OF PUBLIC ENTERPRISES (BPE) MAITAMA ABUJA.**

PRESENT

- | | | |
|----------------------------------|---|------------------|
| 1. Dr. Onaolapo Soley | - | Chairman |
| 2. Mr. Ibukun Akinduro | - | Member |
| 3. Mrs. Mayen Mbuk | - | " |
| 4. Engr. Stephen Bello | - | " |
| 5. Mr. Derin Adewumi | - | " |
| 6. Mrs. Modupe A. Abiodun-Wright | - | Member/Secretary |

APOLOGY

- | | | |
|---------------------|---|--------|
| 1. Ms. Donu Kogbara | - | Member |
| 2. Dr. E.A.Dennar | - | " |

ABSENT

- | | | |
|-----------------|---|--------|
| 1. Dr. P. Nnadi | - | Member |
|-----------------|---|--------|

IN ATTENDANCE

- | | | |
|---------------------------|---|------------|
| 1. Mrs. Hadiza Mustapha | - | CEO (BPE) |
| 2. Mr. Temitope Borishade | - | NYSC (BPE) |
| 3. Miss Shakirat Bukoye | - | NYSC (BPE) |

1.0 OPENING

The meeting commenced at 10.50 a.m. with a prayer by Miss Shakirat Bukoye.

2.0 REVIEW OF MINUTES OF THE LAST MEETING

After necessary corrections were made in the minutes of the last meeting, Mr. Akinduro moved the motion for its adoption. Mr. Adewumi seconded.

3.0 MATTERS ARISING

- 3.1 Members emphasized the importance of the minutes that are prepared by the secretariat. They attributed the importance to the necessity to refer to the minutes when preparing the final report of the sub-committee. In order to regulate the quality of the minutes, members agreed to summarize the points raised and conclusions reached at subsequent meetings.
- 3.2 The chairman invited Mr. Udofia (OGIC steering committee secretary) to the meeting. Mr. Udofia informed members that the NCP had decided to meet fortnightly due to the pressure of the privatisation program. He also informed members about the Steering Committee meeting of the 5th of October and the inauguration of more committees. He commended the committee for its exceptional hard work and apologized for his inability to attend its meetings due to his busy schedule.
- 3.3 The chairman inquired how the currently overworked BPE staff would be able to service the newly inaugurated committees. He requested for an assistant for the Secretary. Mrs. Hadiza Mustapha (CEO Legal) joined the Secretariat. Members also decided to meet along the frequency of the NCP meetings. Tentative dates for meetings were therefore fixed for: - October 4th, 25th, November 8th and 22nd. Mr. Udofia assured members of the dedication of the BPE staff.
- 3.4 Concerning the omission of the equity participation of the Federal Government in Kaduna Refinery and Petrochemicals, the chairman reported that he had been advised to consult the Attorney-General. He inquired on the line of action taken by the BPE. Mr. Kashim of the Legal Department of the BPE was invited and he said the figures were omitted both in the privatization gazette and in the original decree. He promised to furnish information on the final clarification at the next meeting.
- 3.5 Mr. Adewumi reported that despite his efforts to get information from the Business Club Ikeja and the Secretariat's assistance, all he received was a

ACTION

**Legal
Department
BPE**

letter informing him of the club's inability to provide the information at the present time. The letter was submitted to the Secretariat.

ACTION

Secretariat

- 3.6 The Chairman requested the secretariat to write the Nigerian High Commissioner to Malaysia (Alh. Ibrahim Yarima Abdullahi), the Malaysian High Commission and the Norwegian Ambassador requesting for information related to gas projects in their respective countries.
- 3.7 In the absence of Dr. Dennar, who was expected to present a paper on "The Gas and Petrochemical Industry in Nigeria", members decided to review the paper he forwarded through the Secretariat.
After the review, members commended Dr. Dennar for his good work. Mr. Adewumi pointed out certain statistics in the paper which he felt were incorrect. The chairman suggested that these might be due to the inaccuracy of figures supplied by foreign consultants.
- 3.8 The following questions were raised by members:-
- i. What were the implications of the stage-by-stage implementation of Phase II of the nation's Petrochemicals Development program? (page 4)
 - ii. What are the costs and time frames of the second and third stages of the Petrochemicals Development program? How viable are they? (page 5)
 - iii. What percentage of the domestic market Eleme Petrochemical's ELPENE and ELPROP resins have captured? (page 8)
 - iv. How long did it take to yield the N8 billion revenue from the resins? (page 7)
 - v. How much did it cost to produce the resins that yielded the N8 billion revenue?
 - vi. What are the elements of Fixed Costs (overheads) and Variable Costs in the Total Production Costs?
 - vii. EPCL adopts a flexible pricing system for its products. What method of transfer pricing does it adopt?
 - viii. Would it be necessary to privatize Stage I of the Eleme Petrochemicals project? (page 9)
 - ix. What are the proposed locations of the second and third stages?
 - x. What are the particulars (base, reputation, size etc.) of NOVA CHEMICALS and TECNIMONT with which NNPC signed agreements for offshore marketing of some quantities of EPCL's resins. (page 8)

ACTION

- xi. How would the Plastics Technology Development Center provide technical support services to downstream investors? (page 14)
- xii. Regarding Table 2 (1987 Estimated Demand), members requested to know the current actual and estimated demand.
- xiii. Members would require a quantitative presentation of Table 3 & 4 (Status of Individual Products) in order to be in a better position to advise government.

3.9 The secretariat was asked to write to Dr. Dennar regarding these questions and comments. He is to be informed of the importance of his attendance at the next meeting for he is expected to address these issues.

Secretariat

3.10 In addition, the secretariat is to write NNPC and DPR to obtain information on Associated Gas Re-injection (Amendment) Decree 1985 and the details of revenue realized from fines since its inception. The secretariat is also to write the General Manager of the Nigerian Gas Company (Ofureh) to inquire about the status of the West African Gas Pipeline project.

Secretariat

4.0 MARKET DEVELOPMENT AND INVESTMENT PROMOTION IN THE NIGERIAN GAS INDUSTRY BY ENGR STEPHEN BELLO

4.1 Before his presentation, Engr. Bello notified members that accurate statistics on Gas and petrochemicals were difficult to obtain and that a lot of contradictory statistics were being published by various organizations.

4.2 Engr. Bello presented his paper and members made the following Comments.

4.2.1 On the issue of financing Gas and Petrochemical projects, the chairman disagreed with the general presupposition that Nigerian investors are incapable. He further inquired why a consortium of banks could not finance such a project. He also raised the fact that government can, through its monetary and fiscal policies, promote private sector investment in Gas and petrochemicals projects

4.2.2 Another point raised by members is the practicable degree of privatization in the key sector of the Nigerian economy.

4.2.3 Members expressed the fear that the sudden surge of foreign investors into the Nigerian gas sector might not only be due to the improvement

ACTION

in the country's image but also as a result of certain inefficiencies in the Nigerian set-up.

- 4.2.4 Mrs. Mayen Mbuk observed that the Petroleum Equalization Fund would continue to keep government in the Oil and Gas sector. She added that this fund should be phased out and should not be established for the Gas sector.
- 4.2.5 Regarding the investment and proposed investment of Ondo State and Rivers State in Gas and Petrochemicals projects, Mr. Adewumi urged government to stay away from such investments since it contradicts the essence of the privatization program.
- 4.2.6 Mr. Akinduro suggested that strategies to keep the government out of the sector should be developed. The chairman agreed saying that, as long as gas projects remain viable, the private sector would find a way of executing them. Members cited the example of the railways that were constructed in Nigeria by the British.
- 4.2.7 In all, members thanked Engr. Bello for his presentation, which they felt had shed more light on matters by raising important questions.

The secretariat was further directed to go to Port Harcourt, Warri and Kaduna to collect information in respect of the following:

Secretariat

- The production capacity of the companies
 - The Management Accounts of the company for the last 2 years.
 - The contract agreements between the companies and the main distributors of their products.
 - The manning level, manpower disposition and organogram of the companies.
 - Export data
 - The selling prices of the products both Locally and Internationally.
- The above information must be ready before 4th October 2000.

5.0 DATE AND VENUE OF THE NEXT MEETING

Members agreed that the next meeting would take place as follows:-

Date: Wednesday 4th October 2000

Venue: BPE meeting room 3

Time: 10.00 a.m.

ACTION

Dates of subsequent meetings are agreed as follows; 25th October 2000, 8th November 2000 and 22nd November 2000. These dates are subject to revalidation. The venue will be decided at the end of every meeting.

6.0 ANY OTHER BUSINESS

- i. Design the sticker with the slogan " Nigeria is a gas province with some oil in it ".
- ii. Maps of Nigeria (Political, Physical and blank Maps)

Secretariat

7.0 CLOSING

Mrs. Mayen Mbuk moved the motion for adjournment, which was seconded by Engr. Bello. The closing prayer was said at 7.10 p.m. by Mr. Ibukun Akinduro.

2ND INTERIM REPORT OF THE SUB-COMMITTEE ON GAS AND PETROCHEMICALS OF THE OIL AND GAS IMPLEMENTATION COMMITTEE (OGIC) SUBMITTED ON THURSDAY 30TH NOVEMBER 2000.

1.0 INTRODUCTION

Since its 1st Interim report on Thursday 5th October 2000, the sub-committee has met three (3) times as follows:

- ✓ 5th meeting held on Wednesday 25th October 2000 at BPE meeting room.
- ✓ 6th meeting held on Wednesday 8th - 9th November 2000 visit to Eleme Petrochemicals Limited.
- ✓ 7th meeting held on Wednesday 22nd November 2000 at BPE meeting room.

2.0 VISIT TO ELEME PETROCHEMICALS LIMITED

The sub-committee visited Eleme Petrochemicals Company Limited on Wednesday 8th November 2000 and held a meeting at Michelin Nigeria Limited – Port Harcourt on Thursday 9th November 2000. The visit was informed by the need for on the spot assessment of the production capacity and the viability of the company as per the Terms of Reference 3, which states, “ **Recommend measures/options to improve availability throughput and efficiency of petrochemical plants based on detailed review of current situation**”.

3.0 KEY ISSUES RAISED ON THE VISIT

The under listed key issues on the present situation of the company were raised for further required information from the Company Secretary (EPCL) on or before 22nd November 2000.

- a. Corporate structure.
- b. Capital structure.
- c. Management structure (organogram).
- d. Workforce.

- e. Number of technical backup staff and the cost of maintaining them per annum from 1995 to date.
- f. Number of local staff and the cost of maintaining them per annum from 1995 to date.
- g. Total cost of plant & equipment on commissioning (both local and foreign portions).
- h. Flow chart of the production process with throughput efficiency.
- i. Historical cost of feedstock (1995 – 2000).
- j. Comparative prices of the feedstock in the international market for the same period.
- l. Sales figure for the same period (local and export).
- m. Overheads costs.
- n. Key Operating Indicators.
- o. Management account report for the last three (3) years
- p. Historical record of the commissioning regarding backup services in terms of spare parts.
- q. SWOT analysis (Strengths, Weaknesses, Opportunities and Threats).
- r. Management view of the role of PTDC and effectiveness of the project.
- s. The debt profile (local and foreign) and interest paid on them.
- t. Names and locations of the company's principal customers.
- u. Frequency and duration of factory shutdown (for the last three years), the reason for the shutdown, on what date and when it was corrected
- v. Management recommendations on the way forward.

Necessary feedback awaiting further analysis was received on Monday 27th November 2000.

3.1 ANALYSIS ON THE VISIT

Observations and issues deliberated upon in the course of the industrial visit are as follows:

- i. Lack of synchronisation between the production and the marketing sections.
- ii. Appearance of factory idleness and lack of presence of customers as expected of a factory of this nature.
- iii. Lack of initiative/innovations in Plastic Technology Development Centre (PTDC) of the industry.
- iv. Obvious pricing and marketing problems.
- v. The high level turnover of management and its attendant adverse effect on the general performance.
- vi. Need for restructuring of orientation and attitude of workers/social environment.
- vii. Availability of unsold stocks of finished products.

4.0 PRESENTATION BY NIGERIAN GAS COMPANY (NGC)

The Nigeria Gas Company presented a paper titled **"THE ROLE OF NIGERIAN GAS COMPANY IN THE DEVELOPMENT OF THE GAS INDUSTRY"** to the sub-committee at its 7th meeting on Wednesday 22nd November 2000. The presentation was made by:

- Dr. M. K. Baru -Executive Director (Operations).
- Mr. E. A. Olukoga - " (Services).
- Mr. O. O. Oyediran - Manager (Planning).

The presentation highlighted the following:

- The historical background of gas development in Nigeria.
- The major gas domestic market.
- Existing NGC gas supply systems.
- NGC customer base.
- Excessive debt owed to NGC by Government Parastatals.
- NGCs' plans for business expansion.
- Gas debt by other exploration and production companies.
- Developing Nigerian gas industries.
- Funding gas development and infrastructure.

- Institutional requirement for gas development – Gas Policy, Regulation and fiscal incentives.

4.1 DEBT OWED NIGERIAN GAS COMPANY

A major issue raised at this presentation was the debt owed NGC by Government Parastatals especially Nigerian Electrical Power Authority (NEPA). Members were informed that the debt has grown from N1.45Billion in 1994, to over N5Billion in 1999, N3.9Billion of which is owed by NEPA. Speaking further, the debt as at September 2000 has reached N6.2Billion out of which N4.5Bn is owed by NEPA. The background of the debt of NEPA is that while the total opportunity cost of NGC is N130/mscf and N135mscf in 1999 and 2000 respectively. The Government approved price has been N10.48/mscf and N11.31/mscf for the same period while NEPA have unilaterally paid N3.00/mscf which in effect means unapproved subsidy to NEPA has been -N119.25/mscf in 1999 and -N123.7/mscf. Consequently, NGC solicited the assistance of the Federal Government in the following direction:

- i. To make an appropriate pricing for gas.
- ii. To promulgate a comprehensive National Gas Policy.
- iii. To help recover their debt from NEPA and other Parastatals like NAFCON and ALSCON from source.
- iv. To make funds available to build the Trans Nigeria Pipeline System that will facilitate the utilisation of associated gas currently being flared.
- v. To have effective regulation of the Industry.
- vi. To ensure efficient use of gas resources.

5.0 DOCUMENTS

- List of documents available with every members have attached as Annex I.

- The comprehensive list of establishments/companies invited to speak on the assigned topics attached as (Annex II).

Amended.

MINUTES OF THE 5TH MEETING OF THE GAS AND PETROCHEMICALS SUB-COMMITTEE OF THE OIL AND GAS IMPLEMENTATION COMMITTEE (OGIC) HELD ON WEDNESDAY 25TH OCTOBER, 2000 IN THE MEETING ROOM 2 OF THE BUREAU OF PUBLIC ENTERPRISES (BPE), ABUJA.

PRESENT

- | | | |
|----------------------------------|---|-------------------|
| 1. Dr. Onaolapo Soley | - | Chairman |
| 2. Mr. Ibukun Akinduro | - | " |
| 3. Mrs. Mayen Mbuk | - | " |
| 4. Mr. Derin Adewumi | - | " |
| 5. Ms. Donu Kogbara | - | " |
| 6. Engr. Stephen Bello | - | " |
| 7. Mrs. Modupe A. Abiodun-Wright | - | Member/ Secretary |

ABSENT

- | | | |
|---------------------|---|--------|
| 1. Dr. P. Nnadi | - | Member |
| 2. Dr. E. A. Dennar | - | " |

INATTENDANCE

- | | | |
|---------------------------|---|------------|
| 1. Mrs. Hadizatu Mustapha | - | CEO (BPE) |
| 2. Miss Shakirat Bukoye | - | NYSC (BPE) |

1.0 OPENING

The meeting commenced at 11.40 a. m. with a prayer by Mrs. Hadizatu Mustapha.

2.0 MINUTES OF THE LAST MEETING

After effecting necessary corrections of the minutes. Mr. Derin Adewumi moved the motion for the adoption, which was seconded by Mrs. Mayen Mbuk.

3.0 MATTERS ARISING

3.1 Regarding the omission of the percentage of equity participation of the Federal Government and individual investors of the Kaduna Refinery and Petro-chemicals in the Privatisation handbook, Mr. Kashim an Assistant Director (Legal Department, BPE) was invited to give the report of his findings to the Sub-committee. He informed members that he and the Director Legal Services, Mrs. I. N. Chigbue went to the Federal Ministry of Justice to find out the reason for the omission. Also, he said that they were informed that it was a mistake and that the Kaduna Refinery and Petro-chemicals is slated for Privatisation too. He further informed the Sub-committee that the Legal Department (BPE) would write a letter to the Sub-committee explaining the situation.

Legal
Department

3.2 The next meeting of the Sub-committee, which is scheduled to hold in Port Harcourt on Wednesday 8th and Thursday 9th November 2000, was discussed. The Chairman directed as follows:

- That member should arrive Port Harcourt on Tuesday 7th November 2000.
- That the Secretariat should precede members on Monday 6th November 2000.
- Members will therefore spend 3 nights with two (2) sittings of meeting (while Secretariat will spend 4 nights).

3.3 While in Port Harcourt, the Sub-committee resolved that it would visit Eleme Petrochemicals and NAFCON on Wednesday 8th November 2000 and have a meeting of the visit on Thursday 9th November.

ACTION

3.4 The Secretariat was directed to write Dr. E. A. Dennar informing him about the Sub-committee's visit.

Secretariat

4.0 ANY OTHER BUSINESS

The Secretariat reported that the Norwegian Embassy sent two publications for preliminary information:

- a) Offshore Index 2000
- b) Fact sheet 2000; the energy sector and water resources in Norway.

5.0 NEXT MEETING

5.1 The Chairman and members agreed that the next meeting after the Port-Harcourt visit should be scheduled to hold on Wednesday 22nd November 2000 and will be devoted to Gas flaring.

5.2 In this vein, the committee directed the Secretariat to write the Managing Director of Shell inviting him to present a paper on the "Contribution of Shell in the overall development of Gas Industry in Nigeria: past, present and future".

Secretariat

5.3 Also, the Secretariat was further directed to write the Managing Director of the Nigerian Gas Company at Warri inviting him to present a paper titled "The role of Nigerian Gas Company in the development of Gas Industry in Nigeria".

Secretariat

5.4 The Secretariat was further directed to write to the following Organisations:

- The Managing Director of Agip to present a paper on "Investment and business plan to end gas flaring".
- The Managing Director of Chevron to present a paper on the obstacles to Gas Development in the West African Sub-region".

Secretariat

6.0 CLOSING

Mr. Ibukun Akinduro moved the motion for the adjournment and Mr. Derin Adewumi seconded. The closing prayer was said by Ms. Donu Kogbara at 5.10 p.m.

MINUTES OF THE 6TH MEETING OF THE GAS AND
PETROCHEMICALS SUB-COMMITTEE OF THE OIL AND GAS
IMPLEMENTATION COMMITTEE (OGIC) HELD ON WEDNESDAY 8TH
& THURSDAY 9TH NOVEMBER 2000 IN THE BOARDROOM OF
ELEME PETROCHEMICALS LIMITED AND MICHELIN NIGERIA
LIMITED - PORT HARCOURT RESPECTIVELY.

PRESENT

- | | | |
|----------------------------------|---|-------------------|
| 1. Dr. Onaolapo Soley | - | Chairman |
| 2. Mr. Ibukun Akinduro | - | Member |
| 3. Mrs. Mayen Mbuk | - | " |
| 4. Mr. Derin Adewumi | - | " |
| 5. Ms. Donu Kogbara | - | " |
| 6. Engr. Stephen Bello | - | " |
| 7. Mrs. Modupe A. Abiodun-Wright | - | Member/ Secretary |

ABSENT

- | | | |
|---------------------|---|--------|
| 1. Dr. P. Nnadi | - | Member |
| 2. Dr. E. A. Dennar | - | " |

INATTENDANCE

- | | | |
|---------------------------|---|------------|
| 1. Mrs. Hadizatu Mustapha | - | CEO (BPE) |
| 2. Miss Shakirat Bukoye | - | NYSC (BPE) |

1.0 OPENING

The Chairman declared the meeting opened at 4.15 p.m. with a prayer by Mrs. Modupe A. Abiodun-Wright.

2.0 MINUTES OF THE LAST MEETING

Relevant corrections were made in the minutes of the last meeting. The motion for the adoption was moved by Mr. Ibukun Akinduro and seconded by Ms. Donu Kogbara.

3.0 MATTERS ARISING

3.1 The Secretariat reported no response from the Legal Department (BPE) on the omission of the Federal Government and individual investors of the Kaduna Refinery and Petrochemicals in the Privatisation handbook.

Secretariat

3.2 Following the decision of the Sub-committee at the last meeting to visit NAFCON for inspection. The Secretariat then informed members about the suspension of the Managing Director of NAFCON from official duties. The visit was therefore postponed.

3.3 The Secretariat reported that letters to the under listed oil companies for paper presentation as follows;

- Shell Petroleum Development Company of Nigeria on "the development of gas Industry in Nigeria: past, present and future".
- Agip Plc on "investment and business plan to end gas flaring".
- Chevron Nigeria Limited on "the obstacle to gas development in the West African sub-region".
- Nigerian Gas Company on "the role of Nigerian Gas Company in Nigeria".

3.4 The Secretariat was further directed to:

- Start putting necessary input in place for the final report immediately so as to avoid unnecessary delay.
- Compile the comprehensive list of all the Companies/Organisations invited to speak on a particular topic.
- Update the list of references/documents.

Secretariat

- Write to Executive Director (Eleme Petrochemical Limited), reminding him about the expected feedback to the key issues raised on the field visit.

4.0 ADJOURNMENT OF THE MEETING

The meeting adjourned at 5.55 p.m. to reconvene at Michellin Nigeria Limited by 9.00 a.m. on Thursday 9th November 2000.

5.0 RECONVENENCE OF THE MEETING

The meeting reconvened on Thursday 9th November at the boardroom of Michellin Nigeria Limited Port Harcourt. The meeting started at 9.35 a.m. with a prayer by Dr. Onaolapo Soley. Thereafter, the Chairman solicited for absolute loyalty of all members and for them to be discrete about information received and deliberations at meetings. He also stated that this visit was very useful as it is a team building exercise on matters deliberated on at meetings.

6.0 ANALYSING VIEWS ON THE VISIT

Members observed and deliberated upon the following issues in the course of their visit to the industry under discussion:

- i. Lack of synchronisation between the production and the marketing sections.
- ii. Appearance of factory idleness and lack of presence of customers as expected of a factory of this nature.
- iii. Lack of initiative/innovations in Plastic Technology Development Centre (PTDC) of the industry.
- iv. Obvious pricing and marketing problems.
- v. The high level turnover of management and its attendant adverse effect on the general performance.
- vi. Need for restructuring of orientation and attitude of workers/social environment.
- vii. Availability of unsold stocks of finished products.

7.0 ANY OTHER BUSINESS

On behalf of the members of the Sub-committee, Mrs. Abiodun-Wright formally thanked Mr. Akinduro for all the hospitality.

8.0 NEXT MEETING

The next meeting of the sub-committee is scheduled to hold on Wednesday 22nd November 2000 in the BPE meeting room 1.

9.0 CLOSING

The Chairman advised that every member should prepare possible questions on the papers to be presented. The motion for adjournment was moved by Mrs. Mbuk and seconded by Mr. Derin Adewumi. Mrs. Hadizatu Mustapha said the closing prayer at about 12.33 p. m.

**MINUTES OF THE 7TH MEETING OF THE GAS AND
PETROCHEMICALS SUB-COMMITTEE OF THE OIL AND GAS
IMPLEMENTATION COMMITTEE (OGIC) HELD ON WEDNESDAY
22ND NOVEMBER 2000 AT THE BPE MEETING ROOM 1**

PRESENT

- | | | | |
|----|--------------------------------|---|------------------|
| 1. | Dr. Onaolapo Soley | - | Chairman |
| 3. | Mr. Ibukun Akinduro | - | Member |
| 4. | Mrs. Mayen Mbuk | - | " |
| 6. | Mr. Derin Adewumi | - | " |
| 7. | Dr. E. A. Dennar | - | " |
| 8. | Mrs. Modupe. A. Abiodun-Wright | - | Member/Secretary |

APOLOGY

- | | | | |
|----|------------------|---|--------|
| 1. | Ms. Donu Kogbara | - | Member |
|----|------------------|---|--------|

ABSENT

- | | | | |
|----|------------------------|---|--------|
| 1. | Engr. Stephen A. Bello | - | Member |
| 2. | Dr. P. Nnadi | - | " |

IN ATTENDANCE

- | | | | |
|----|-----------------------|---|------------|
| 1. | Mrs Hadizatu Mustapha | - | CEO (BPE) |
| 2. | Miss Shakirat Bukoye | - | NYSC (BPE) |

1.0 OPENING

The meeting started at 11.15a. m. with a prayer by Mrs. Modupe A. Abiodun-Wright.

2.0 MINUTES OF THE LAST MEETING

Relevant corrections were effected in the minutes of the last meeting. Thereafter a motion for the adoption was moved by Mr. Derin Adewumi, which was seconded by Mrs. Mayen Mbuk.

3.0 MATTERS ARISING

3.1 Following the continued lack of response from the Legal Department of BPE on the omission of equity participation for the Kaduna Refinery and Petrochemicals in the first schedule section 1(1) of the Decree No. 28 of 1999 – Public Enterprises [Privatisation and Commercialisation].

The Secretariat was directed to bring the matter before the Management of the Bureau of Public Enterprises.

Secretariat

3.2 Members read the report on the visit to Eleme Petrochemicals Limited and concord that it was a true reflection of what transpire. The efforts of the Secretariat were commended

3.3 The Secretariat was further directed to put up the second Interim report of the Gas and Petrochemicals Sub-committee at the meeting of the Oil and Gas Implementation Committee (OGIC) scheduled to hold on Thursday 30th November 2000. Members resolved that the content of the Interim report should include all that transpired at its:

Secretariat

- ❖ 5th meeting of Wednesday 25th October 2000.
- ❖ 6th meeting and field visit of Wednesday 8th – Thursday 9th November 2000.
- ❖ 7th meeting of Wednesday 22nd November 2000 and
- ❖ The paper presentation by the Nigerian Gas Company, Warri of Wednesday 22nd November 2000.

3.4 Members deliberated on the negative attitude of the Management of Companies slated for Privatisation who undermined the enlightenment of the Privatisation Program despite the availability of Privatisation handbooks.

4.0 PAPER PRESENTATION (NIGERIAN GAS COMPANY, WARRI)

4.1 The Nigerian Gas Company (NGC) presented a paper titled ***“THE ROLE OF NIGERIAN GAS COMPANY IN THE DEVELOPMENT OF THE GAS INDUSTRY”***. The presentation was made by:

- Dr. M. K. Baru - Executive Director (Operations).
- Mr. E. A. Olukoga - " (Services).
- Mr. O. O. Oyediran - Manager (Planning).

The presentation highlighted the following:

- The historical background of gas development in Nigeria.
- The major gas domestic market.
- Existing NGC gas supply systems.
- NGC customer base.
- Excessive debt owed to NGC by Parastatals.
- NGC's plans for business expansion.
- Gas debt by other exploration and production companies.
- Developing Nigerian gas industries.
- Funding gas development and infrastructure.
- Institutional requirement for gas development – Gas Policy, Regulation and fiscal incentives.

4.2 DEBT OWED NIGERIAN GAS COMPANY

A major issue raised at this presentation was the debt owed NGC by Government Parastatals especially Nigerian Electrical Power Authority (NEPA). Members were informed that the debt has grown from N1.45Billion in 1994, to over N5Billion in 1999, N3.9Billion of which is owed by NEPA. Speaking further, the debt as at September 2000 has reached N6.2Billion out of which N4.5Bn is owed by NEPA. The background of the debt of NEPA is that while the total opportunity cost of NGC is N130/mscf and N135/mscf in 1999 and 2000 respectively. The Government approved price has been N10.48/mscf and N11.31/mscf for the same period while NEPA have unilaterally paid N3.00/mscf which in effect means unapproved subsidy to NEPA has been -N119.25/mscf in 1999 and -N123.7/mscf. Consequently, NGC solicited the assistance of the Federal Government in the following direction:

- i. To make an appropriate pricing for gas.
- ii. To promulgate a comprehensive National Gas Policy.
- iii. To help recover their debt from NEPA and other Government Parastatals like NAFCON and ALSCON from source.
- iv. To make funds available to build the Trans Nigeria Pipeline System that will facilitate the utilisation of associated gas currently being flared.

- v. To have effective regulation of the Industry.
- vi. To ensure efficient use of gas resources.

4.3 OTHER ISSUES RAISED

4.3.1. Following the huge debt owed the NGC, members sought to find out where the Nigerian Gas Company could get funds for future projects. The response was that the company could go into a joint venture or opt for privatisation.

4.3.2. Members also requested for the precautions taken against the vandalisation of the Nigerian Gas Company pipelines. Due to time constraints, the representative of NGC requested members to forward other questions to the Managing Director (NGC) or invite them again at a later date to highlight other grey areas.

5.0 ANY OTHER BUSINESS

5.1 The Secretariat was directed to write letters to Shell, Agip and Chevron reminding them about the invitation to enlighten the members of the Sub-committee on gas.

Secretariat

5.2 The Secretariat was also directed to write to the Company Secretary of Eleme Petrochemicals Limited (EPCL) that a reply to issues raised by the Sub-committee during its last visit to the Company must reach the Secretariat on or before Wednesday 29th November 2000.

Secretariat

6.0 NEXT MEETING

The next meeting is scheduled to hold on Monday 4th December 2000 at the BPE meeting room 1 by 10.00a.m.

7.0 CLOSING

The motion for adjournment was moved by Mr. Akinduro, which was seconded by Mrs. Abiodun-Wright. The meeting adjourned at 5.45p.m.

* 8th in visit to Eleme Petrochem Co. Ltd. PostHarzant

9TH MEETING OF THE GAS & PETROCHEMICALS SUB-COMMITTEE OF THE OIL AND GAS IMPLEMENTATION COMMITTEE (OGIC) HELD AT THE BPE MEETING ROOM 2 ON THURSDAY 26TH JULY 2001

ATTENDANCE

- | | | |
|---------------------------|---|----------|
| 1. Dr. Onaolapo Soleyeye | - | Chairman |
| 2. Mrs Mayen Mbuk | - | Member |
| 3. Engr. Stephen A. Bello | - | " |
| 4. Mr. Ibukun Akinduro | - | " |
| 5. Mr. Derin Adewumi | - | " |
| 6. Dr. E. A. Dennar | - | " |
| 7. Ms Donu Kogbara | - | " |

INATTENDANCE (Taking Minutes)

- | | | |
|--------------------------|---|---------------------------|
| 1. Mr. Shuaibu Abdullahi | - | Senior Enterprise Officer |
| 2. Shakirat A. Bukoye | - | Enterprise Officer II |

APOLOGY

- | | | |
|---------------------------------|---|--------------------------|
| 1. Mrs Modupe A. Abiodun-Wright | - | Member/Secretary |
| 2. Mrs. Hadizatu Mustapha | - | Chief Enterprise Officer |

1.0 OPENING

The meeting commenced at about 12.30p.m with an opening prayer by Engr. Stephen A. Bello.

Thereafter the chairman welcomed the members after a long break. He urged them to focus on the drafting of the final report.

2.0 FORMAT FOR THE FINAL REPORT

Members referred to the draft of the final report presented by the Secretariat. The following modifications were made with respect to the Terms of Reference of the Sub-committee: -

2.1 TERMS OF REFERENCE 1 (TOR 1)

Advise on measure to end massive gas flaring

- a. What is the current situation on gas flaring?
- b. Study the trend, the content and the impact of the legislation on gas flaring.
- c. Alternative/options to flaring.
- d. Stakeholders' views on the options.
- e. Environmental consequences of flaring.

- f. Is LNG a solution to export?
- g. Economies of gas expansion.

2.2 TERMS OF REFERENCE 2 (TOR 2)

Review and recommend measures and strategy for rapid development of a domestic and regional gas market

- a. What is the current situation of the domestic gas market?
- b. What is the quantity of the production vis-à-vis sales of the domestic gas?
- c. Factors affecting the domestic gas; lack of will on the side of the stakeholders.
- d. The potential market reserve; "Nigeria is a gas province with some oil in it" – what are the supporting factors?
- e. Who is going to be the user in the potential regional market and what quantities.
- f. LNG
- g. Gas wells together with their reserves.

2.3 TERMS OF REFERENCE 3 (TOR 3)

Recommend measures/options to improve availability throughput and efficiency of

petrochemical plants based on detailed review of current situation.

a. Current situation.

- Objectives and actual result.
- Improve the performance of petrochemicals
- Total investment, financing arrangement and achievement – Eleme Petrochemicals Company Limited (EPCL) – Secretariat directed to write the Debt Management Office for an update on the outstanding amount as at July 2001.

b. What is the decision making process?

2.4 TERMS OF REFERENCE 4 (TOR 4)

Examine the adequacy or otherwise of the current incentives for producers and distribution companies to enhance gas utilization and the desirability of extending the benefits/incentives to customers converting to gas.

- a. Current situation as regards current incentives to producers, distribution companies and customers.

- b. Is this incentive (Shell and LNG) sufficient compare to other countries like Algeria and Venezuela?
- c. Views (if any) of producers, distribution and customers.

At this point two committees were set up to facilitate the drafting of the final report, these are:

Petrochemicals - ***Mr. Derin Adewumi***
- ***Mr. E. A. Dennar***
- ***Ms. Donu Kogbara***

Gas - ***Engr. Stephen A. Bello***
- ***Mr. Ibukun Akinduro***
- ***Mrs. Mbuk Mayen***

Members decided that the final report should be put in place by 20th September 2001.

3.0 ANY OTHER BUSINESS

Members agreed to visit Kaduna Refinery and Petrochemicals in line with the Terms of reference 3 of the Sub-committee. The visitation schedule as follows:

- Members' arrival on Tuesday 21st August 2001.

- Meet at BPE Office on Wednesday 22nd by 7a.m and depart to Kaduna immediately.
- Meeting commences on arrival from Kaduna – Wednesday 22nd August 2001.

Thereafter one of the members raised the question on the committees' visitation to Warri Refinery and Petrochemicals so there could be comparism on the refineries.

The chairman responded that the visit to the Kaduna Refinery and Petrochemicals would give an insight to the Warri trip.

4.0 NEXT MEETING

This is schedule to hold on Wednesday 22nd August 2001 at the BPE Office on arrival from Kaduna.

5.0 CLOSING

Dr. Dennar moved the motion for adjournment, which was seconded by Ms. Donu Kogbara.

Mrs. Mbuk led the closing prayer at 4.03p.m.

**10TH MEETING OF THE GAS & PETROCHEMICALS
SUB-COMMITTEE OF THE OIL AND GAS
IMPLEMENTATION COMMITTEE (OGIC) HELD AT THE
BPE MEETING ROOM 1 ON THURSDAY 20TH
SEPTEMBER 2001**

ATTENDANCE

- | | | |
|---------------------------|---|----------|
| 1. Dr. Onaolapo Soley | - | Chairman |
| 2. Engr. Stephen A. Bello | - | Member |
| 3. Mr. Ibukun Akinduro | - | " |
| 4. Dr. E. A. Dennar | - | " |
| 5. Mrs Mayen Mbuk | - | " |

INATTENDANCE (Taking Minutes)

- | | | |
|---------------------------|---|---------------------------|
| 1. Mrs. Hadizatu Mustapha | - | Secretary |
| 2. Mr. Shuaibu Abdullahi | - | Senior Enterprise Officer |
| 3. Korede S. Amisu | - | Enterprise Officer I |
| 4. Shakirat A. Bukoye | - | Enterprise Officer II |

APOLOGY

- | | | |
|----------------------|---|--------|
| 1. Mr. Derin Adewumi | - | Member |
| 2. Ms. Donu Kogbara | - | " |

1.0 OPENING

The meeting started at 12.39p. m. with prayers by Mrs. Hadizatu Mustapha.

2.0 MATTERS ARISING

2.1 SUB-GROUP PRESENTATION

Dr. Dennar informed members that their sub-group met and considered the Terms of reference that relate to Petrochemicals Industries. Thereafter he distributed the report.

- 2.1** Mr. Akinduro informed members that their sub-group met once at the Raw Materials & Research Centre, Abuja. The report of the gas section was distributed as well.

3.0 DRAFT FINAL REPORT

Mr Akinduro observed that the Gas & Petrochemicals Sub-committee has done a lot of field work but other sub-committees are ahead of us in that they have already submitted the first final draft. He further submitted that the final report should consist of three (3) portions, which includes:

- Descriptive
- Prescriptive and
- Implementation.

The Chairman informed members that at the next two (2) meetings of this sub-committee, they should concentrate on drafting the first draft report.

4.0 DISCUSSION ON THE DRAFT FINAL REPORT

Members agreed that the draft final report should consist of the following:

1. Introduction

- a. Relationship of Gas & Petrochemicals Sub-committee to the Oil and Gas Implementation Committee.
- b. Re-state the Terms of Reference of the Sub-committee.

- c. Importance of Gas & Petrochemicals to the Nigerian economy.
- d. Structure of the report.

2. Current Situation on

- a. Gas Flaring
- b. Gas Market
- c. Petrochemicals
- d. Current Incentives

3. Highlight of the Specific Problems and Opportunities as they affect:

- a. Gas
- b. Petrochemicals

4. Recommendation and Implementation Strategy

- a. Measures to end massive Gas flaring
- b. Petrochemicals

5. Concluding Remarks

5.0 NEXT MEETING

Members agreed that the next meeting would take place as follows:

Date: Wednesday, 3rd October 2001

Venue: BPE meeting room.

Time: 10.00a.m

6.0 ANY OTHER BUSINESS

There been no any other business, the meeting was adjourned at 2.00p.m with a closing prayer by Mrs. Mayen Mbuk.

**11TH MEETING OF THE GAS & PETROCHEMICALS
SUB-COMMITTEE OF THE OIL AND GAS
IMPLEMENTATION COMMITTEE (OGIC) HELD AT
THE BPE MEETING ROOM 2 ON WEDNESDAY 3RD
OCTOBER 2001**

ATTENDANCE

- | | | |
|---------------------------|---|----------|
| 1. Dr. Onaolapo Soley | - | Chairman |
| 2. Engr. Stephen A. Bello | - | Member |
| 3. Mr. Ibukun Akinduro | - | " |
| 4. Dr. E. A. Dennar | - | " |
| 5. Mrs Mayen Mbuk | - | " |
| 6. Ms. Donu Kogbara | - | " |

INATTENDANCE (Taking Minutes)

- | | | |
|---------------------------|---|-----------------------|
| 1. Mrs. Hadizatu Mustapha | - | Secretary |
| 2. Korede S. Amisu | - | Enterprise Officer I |
| 3. Shakirat A. Bukoye | - | Enterprise Officer II |

APOLOGY

- | | | |
|----------------------|---|--------|
| 1. Mr. Derin Adewumi | - | Member |
|----------------------|---|--------|

1.0 OPENING

The meeting started at 11.39a. m. with prayer by Miss Korede Amisu.

2.0 REVIEW OF MINUTES OF THE LAST MEETING

Members read through the minutes of the last meeting. Relevant corrections were effected in the minutes, thereafter it was unanimously adopted.

3.0 MATTERS ARISING

3.1 DRAFT FINAL REPORT

Members discussed at length on the structure of the final report. Thereafter, the secretariat was directed to put in place the draft copy and circulate to all the members before the next meeting.

4.0 ANY OTHER BUSINESS

The secretariat was further directed to print the sticker on the slogan "Nigeria is a gas province with some oil in it". The aim of which is to:

- Create national awareness on the significance of gas in the Nigerian economy.
- Encourage the use of gas at all levels of the society.

5.0 NEXT MEETING

Members agreed that the next meeting would take place as follows:

Date: Thursday, 25th October 2001

Venue: BPE meeting room.

Time: 10.00a.m

6.0 CLOSING

The meeting adjourned at 6.15p.m with a closing prayer by Mrs. Mayen Mbuk.

**FINAL REPORT OF
THE GAS & PETROCHEMICALS
SUB-COMMITTEE OF THE OIL
AND GAS IMPLEMENTATION
COMMITTEE.**

1.0 TERMS OF REFERENCE OF THE STEERING COMMITTEE

OGIC is a steering Committee set up by National Council on Privatization with the following broad mandate and Terms of Reference.

TOR 1

Formulate sector reform proposals for the approval of Council, to create conditions for the sustainable development of the oil and gas sector.

TOR 2

Advise Council on policies and programmes to promote competition, efficiency, and transparency in the restructuring and privatization within the oil and gas sector.

TOR 3

Formulate proposals for the approval of Council, for reducing Government expenditure, and attracting increased private finance and investment in the oil and gas sector.

TOR 4

Advise Council on steps to be taken, while undertaking the reform of the oil and gas sector, to improve the efficiency, quality and availability of oil and gas products throughout Nigeria.

TOR 5

Oversee the activities of various government agencies, parastatals, operators in the sector, and c Consultants to Council leading to the restructuring, commercialization of NNPC and privatization of its subsidiaries, as required by law.

TOR 6

Coordinate all oil and gas sector activities and brief Council on s regular basis, drawing attention to progress and constraints.

TOR 7

Provide information briefs and guidance to all appointed consultants of Council on the execution of their assignment.

TOR 8

Carry out other function related to the reform, restructuring and privatization of the oil and gas sector, as may be assigned from time to time by the Council.

2.0 RELATIONSHIP OF GAS & PETROCHEMICALS SUB-COMMITTEE TO THE OIL AND GAS IMPLEMENTATION (OGIC)

The Sub-committee on Gas & Petrochemicals was set up by the Oil and Gas Implementation Committee (OGIC) with the following terms of reference;

TOR 1

Advise on the measures to end massive gas flaring.

TOR 2

Review and recommend measures and strategies for rapid development of a domestic and regional gas market.

TOR 3

Recommend measures/options to improve availability throughput and efficiency of petrochemical plants based on detailed review of current situation.

TOR 4

Examine the adequacy or otherwise of the current incentives for producers and distribution companies to enhance gas utilization and the desirability of extending the benefits/incentives to customers converting to gas.

3.0 METHODOLOGY

a) The Sub-committee consisted of the following members:

- | | | | |
|----|------------------------|---|----------|
| 1. | Dr. Onaolapo Soley | - | Chairman |
| 2. | Engr. Stephen A. Bello | - | Member |
| 3. | Mr. Ibukun Akinduro | - | " |
| 4. | Dr. E. A. Dennar | - | " |
| 5. | Mrs. Mayem I. Mbuk | - | " |
| 6. | Mr. Derin Adewunmi | - | " |
| 7. | Ms. Donu Kogbara | - | " |

b) Assisted by the staff of the Secretariat:

1. Mrs. Modupe A. Aboidun-Wright
2. Mrs. Hadizatu D. Mustapha
3. Miss Amisu S. Korede
4. Mrs. Shakirat A. MMO-Oyeleke

- Presentations were made by key players of the industry:
 - ✓ Nigeria Gas Company
 - ✓ Shell Development Petroleum Company
 - ✓ Agip PLC
 - ✓ Gaslink Nigeria Limited
- Information was also obtained from Embassies of countries having similar problems with Nigeria.
- Members of the Sub-committee wrote and presented papers on chosen fields.
 - ✓ The Petrochemicals Industry in Nigeria
 - ✓ Market development and investment promotion in Nigerian Industry.
- Members also visited organisations concerned with gas & petrochemicals viz: -
 - ✓ Eleme Petrochemicals Company Limited.
 - ✓ Kaduna Refinery and Petrochemicals.

- Members also developed s data bank of information through research of informing the Industry. The data was discussed and analyzed through group discussion and brainstorming. Some of the data are attached in the appendices.

4.0 INTRODUCTION

4.1 Petrochemicals

Petrochemicals are s group of products, manufactured from petroleum and or natural gas. These materials are used directly in the manufacture of a wide range of consumer products such as plastics, synthetic fibres, synthetic detergents, chemicals solvents, synthetic rubbers, etc. and provide base materials for many other classes of chemicals including fertilizers, paints, dyes, pharmaceuticals and many others.

A petrochemical industry is indispensable to any country that wants to develop a modern industrial economy - directly or indirectly, petrochemicals find their way into every other industry.

4.2 GAS

It is now known that Nigeria gas potential is greater than the oil potential. Nigerian gas reserves are three or four times greater than her oil reserves. This; has led to the general assertion that "***Nigeria is a gas province with some oil in it***". There has to be a National Gas Development strategy to realize the gas potential.

5.0 **IMPORTANCE OF GAS & PETROCHEMICALS TO THE NIGERIAN ECONOMY**

Gas and Petrochemicals are interwoven because petrochemicals are derivatives of gas.

Nigerian currently has proven reserves of 158 Trillion Cubic feet of natural gas. Of this reserve, approximately 54% is associated gas and 46% is non-associated. Gas production currently around 2 Billion standard Cubic feet per day (bcf/d) of this gas 50% is used commercially and the remaining 50% is flared. Nigeria flares an average of 75% of its annual associated gas production.

6.0 **CURRENT SITUATION ON GAS**

The table I below show the gas production utilization:

RECENT GAS PRODUCTION/UTILIZATION STATISTICS

DESCRIPTION		PERCENTAGE	
1	DAILY TOTAL GAS PRODUCTION	<input type="checkbox"/>	5.2 Bscf/d
2	DAILY TOTAL GAS UTILIZATION	<input type="checkbox"/>	2.6 Bscf/d
3	DAILY TOTAL GAS FLARED	<input type="checkbox"/>	2.5 Bscf/d
4	DAILY PERCENTAGE FLARED	<input type="checkbox"/>	49% Bscf/d
5	DAILY PERCENTAGE UTILIZED	<input type="checkbox"/>	51% Bscf/d
6	DAILY SUPPLY TO LNG	<input type="checkbox"/>	0.9 Bscf/d
7	DAILY GAS SOLD	<input type="checkbox"/>	0.3 Bscf/d
8	DAILY FUEL USAGE	<input type="checkbox"/>	0.2 Bscf/d
9	DAILY GAS RE-INJECTION	<input type="checkbox"/>	0.9 Bscf/d

Source: DPR

6.1 **GAS FLARING**

The huge volume of gas flared makes Nigerian the most culpable country worldwide for gas flaring, globally accounting for 28% of gas flared. This implies that Nigeria is internationally perceived as one of the major contributors to global environmental pollution. In spite of this dismal situation, we are aware that a lot of projects are on-going to rapidly correct this situation. The target of 2008 has been set for zero gas flaring for Nigeria. In this regard, the definition of Norwegian legislation has been adopted as ideal for Nigeria's purpose i.e. to say "the flaring of natural gas in excess of what is needed for start up and for safety reasons shall not be allowed"

The following companies have ongoing projects for gas utilization:

1. **Gaslink Nigeria Limited**: is developing a gas distribution network for Lagos, Ikeja and Otta.
2. **Agip**: has a master-plan to accomplish zero gas flaring by 2004 with the following projects to be achieved:
 - i) Construction of gas gathering network and gas injection facilities around its oil wells.
 - ii) Engage in an independent power plant project
 - iii) It has a joint venture project of gas to liquid conversion.
 - iv) It is a strong member of the joint venture of the NLNG.
3. Nigeria Gas Company Limited, a subsidiary of Nigerian National Petroleum Corporation (NNPC), has a project to develop the Trans Nigeria Pipeline System (Eastern & Western) with a view to having a national gas grid.
4. Mobil & Chevron have major gas to liquid conversion projects.
5. As part of its plans to put an end to gas flaring, the Shell Petroleum Development Company Limited has embarked on the Odidi Associated Gas Gathering Project.

6.2 CURRENT GAS MARKET

The gas market in Nigeria can be classified into 4 broad segments:

1. Power generation
2. Chemical feed stocks
3. Industrial
4. Residential/Commercial.

The power generation sector dominates the market with about 86% of the utilization, chemical 12%, and industrial 2% while the residential is virtually non-existent. The use of natural gas as domestic fuel is presently non-existent; liquidified petroleum gas is presently widely used as a by-product of the refineries.

Production and demand centers for gas are far apart. Fragmented and transmission infrastructure is limited. However, there is a gas transmission trunk line from Warri to Lagos from which spur lines can be tapped for the purpose of distribution.

6.3 CURRENT SITUATION ON PETROCHEMICALS

The phase I Petrochemical Projects were designed to produce the following:

WARRI PLANT

	Products Name	Metric ton Per annum
1	Polypropylene	35,000
2	Carbon black	18,000

KADUNA PLANT

	Products Name	Metric ton Per annum
1	Linear Alkyl Benzene (LAB)	30,000
2	Heavy Akylate	27,000
3	Kero solvent	38,000
4	Benzene	15,000

ELEME PETROCHEMICALS

	Products Name	Metric ton Per annum
1	Ethylene/Propylene	30,000/126,000 tons per year. Easily expendable to 400,000/145,000 tons per year
2	Polyethylene	250,000 tons per year name plate capacity of LLDPE/HDPE but capable of producing 270,000 ton per year
3	Polypropylene	80,000 tons per year easily expanded to 120,000 per year
4	Butene-1	22,000 tons per year

CAPACITY UTILIZATION - WARRI

	Products Name	Average Capacity Utilization
1	Polypropylene	6%
2	Carbon black	10%

CAPACITY UTILIZATION - KADUNA

	Products Name	Average Capacity Utilization
1	Waxes	0% (since 1997)
2	LAB	0% (since 1997)
3	Sulphur	0% (since 1997)
4	Bitumen	0% (since 1997)

CAPACITY UTILIZATION - ELEME

	Products Name	Average Capacity Utilization
1	Olefins	32%
2	Polyethylene	19%
3	Polypropylene	26%

Average on-stream time efficiency

1	Olefins	64%
2	Polyethylene	30%
3	Polypropylene	27%

OBSERVATIONS ON THE PETROCHEMICAL PLANTS

Based on our plants visit and analysis of report provided by the managements, we observed the following on Warri and Kaduna plants.

All the plants both at Warri and Kaduna are characterized by:

- Varied but generally low capacity utilization.
 - Long plant downtimes.
 - The petrochemical plants are all running at a financial loss because of high cost of production due to low volumes and other economic and social factors.
- The petrochemical plants (EPCL, WRPC and KRPC) have no power to borrow in their corporate names; instead borrowing is vested in corporate headquarters.
- The petrochemical plants do not operate as limited liability companies because they are not granted autonomy by NNPC.

6.4 CURRENT INCENTIVES ON GAS FLARING AND GAS UTILIZATION IN NIGERIA

The Federal Government has demonstrated a willingness to offer incentives for natural gas development and utilization. The government has done this by enacting the law called: "***Finance (Miscellaneous Taxation Provisions) Decree 1998***"

Part II (Companies Income Tax Act) and Part VA (Incentives to the Gas Industry). This legislation is relevant to these incentives. The legislation is a sequel to the Associated Gas Framework Agreement (AGFA) put in place earlier, in 1992. The highlights are:

1. A company engaged in gas utilization shall be granted incentives as follows:
 - An initial tax – free period of three years comprising:
 - Accelerated capital allowance of 90% with 10% retention for investment in plants and machinery.
 - An additional investment allowance of 15%, which shall not reduce the asset value.
 - Tax free dividends during the tax-free period where the investment is in foreign currency or the plant and machinery investment is not less than 30% of share capital of the Company.
2. The Tax-free period of a company commences from the day the company commences business.
3. 'Gas utilization' means the marketing and distribution of natural gas for commercial purposes (including power generation and liquefied natural gas).
4. The Petroleum Profit tax was further amended by inserting the following new section after section (10), applicable to companies engaged in the utilization of associated natural gas:
 - Investment required to separate crude oil and gas from reservoir into usable products shall be considered as part of oil field development.
 - Capital investment on facilities and equipment to deliver associated gas in usable form at utilization or custody transfer points shall be treated, for tax purposes, as part of the capital for oil field development.
 - Capital allowance, operating expenses and basis for tax assessment shall be subject to the provisions of this act and the tax incentives under the revised MOU.
 - These incentives are subject to the following conditions:

- Condensates extracted and re-injected into crude oil streams shall be treated under existing tax arrangements.
- The Company shall pay a minimum amount charged by the Minister of Petroleum Resources for associated gas flared by the Company.
- The Company, where possible, shall keep the expenses incurred in the utilization of associated gas separate from those incurred on crude oil operations and only expenses not easily separated, shall be allowed against the crude oil income of the company.
- Expenses identified as incurred in associated gas utilization shall be regarded as gas expenses and shall be taxed under the companies income Tax Act.
- Only companies investing in natural gas liquid extraction facilities to supply gas in usable form to downstream projects, including Aluminium smelter, Methanol, Methyl tertiary butyl ether and other gas utilization projects shall benefit from the incentives.

Further incentives were provided in the 1999 budget to the gas sector as follows: -

- All capital investment relating to gas-to-liquid facilities will be treated as chargeable capital allowance under the PPT and recovered against oil income.
- Petroleum investment allowance on all capital investment for NGL extraction plants and gas-to-liquid facilities shall be increased from 16% to 35% effective from 1999.
- Gas transferred from NGL to Gas-to-liquid facilities are to enjoy __ % Royalty.
- All incentives granted to associated gas investment, are to be applicable to non-associated gas investment.

5. The Fiscal Incentives for LNG are specified in the Nigeria LNG Decree of 1990 giving various tax relief; guarantees and assurances to NLNG.

TABLE II: SHOWS SUMMARY OF THE CURRENT INCENTIVES

The existing incentives in Nigeria for the production, transmission and distribution phases as well as for the Nigerian LNG project are summarized in the Table below:

GAS FISCAL REGIME

ITEM	PRODUCTION	SUPPLY TO LNG	TRANSPORTATION/ UTILIZATION
TAX RATE	30%	45%	30%
ROYALTY			
ONSHORE	7%	7%	N/A
OFFSHORE	5%	5%	N/A
ITA	5%	10%	15% (35% FOR NGL AND GTL PLANTS)
CAPITAL ALLOWANCE			
YEAR 1- 4	20%	Y 1-3	Y1 60%
YEAR 5	19%	33%	Y2 20%
			Y3 19%
TAX HOLIDAY	NA	NA	APPLICABLE FOR 5 + 2 YRS (PIONEER)
AGFA:	APPLICABLE	APPLICABLE	NA
DUTY/VATON CONST. EQUIP	NONE	NONE	NONE

Source DPR

Terms:

- AGFA - Associated Gas Framework Agreement
- ITA - Investment Tax Allowance
- Y 1-4 - Years 1,2,3 and 4
- Y 1-3 - Years 1,2 and 3

The various fiscal measures and incentives demonstrate government's willingness to promote gas development and encourage rapid investment in the gas sector of the economy.

This is being translated already in visible projects by major players of the Petroleum Industry (Mobil Oso Condensate Project, Trains 1-5 of NLNG, development of gas fired Independent Power Plants (IPP) Project by AGIP, Enron, Abacan, Chevron etc. Shell has a major gas gathering project in Odidi.

The penalty clauses are not a deterrent to Gas flaring. It is the incentives now in place that are encouraging and attracting investments in gas development; Further improvements to the incentives are proposed in *Appendix I*.

7.0 **THE SPECIFIC PROBLEMS AND OPPORTUNITIES OF THE GAS SECTOR**

The absence of National Gas Policy that will promote:

- ◆ Gas development
- ◆ Gas utilization
- ◆ Appropriate pricing structure
- ◆ The National Energy Policy being developed must take these into consideration.

7.1 **CHALLENGE AND OPPORTUNITIES OF THE GAS SECTOR**

The Gas market is open and yet very highly capital intensive.

The existing Pipelines Act, which has no provision for pipeline operators equally frustrates private sector participation. Consequently, investments are made under the Build, Operate and Transfer (BOT) agreement. This makes it difficult for private investors to operate independently of NGC and to take advantage of the incentives provided by decree 18 & 19 of 1998.

7.2 **PROBLEMS OF GAS**

- Gathering Associated Gas is very expensive, because the fields are not very large and the terrain is difficult.
- The Gas Industry has not been given the level of attention it deserves.
- Our level of technological development is a constraint as witnessed in the NLNG project.
- Unlike oil, gas has no captive market; there has to be an active market development.
- Gas is a substitute fuel and/or feedstock.
- Gas is not easily tradable, and it is expensive and difficult to store once produced. Consequently, its development is closely tied to the social, political and economic infrastructural variables of the country.

7.3 **THE PROBLEMS OF PETROCHEMICAL PLANTS**

1. The major problem of the Petrochemical Plants includes feedstock and utilities supply. Warri and Kaduna depend upon the refineries for their feedstock and when the refineries do not operate optimally, it adversely affects the operations of the petrochemical plant. This is also applicable to Eleme with regards to the production of polypropylene.
2. The other problem is one of long down times due to equipment failures caused by poor maintenance and lack of spare parts.
3. Average capacity utilization in all the plants has been very low.
4. Average on stream time efficiency has been very low.
5. Petrochemicals activity begins where the refineries stop – the skills are beyond what are required in refining e.g. the additional used to be focused in handling their issues but the current organizations treat them alike.

8.0 RECOMMENDATIONS ON GAS

The sub-committee made the following recommendations:

1. Finalize the national energy policy that will include a gas policy

The gas policy must ensure the following:

- Competitiveness of Nigerian gas in the world market.
- Appropriate and inter-fuel pricing and fiscal incentives as in Appendix III.
- Provide standard regulation for health and safety that is in harmony with the national energy policy.
- Fiscal incentives that will encourage gas development and utilization (see appendix I & II).
- Structural regulation in the gas chain (ensuring that all sections of the gas chain are encouraged to grow)
- Elimination of gas flaring – the penalties are too lenient!
- Provide additional incentives to enable the consumers to offset the cost of conversion from liquid fuel to gas. This should make it feasible to develop captive power plants, Compressed Natural Gas (CNG) vehicle application and infrastructure for domestic supplies.
- Provide sufficient incentive to encourage private sector participation in the gas industry.

8.1 RECOMMENDATIONS ON PETROCHEMICALS

- The real cost structure for the operation of the petrochemical plants need to be studied in detail.
- There is the need to examine the feasibility for alternative sources of feedstock as well as utilities supply for the petrochemicals plants independent of the refinery (Warri and Kaduna).

- At Warri and Kaduna: Petrochemical sections begin where the refineries stop: appropriate management skills for the petrochemicals plant should be brought in – independent of the refineries.
- The obsolete and degrading equipments should be refurbished without delay.
- Decision making process of the petrochemical industry must evolve to give adequate financial control to the revenue sharing, site management of the petrochemical plant.
- The existing loan and marketing agreements with regards to Eleme should be reviewed with the objective of allowing some of the export proceeds to be ploughed back into operation.
- Processing fee of the petrochemical plants should be reviewed to make the plants profitable (Warri and Kaduna).

9.0 CONCLUDING REMARKS

We must not forget the original aims and objectives of establishing these projects. They are still as valid today as when they were conceived to serve as facilitators of growth in the Nigerian chemical industry, to eliminate imported products, to provide meaningful employment to Nigerians, and acquire technology.

These objectives are still realizable provided:

- Certain restructuring and re-orientation of the industry are made.
- The gas industry provides tremendous opportunities for economic growth comparable to the oil industry and needs to be given the necessary support and focus.

Throughout the study we have assumed that the government has the political will to change the status quo to assumed political stability.

**REPORTS ON THE NIGERIAN OIL AND GAS
SECTOR REFORM IMPLEMENTATION
COMMITTEE ESTABLISHED BY THE
NATIONAL COUNCIL ON PRIVATIZATION**

**Structure of the Oil Industry Sub-Committees of
the OGIC**

**PROPOSED STRUCTURE OF THE PUBLIC
SECTOR OF THE PETROLEUM INDUSTRY**

BY

**THE STRUCTURE OF THE INDUSTRY SUB-COMMITTEE OF THE
OIL AND GAS SECTOR REFORM IMPLEMENTATION
COMMITTEE (OGIC)**

FEBRUARY 2002

RESTRUCTURING THE PUBLIC SECTOR OF THE NIGERIAN PETROLEUM INDUSTRY

Introduction

The **Structure of the Industry Sub-Committee** is one of the six sub-committees of the **Oil and Gas Sector Reform Implementation Committee (OGIC)** established by Act No. 28 of 1999 as the Steering Committee of the **National Council on Privatization**.

Terms of Reference

The Sub-Committee on Structure has the following terms of reference:

- TOR – 1 Define and recommend appropriate and functional relationship between the Ministry, NNPC and Regulatory Agencies.
- TOR – 2 Define the basic structure for NNPC namely:
- (a) The transition structure before and during commercialization/privatization.
 - (b) NNPC post commercialization define appropriate functions for each model.
- TOR – 3 Define clearly in each case the limits of authority for operational level.

The Sub-Committee however, redefined the Terms of Reference to focus on the industry while leaving the definition of the organisational structures of each agency in the petroleum sector to its Board of Directors or Management Committees as may be appropriate.

Membership

The membership of the Sub-Committee is as follows:

- | | | | |
|----|-------------------------|---|-----------------|
| 1. | Dr. E. I. Onyia | - | Chairman |
| 2. | Mr. J. E. Gaius Obaseki | - | Member |
| 3. | Mr. M. A. Ofurhe | - | Member |
| 4. | Ms. A. Pepple | - | Member |
| 5. | Mr. J. M. Kupolokun | - | Member |
| 6. | Mr. J. C. M. Okaro | - | Member |
| 7. | Dr. O. O. Ogunsola | - | Member |
| 8. | Mr. Mac Tomlinson | - | World Bank |
| 9. | Mallam Labaran Yelwa | - | (BPE) Secretary |

The Sub-Committee met four times in plenary sessions while four members worked on the detailed development of the ideas of the Sub-Committee.

Methodology

- (i) The Sub-Committee received written submission on the structure of the Petroleum Sector from the Office of Special Adviser on Petroleum and Energy; Department of Petroleum Resources, the Nigerian National Petroleum Corporation, and the World Bank.
- (ii) The Committee reviewed the structure of the organization of the Public Sector of the Oil and Gas Industry in other countries comparable to Nigeria, namely Malaysia (Petronas) Indonesia (Pertamina), Algeria (Sonatrach) Norway (Statoil), Venezuela (PDVSA).

As expected, it was observed that no two structures were identical as each exhibited different emphasis reflecting the peculiar circumstances of the country.

- (ii) A review of the evolution of the public sector of the Oil and Gas Industry in Nigeria was carried out.
- (iii) An overall analysis of the submissions provided the basis for the preliminary presentation to the OGIC plenary session based on which the Sub-Committee modified its views in preparing this final report.
- (v) Finally, the institutions and individuals who made submissions were given the opportunity to elaborate and defend their suggested proposals.

History

The Petroleum Act 51 of 1969 vested all Petroleum in the Nigerian State and empowered the Minister to fix by an order the **prices** at which **petroleum products** or any particular class or classes thereof may be sold in Nigeria.

When it dawned on the Government that meaningful participation in an industry which is technology driven, commercially oriented and demanding a high level of entrepreneurship can best be achieved through a National Oil Company, the Government promulgated the Nigerian National Oil Corporation (NNOC) Act in 1971 which established the Corporation and charged it with responsibility for all commercial activities in the industry. In the same year, Nigeria joined the organization of Petroleum Exporting Countries (OPEC).

In 1977 the Nigerian National Oil Corporation was merged with the Ministry of Petroleum Resources through Decree No. 33 of 1977 resulting in the formation of the Nigerian National Petroleum Corporation (NNPC). NNPC was to engage in all commercial activities relating to the Petroleum Industry including exploration and production, refining, transportation and marketing. In addition NNPC was to advise the Government on Petroleum Industry Policy matters.

The Decree also created the Petroleum Inspectorate as an integral part of Nigerian National Petroleum Corporation. The Petroleum Inspectorate was given the sole responsibility of regulating the industry. It therefore had to deal with issue of policy formulation and enforcement. It is note-worthy that although the Petroleum Inspectorate was a division of the NNPC, its Head

was not reporting to the NNPC. As a regulatory agency, it reported to the Minister.

The Ministry of Petroleum was re-established in 1986 but the Petroleum Inspectorate Division remained within the NNPC and retained its functions.

In 1988, NNPC was restructured to become a commercial entity and the Petroleum Inspectorate was excised from the Corporation, and transferred to the Ministry of Petroleum Resources, and renamed Department of Petroleum Resources.

THE PROPOSED STRUCTURE

The proposed structure of the Nigerian Oil and Gas Industry is aimed at promoting and ensuring optimization of national interest in the sector. The primary objective of this reform is to segregate the regulatory policy and commercial roles of public sector entities and allocate such roles to the agency properly positioned to perform them.

The relationship between the various agencies of government will be clearly specified so as to eliminate avoidable overlaps and conflicts, which are invariably inimical to public interest, and had been the major problems in the past.

The proposed structure is fundamentally different from what is existing now and is based upon a serious effort to guarantee a vibrant industry where the public sector is more efficient, effective, and cost conscious. Operational autonomy, removal of bureaucratic bottlenecks and minimization of undue interference will ensure effectiveness and result-oriented performance.

The proposed new structure will consist of:

- i) The National Petroleum Council (NPC)
 - ii) The Minister of Petroleum Resources (MPR)
 - iii) The Nigerian Petroleum Directorate (NPD)
 - iv) The Petroleum Inspectorate Commission (PIC)
 - v) The National Oil Company (NOC)
- (See the Chart).

At the top of the structure is the National Petroleum Council (NPC) headed by the President. The NPC will be concerned with major national oil and gas policies. Based on experience elsewhere, the NPC is not necessarily a structured group. However, the President has a group of Public functionaries from among whom he can draw for a council meeting. Such a group consists of:

- * Vice President of Nigeria
- * Minister of Petroleum Resources
- * Minister of Finance
- * Minister of National Planning
- * Chief Executive Office of National Oil Company

- * Director General of Petroleum Inspectorate Commission.
- * Director General of the Office of National Petroleum Directorate shall be the Secretary
- * National Security Adviser (when necessary)

i) **The Minister of Petroleum Resources (MPR)**

It is proposed that there will be a Minister of Petroleum Resources. The Minister will be responsible for coordination of the activities of the NOC, PIC and NPD, whose CEO's will report directly to him. Indeed, the Minister will be the signatory on behalf of Government to the performance contract between the Government and the National Oil Company.

ii) **The Office of National Petroleum Directorate (NPD)**

The National Petroleum Directorate will be headed by a Director General of the rank of a Permanent Secretary. He will be a member of and the Secretary to the National Petroleum Council. NPD will be responsible to the MPR for the public sector roles of Government and will be charged with policy formulation, coordination and medium/long term plans for the oil and gas sector of the national economy. The conditions of Service in NPD shall be similar to those in PIC and NOC.

Officially, NPD will pursue the following objectives:

- a) Formulation of broad policies for the oil and gas sector.
- b) Ensuring optimization of government's interest in all petroleum arrangements.
- c) Promoting the development of hydrocarbon industries in general.
- d) Overall responsibilities for the pricing policies in the petroleum sector.
- e) Formulating policies to stimulate private sector investment and participation in the oil and gas sector.
- f) Formulation of policies to ensure expansion of the national reserve base and increased productivity.

- g) Relating with relevant international bodies' such as Organization of Petroleum Exporting Countries (OPEC), African Petroleum Producers Association (APPA), International Atomic Energy Agency (IAEA); and the World Petroleum Congress (WPC).
- h) Co-operating with the National Petroleum Company (NOC), Petroleum Technology Development Fund (PTDF) and Petroleum Training Institute (PTI) to advance national interest.
- i) NPD will be staffed with experienced professionals such as Economists, Engineers, Tax Experts, Finance Experts, Investment Analysts, Lawyers, Public Administrators, etc. who will ensure sound policies for the nation's oil and gas industry.

iii) **Petroleum Inspectorate Commission (PIC)**

Department of Petroleum Resources integrated into the Ministry of Petroleum Resources could not effectively play its critical role in the regulation of the Petroleum Industry. It therefore, becomes imperative that the agency be restructured into an autonomous commission, adequately funded, and manned by high caliber professionals. The proposed structure provides for the establishment of a Petroleum Inspectorate Commission with the same condition of service as the National Oil Company.

In broad terms, the PIC will be responsible for setting regulations and standards for the industry and for environmental protection. In addition, PIC will be charged with acreage allocation, management, and compliance enforcement throughout the industry. The PIC on behalf of Government, shall be responsible for substantial resources emanating from royalties, rentals, fees and charges. PIC shall be headed by a Director General who shall be the CEO. Its functions are further specified as follows:

a) **Exploration and Production Activities**

Licensing, monitoring, regulating and imposing statutory and safety controls on management of upstream assets (oil and gas reserves and installations) as well as exploration and production activities in the onshore, offshore and inland basin.

1. Undertaking reserves evaluation and reservoir management studies
2. Lease administration
3. Establishment and enforcing safety and performance standards in all exploration operations and installations
4. Ensure prompt compliance with relevant sections of all petroleum laws-of Nigeria
5. Conduct regular audit of Exploration and Production (E&P) companies, operations as well as their contractors, consultants and agents to ensure meaningful Nigerian content.
6. Ensure publication of reports and statistics relating to the sector
7. Maintenance of Petroleum Industry Data Bank and
8. Collection of royalties, rentals, fees and other charges.

b) **Gas and Downstream Activities**

Licensing, monitoring, regulating and imposing statutory and safety controls on the management of Downstream assets, including refineries, petrochemical plants, petroleum depots/pipelines, downstream gas plants and gas commercialization activities.

1. Monitoring and specifying statutory and safety controls on wholesale and retail marketing, bunkering of petroleum products.

2. Prescribing and ensuring compliance with safety standards for gas and downstream facilities.
3. Ensuring meaningful Nigerian content in all downstream projects, companies and operations.
4. Undertaking periodic inspection of downstream activities and facilities.
5. Undertaking directly or indirectly, relevant studies for improving compliance with petroleum laws and regulations.
6. Timely publication of quarterly and manual reports, statistics, etc.

c) **Standards, Safety, Community Affairs**

Standards

1. Setting of standards for the design and operation of facilities.
2. Certification of operations and integrity surveillance of all existing/newly constructed facilities.
3. Monitoring the occupational health and industrial hygiene practices in the petroleum industry.
4. Ensuring that petroleum activities are conducted safely in accordance with standard oil field practices through enforcement of safety regulations.

Safety

5. Ensuring safety in all petroleum industry activities and monitoring to ensure minimum damage to the environment
6. Prescribing and ensuring compliance with mental, health and safety standards in all operations

7. Monitoring all incidents that could result in damage to the environment and imposing sanctions, as the Commission deems it appropriate, within the law.
8. Organising seminars and workshops to create awareness and promote a healthy petroleum industry environment

Community Affairs

9. Monitoring the impact of oil industry operations on the social economic well being of the host communities of the oil and gas industry to ensure peaceful co-existence and equity in compensation payments.
10. Intervening in disputes between the industry and host communities and, where necessary, playing the role of impartial conciliator in any such dispute.

d) The National Oil Company (NOC)

On the recognition that private sector initiative is key to the Government's effort to change the Nigerian political economy; given Nigeria's position in the world oil and gas industry; with the centrality of oil and gas sector in the Nigerian economy, and drawing on the experience of other nations, it was established that Nigeria needs a strong, virile National Oil Company to midwife and nurture the growth of its oil and gas industry for sustainable development.

The proposed structure provides for a National Oil Company (NOC) wholly owned by the public and operating as a fully commercialized profit-making venture, without subvention from the Federal Government of Nigeria.

The NOC will operate on commercial principles and according to private sector procedure, with powers to fix rates, prices and charges for goods and services rendered, capitalize its assets, borrow and issue debenture stocks.

The NOC shall be free to enter into partnership, alliances and other arrangements for the purpose of achieving its objectives, which shall be consistent with public policy.

The current oil and gas industry is characterized by the operation of Production Sharing Contracts (PSCs), Service Contracts, and Joint Venture arrangements.

The NOC will be headed by a Chief Executive Officer (CEO) who enjoys operational and financial autonomy, within the limits set by its Board of Directors.

The Board of the NOC will be charged with the responsibility of ensuring effective management by providing strategic guidelines and participating in the formulation of, and evaluation of corporate strategies.

The Nigerian Oil Company (NOC) shall engage in the following specific functions:

Exploring and prospecting for, working, winning or otherwise acquiring and disposing of petroleum;

Purchasing and marketing petroleum, and its products;

Providing and operating pipelines, tanker-ships or other facilities for the carriage or conveyance of crude oil, natural gas and their products;

Constructing, equipping and maintaining tank farms and other facilities for the handling of petroleum;

Carrying out research in connection with petroleum or anything derived thereof and promoting activities for the purpose of commercializing the results of such research;

Doing anything required for the purpose of giving effect to agreements entered into by Federal Government in activities connected with petroleum;

Generally engaging in activities, consistent with public policies, that would enhance the petroleum industry in the overall interest of Nigeria.

In areas of its operations and competence, NOC's performance shall be benchmarked against similar National Oil Companies' standards worldwide.

Conclusion

The proposed structure is aimed at promoting and ensuring optimization of Government interest in the Oil Industry. The intention is to segregate the **regulatory, policy** and **commercial** roles of public sector entities and allocate each to the agency properly positioned to perform them. The relationships among the various agencies of Government should be clearly specified so as to avoid conflicts that are inimical to public interest.

The proposed structure is fundamentally different from what is currently existing, as it is based upon the need to guarantee a vibrant industry where the public sector is more efficient, effective and cost conscious. Operational autonomy and removal of bureaucratic bottlenecks and undue interference will ensure effectiveness and result-oriented performance.

It is expected that the compensation scheme for employees in the National Petroleum Directorate (NPD), Petroleum Inspectorate Commission (PIC) and the National Oil Company (NOC) will be similar. There shall be co-operation among the public sector agencies in terms of staff development and training. Decentralization of activities and authority will make result rather than procedure the hallmark. Broadly, **public sector roles of government** will be performed by NPD, **regulatory functions** by PIC and **commercial activities** by NOC.

(Structure Sub-Committee)
February 26, 2002.

NIGERIA'S OIL & GAS INDUSTRY RESTRUCTURING

SUGGESTED MEMBERS OF NPC.

VICE-PRESIDENT-----	Member
MIN. OF PET. RES.-----	Member
MIN. OF FINANCE-----	Member
MIN. OF NAT. PLAN.-----	Member
C.E.O, NAT. OIL CO.-----	Member
D.G., PET. INSP. COMM.-----	Member
D.G., NIG. PET. DIRECT.-----	Member / Secretary

ROLES:

MAJOR NATIONAL POLICIES

PRESIDENT

**NATIONAL
PETROLEUM
COUNCIL**

**HON. MINISTER OF
PETROLEUM RESOURCES**

**NIGERIAN
PETROLEUM
DIRECTORATE G.
(NPD)
D.G.**

**PETROLEUM
INSPECTORATE
COMMISSION
(PIC)
D.G.**

ANNUAL
PERFORMANCE
CONTRACT

**NATIONAL
OIL
COMPANY
(NOC)
C.E.O.**

STAFFED WITH:

- ECONOMISTS
- ENGINEERS
- TAX EXPERTS
- FINANCE EXPERTS
- INVESTMENT ANALYSTS
- ENVIRONMENTAL ANALYSTS
- LAWYERS

ROLES:

- POLICY FORMULATION & COORDINATION
- MEDIUM/LONG TERM-PLANNING

ROLES:

- SETTING REGULATIONS
- STANDARDIZATION
- LICENSING
- ENVIRONMENTAL PROTECTION
- ACREAGE ALLOCATION AND MANAGEMENT.
- COMPLIANCE ENFORCEMENT
- COLLECTION OF ROYALTIES, RENTALS AND FEES

ROLES:

- COMMERCIAL ACTIVITIES
- DEVELOPMENTAL ACTIVITIES
- CAPACITY BUILDING
- TECHNOLOGY ACQUISITION
- MANAGING GOVT. INTERESTS
- STRATEGIC RESERVE - MANAGEMENT