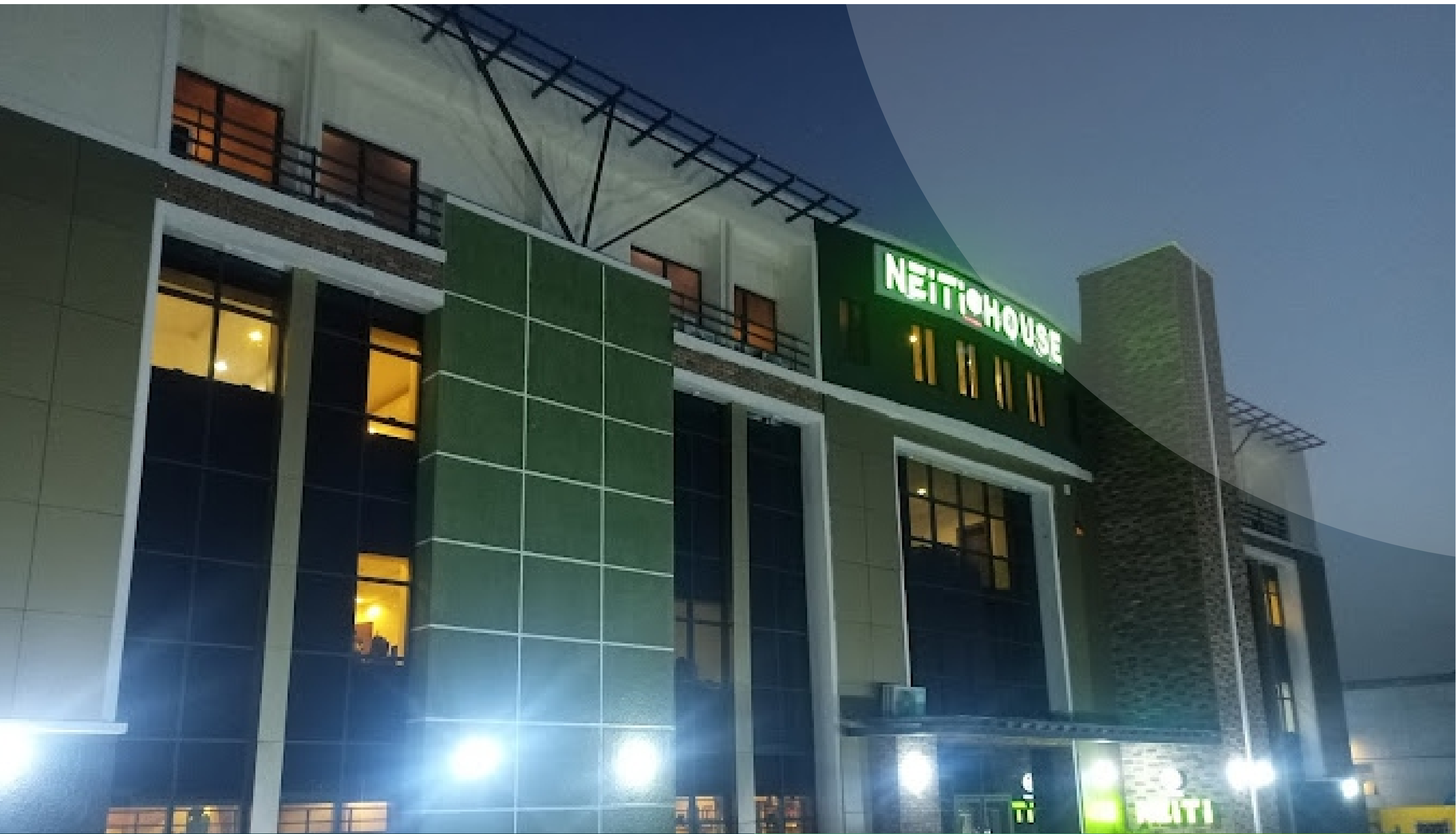
NEITI Nigeria Extractive Industries Transparency Initiative



THE PRESIDENCY

NEITI 2021

OIL AND GAS INDUSTRY REPORT

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OIL AND GAS INDUSTRY REPORT

First published 2023
ISBN: 978-978-781-878-7
Published by NEITI Secretariat, NEITI House. Abuja.

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The Report and all appendices relating to the report are intended for the use of the National Stakeholder Working Group (NSWG) of NEITI for the purpose of that initiative, and any reliance placed upon them by third parties shall be in accordance with the NEITI Act of 2007.

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Abbreviation and Acronyms

Abbreviation	Description
ACCA	Association of Chartered Certified Accountant
AENR	Agip Energy and Natural Resources (Nigeria) Limited
AF	Alternative Funding
AFS	Audited Financial Statements
AGO	Automotive Gas Oil
AMNI	AMNI International Petroleum Development Company Limited
APDNL	Addax Production Development Nigeria Limited
APENL	Addax Production and Exploration Nigeria Limited
ATK	Aviation Turbine Kerosene
BBL	Barrels
BPD	Barrels Per Day
BOPD	Barrels of Oil Per Day
BO	Beneficial Ownership
BSWAP	Bonga SouthWest-Aparo
BTU	British Thermal Unit
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CAPEX	Capital Expenditure
CBN	Central Bank of Nigeria
CDU	Crude Distillation Unit
CEs	Covered Entities
CGT	Capital Gains Tax
CIT	Company Income Tax
CNL	Chevron Nigeria Limited
COMD	Crude Oil Marketing Division (NNPC)
CRU	Catalytic Reforming Unit
CTR	Carry Tax Relief
DCO	Diluted Crude Oil
DPK	Dual Purpose Kerosene
DPR	Department of Petroleum Resources
DSDP	Direct Sale Direct Purchase
E&P	Exploration and Production
EDT	Education Tax
EEPN(OE)L	Esso Exploration and Production Nigeria (Offshore East) Limited
EEPNL	Esso Exploration and Production Nigeria Limited
EES	Environmental evaluation study
EFCC	Economic and Financial Crimes Commission

Abbreviation and Acronyms

Abbreviation	Description
EGASPIN	Environmental Guidelines and Standards for the Petroleum Industry in Nigeria
EGTL	Escravos Gas-to-Liquids
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EPC	Engineering, Procurement and Construction
ESC	Escravos
FAAC	Federation Accounts Allocation Committee
FDPs	Field Development Plans
FHN	First Hydrocarbon Nigeria Limited
FIRS	Federal Inland Revenue Service
FGP	Flare Gas Payment
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FMOE	Federal Ministry of Environment
FOB	Free on Board
GBP	British pound sterling
GDP	Gross Domestic Product
GMD	Group Managing Director
GTR	Group Treasury
GVC	Good and Valuable Consideration
HGO	Heavy Gas Oil
HHK	Household Kerosene
HHOG	Heirs Holdings Oil & Gas Limited
HYPREP	Hydrocarbon Pollution Remediation Project
IA	Independent Administrator
ICAN	Institute of Chartered Accountants of Nigeria
ICT	Information and communication technologies
IFRS	International Financial Reporting Standards
IOC	International Oil Company
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISRS	International Standards on Related Services
JDA	Joint Development Authority
JDZ	Joint Development Zone
JOA	Joint Operating Agreement
JV	Joint Venture
JVCC	Joint Venture Cash-call

Abbreviation and Acronyms

Abbreviation	Description
KRPC	Kaduna Refining and Petrochemical Company Limited
LCO	Light Cycle Oil
LGO	Light Gas Oil
LNG	Liquefied Natural Gas
LPFO	Low Pour Fuel Oil
LPG	Liquefied Petroleum Gas
MBBLS	Thousand Barrels
MBTU	Thousand British Thermal Unit
MCA	Modified Carried Agreement
MCB	Main Column Bottoms
MF	Marginal Field
million barrels	Million Barrels
MMSCF	Million Standard Cubic Feet
MOFI	Ministry of Finance Incorporated
MOPI	Ministry of Petroleum Incorporated
MPNU	Mobil Producing Nigeria Unlimited
MT	Metric Tons
NAE	Nigerian Agip Exploration Limited
NAOC	Nigerian Agip Oil Company Limited
NAPIMS	National Petroleum Investment Management Service
NASS	National Assembly
NBS	National Bureau of Statistics
NCDMB	Nigerian Content Development and Monitoring Board
NDDC	Niger Delta Development Commission
NDPR	Niger Delta Petroleum Resources
NEITI	Nigeria Extractive Industries Transparency Initiative
NAMS	NEITI Audit Management System
NEPL	Newcross Exploration and Production Limited
NESREA	National Environmental Standards and Regulations Enforcement Agency
NESS	Nigerian Export Supervision Scheme
NGL	Natural Gas Liquids
NGMC	Nigeria Gas Marketing Company Limited
NGR	Nigeria Currency
NHU	Naphta Hydrotreating Unit
NLNG	Nigeria Liquefied Natural Gas
NMDPRA	Nigerian Midstream and Downstream Petroleum Regulatory Authority
NNPC	Nigerian National Petroleum Corporation

Abbreviation and Acronyms

Abbreviation	Description
NNPCL	Nigerian National Petroleum Company Limited
NOC	National Oil Company
NOGABAR	Nigerian Oil and Gas Asset Beneficial Ownership Register
NOSDRA	National Oil Spill Detection and Response Agency
NPDC	Nigerian Petroleum Development Company
NPSC	Nigerian Pipelines and Storage Company Ltd
NSIA	Nigerian Sovereign Investment Authority
NSTPJDA	Nigeria-Sao Tome and Principe Joint Development Authority
NSWG	National Stakeholders Working Group
NUIMS	NNPC Upstream Investment Management Services
NUPRC	Nigerian Upstream Petroleum Regulatory Commision
OML	Oil Mining Lease
OPA	Off-shore Processing Arrangements
OPCOM	Operating Committees
OPEC	Organisation of the Petroleum Exporting Countries
OPEX	Operating Expense
OPL	Oil Prospecting License
OSP	Official Selling Price
PAYE	Pay as You Earn
PDA	Propane De-Asphalt
PHRC	Port Harcourt Refining Company
PIA	Petroleum Industry Act, 2021
PLATFORM	Platform Petroleum Limited
PMC/OE	Project Management Consultant/Owner's Engineer
PML	Petroleum Mining License
PMS	Premium Motor Spirit
PPMC	Petroleum Products Marketing Company
PPPRA	Petroleum Products Pricing Regulatory Agency
PPL	Petroleum Prospecting License
PPT	Petroleum Profits Tax
PXF	Pre-Export Finance
PSC	Production Sharing Contract
QIT	Qua Iboe Terminal
RA	Repayment Agreement
RPC	Refinery Project Coordinator
SBUs	Strategic Business Units
SC	Service Contract

Abbreviation and Acronyms

Abbreviation	Description
SEEPCO	Sterling Oil Exploration and Energy Production Company Limited
SEPLAT	Seplat Petroleum Development Company Limited
SG	Specific Gravity
SGORL	Sterling Global Oil Resources Limited
SNEPCO	Shell Nigeria Exploration and Production Company Limited
SOE	State Owned Enterprise
SR	Sole Risks
SPDC	Shell Petroleum Development Company
STAR DEEP	Star Deepwater Petroleum Limited
TECOM	Technical Committee
TEPNG	TotalEnergies EP Nigeria Limited
TNOS	Texaco Nigeria Outer Shelf
TOR	Terms of Reference
TPF	Third Party Financing
TMP	Trial Marketing Period
TUPNI	TotalEnergies Upstream Nigeria Limited
USD	United States Dollar
US$	United States Dollar
VAT	Value Added Tax
VDU	Vacuum Distillation Unit
VGO	Vacuum Gas Oil
WAEP	West Africa Exploration & Production Company Limited
WHT	Withholding Tax
WRPC	Warri Refining and Petrochemical Company Limited
WWT	Waste Water Treatment

STATEMENT BY
THE EXECUTIVE SECRETARY/CEO & NATIONAL COORDINATOR, NIGERIA EITI.

Planning without facts has resulted in retrogression and counterproductive consequences for developing countries, including Nigeria. This is in terms of poor utilisation and loss of revenues, misplacement of priorities and national development issues. The Nigeria Extractive Industries Transparency Initiative -NEITI industry reports over the years have sought to close these gaps, providing empirical information and data to aid national development, planning, implementation, impact and poverty reduction. NEITI has also ensured that these reports are readily available and widely disseminated to the Government and Extractive Industries with specific attention on the media, the legislature and civil society whose duty it is, to use these reports to hold Government and Companies accountable.

The responsibility of NEITI is to use these reports to breach the yearning gap, draw national and international attention to the importance of data in national planning, support the fight against corruption and in the search for impact, ensure that revenue from oil, gas and solid minerals and the extractive industries in general support national development and reduce poverty.

With the release of the 2021 oil and gas report themed, “Impact built on blocking leakages to grow revenue”, NEITI has conducted a total of fourteen cycles of reconciliatory reports in the oil and gas sector. The 2021 Report has nine sections and was produced within the context of the Petroleum Act, 1969 (as amended) which was the primary oil and gas legislation in use in 2021. With the enactment of the Petroleum Industry Act in August 2021, the Petroleum Act was repealed along with some other legislation. However, some references are made in this report to the PIA.

2021 brought about major institutional reforms in the Oil and Gas industry, following the introduction of the Petroleum Industry Act (2021). The act introduced legal, governance, regulatory and fiscal reforms and addressed legitimate concerns of host communities.

The PIA also brought about changes to the Fiscal regime of the sector with the introduction of new benefit streams and changes to the revenue flows to the Federation.
The key objectives of the NEITI 2021 oil and gas report are to:

- Report the quantities of crude oil and gas produced, utilized, and/or exported.
- Revenue flows between the covered entities, identifying any investments made by the Federation or the Federal Government in the oil and gas industry within the period.
- Balances payable/receivable at the end of the audit period for all revenue streams.
- Reconcile the physical/financial transactions reported by payers and recipients as appropriate.
- Review and track the processes that underpinned the transactions, identify leakages and lapses in the value chain.
- Report on emerging issues such as beneficial ownership, contract transparency, etc.
- Make observations and recommendations that will aid policy-making.

A total of 69 companies and the Nigeria Liquified Natural Gas, NLNG were covered in the report, while twelve government agencies and one (1) State Owned Enterprise (SOE)-NNPC Ltd were also reported. 23 revenue streams were covered in the report. 13 of them are specifically required by the EITI, while ten are mandated by the NEITI Act 2007. The NEITI report also provided visual imagery of the flow of oil and gas revenue into the federation account pre and post-passage of the PIA. It also contained the various production arrangements in the Nigeria oil and gas sector as well as total production volumes for the period under review.

I am excited to announce that NEITI deployed its NEITI Audit Management System -NAMS as well as the traditional templates for data collection for the NEITI 2021 industry reports. All data were later disaggregated by individual projects, companies and revenue streams.

One major area we promised to give our stakeholders an update on is the financial liabilities of entities to the federation. The 2021 industry report revealed a total outstanding taxes payable to the government to stand at US$ 8.265 billion in Federation revenue. The non-payment of these funds as at when due is a constraint on revenue flow to the Federation. Others include the status of the NLNG dividends, transportation revenue, cash call budgeting and expenditure procedures, quasi-fiscal expenditures, gas production sales and utilisation as well as subsidy payments.

In all 29 recommendations were made which when implemented, would improve the industry systems and operations.

As I present this report, I hope that the ultimate aim of the EITI which is to improve systems, support national development and reduce poverty would have been achieved.

Orji Ogbonnaya Orji, PhD
Executive Secretary/CEO & National Coordinator, Nigeria EITI.

EXECUTIVE **Summary**

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EXECUTIVE Summary

1. Background

Nigeria Extractive Industries Transparency Initiative (NEITI) engaged the services of Messrs Taju Audu & Co. as the Independent Administrator (IA) for the NEITI Oil & Gas Industry Report – 2021 themed "Relevance built on revenue growth and impact: improving revenue generation." This report is prepared in line with the Extractive Industries Transparency Initiative (EITI) Standard 2019 and the Nigeria Extractive Industries Transparency Initiative (NEITI) Act, 2007. It consists of nine Sections, listed below:

- Executive Summary
- Introduction
- The Oil and Gas Sector in Nigeria
- Exploration, Production and Export
- Revenue Collection and Reconciliations
- Cash Calls
- Downstream Operations
- Infrastructure Provisions, Barter Arrangement, Social and Economic Spending
- Outcomes and Impact

This report should be read along with the appendices, contextual information on NEITI website and within the context of the Petroleum Act, 1969 (as amended) which was the primary oil and gas legislation when the activities that generated the revenue took place. However, with the enactment of the Petroleum Industry Act (PIA) in August 2021, the report should also be read in the context of the various legislations as stated in the relevant Sections.

2. Objectives

The key objectives of the audit include the following:

- To review and provide an overview of processes within the sector.
- To conduct an independent assessment of financial transactions (receipts and payments) and make recommendations to further improve transparency and accountability within the sector.

3. Scope and Materiality

A total of 13 revenue streams with a minimum contribution of 1.5% of total revenue were found to be material for reconciliation at scoping (See Appendix 1 for scoping study report). However, ten other revenue streams were included in the scope of the report and reconciled on the basis of Section 3(f) of the NEITI Act. Consequently, all revenue streams except NESS Fees, PAYE and Miscellaneous Income were reconciled by the IA.

A total of 69 companies and the Nigeria Liquefied Natural Gas (NLNG) were covered in this report. Twenty-two out of 69 companies fell within the criteria for reconciliation and their payments represented 95.65% of total payment by companies. Thirteen government entities and one State-owned enterprise (SOE) were also covered.

4. Key Highlights of the 2021 Oil and Gas Audit Report

Table 1: Key Highlights of the 2021 Oil and Gas Audit Report

Country	Nigeria	
Fiscal Period Covered	2021	
Sector Covered	Oil and Gas	
Type of Audit	Financial, Physical and Process	
2021 Audit Theme	"Relevance built on revenue growth and impact: improving revenue generation."	
Independent Administrator	Taju Audu & Co. (Chartered Accountants)	
Entities Covered •Section 1.4	Total number of companies - 69	
	Companies Within the Materiality Threshold – 22	
	Government Entities (including SOE)- 13	
	Other entities - 2	
Revenues covered •Section 1.4	Number of revenue streams - 23	
	Revenue streams reconciled - 20	
	Revenue streams unilaterally disclosed - 3	
Revenue payments •Section 4.5	Sale of crude oil and gas (less NNPC in-kind)	US$8.098billion (35.14%)
	Taxes and other specific flows	US$13.939billion(60.48%)
	Payment to sub-national entities	US$1.009billion (4.38%)
	Total Revenue	**US$23.046billion (100%)**
Reconciliation position •Section 4.4	Reconciled Revenue	US$21,648,054,000 (93.94%)
	Unreconciled Revenue	US$7,808,000 (0.03%)
	Unilaterally disclosed Revenue	US$1,390,226,000 (6.03%)
	Total Revenue	**US$23,046,088,000 (100%)**
Analysis and distribution of total revenue (value and proportion) •Section 4.7	**Analysis of Total Revenue**	
	Unremitted revenue by SOE	US$1,951,115,000 (8.47%)
	Quasi-fiscal expenditure by SOE	US$6,931,285,000 (30.08%)
	Sub-national payments	US$963,629,000 (4.18%)
	Transfers to the Federation	US$13,200,059,000 (57.27%)
	Total revenue	**US$23,046,088,000 (100%)**
Contribution of Oil and Gas to the Economy •Section 7.4	**Federation Revenue Distribution**	
	9 Oil producing States	13.00%
	Federal Government	52.68%
	States	26.72%
	Local Governments	20.60%
	Country GDP	US$434.17billion
	Contribution of Oil and Gas to GDP	7.24%
	Country total exports	US$36.55billion
	Contribution to exports	76.22%
	Total number of employees declared	19,171
Fiscalised Crude oil production by arrangements (volumes and proportions) •Section 3.2.1	Joint Ventures (Jvs)- including MCA & RA	225,230.00mbbls (39.78%)
	Production Sharing Contracts (PSCs)	242,956.55mbbls (42.92%)
	Service Contracts (SCs)	978.89mbbls (0.17%)
	Sole Risks (SRs)	80,293.90mbbls (14.18%)
	Marginal Fields (Mfs)	16,670.61mbbls (2.94%)
	Total fiscalised crude oil production	**566,129.94mbbls**

4. Key Highlights of the 2021 Oil and Gas Audit Report

Table 1: Key Highlights of the 2021 Oil and Gas Audit Report

Country	Nigeria	
Gas production (volumes and proportion) •Section 3.2.2	Joint Ventures (JVs)	1,490,096.85mmscf (54.31%)
	Production Sharing Contracts (PSCs)	609,589.49mmscf (22.21%)
	Service Contracts (SCs)	-
	Sole Risks (SRs)	561,288.67mmscf (20.46%)
	Marginal Fields (MFs)	82,725.31mmscf (3.02%)
	Total Gas production	**2,743,700.32mmscf**
Summary of issues/ findings from the Audit •Section 8.	1.Crude oil losses due to theft, sabotage and measurement errors	
	2.PMS subsidy and other quasi-fiscal expenditures	
	3.Unremited/under-remitted federation revenues by the SOE and companies covered in the 2021 audit	
	4.NPDC related issues of cash call funding and asset takeover	
	5.Misapplication of 13% derivation principle	
	6.Issues related the PIA and sector governance	
	7.Issues related to crude oil and gas barter arrangements	
	8.NEITI Audit remediation issue	
Exchange rate for the Audit	₦399.68 CBN official average exchange rate for 2021	

FULL
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ONE

CHAPTER 1 - INTRODUCTION

1.1. Background - NEITI

NEITI was set up to facilitate and promote prudent management of revenues from Nigeria's abundant natural resources, ensuring that there is transparency and accountability in the use of these resources to reduce poverty and ensure sustainable development. A brief history of NEITI can be found here[1].

1.1.1. The NEITI 2021 Oil & Gas Report

As stipulated by the NEITI Act 2007, NEITI engaged the services of an Independent Administrator (IA) to conduct the annual audit of Nigeria's oil and gas sector. This involves the reconciliation of payments made by companies with receipts of extractive revenues by government entities. The NSWG decided on a theme for the 2021 report; "Impact built on blocking leakages to grow revenue". The NEITI 2021 Oil and Gas Report was prepared in line with the provisions of the EITI 2019 Standard and the NEITI Act, 2007.

1.2. Objective

The key objectives of the work done by the IA and laid out in this report are in accordance with the TOR and summarized below:

- To report on the quantities of crude oil and gas produced, utilized, and/or exported.
- To report on the revenue flows between the covered entities, identifying any investments made by the Federation or the Federal Government in the oil and gas industry within the period.
- To report on balances payable/receivable at the end of the audit period for all revenue streams covered by the report.
- To reconcile the physical/financial transactions reported by payers and recipients as appropriate.
- To review and track the processes that underpinned the transactions, identify leakages and lapses in the value chain.
- To report on emerging issues such as beneficial ownership, contract transparency, etc.
- To make observations and recommendations that will aid policy-making.

1.3. Basis and Period of Reporting

Basis of Reporting
The IA exercised professional judgement and applied appropriate international professional standards to develop procedures, including audit planning and obtaining of audit evidence.

[1] A brief history of NEITI - https://neiti.gov.ng/about/brief-history-of-neiti

This provides a sufficient basis for a comprehensive and reliable EITI Report. The Standards and Audit Regulations that were considered include but not limited to:

- ISA 530 –Audit Sampling
- ISA 500 – Audit Evidence
- ISRS 4400 –Engagement to Perform Agreed Upon Procedures
- ISRS 4410 – Relative to compilation engagement

Period of Reporting

All receipts and payments are on cash basis and relate to the period 1st January 2021 to 31st December, 2021. Crude oil and gas sales receivables as at 31st December, 2021 were also reported.

This report should be read along with the appendices, contextual information on NEITI website and within the context of the Petroleum Act, 1969 (as amended) which was the primary oil and gas legislation when the activities that generated the revenue took place. However, with the enactment of the Petroleum Industry Act in August 2021, the Petroleum Act was repealed along with some other legislations and as such some references are made to the PIA in this report.

Currency of Reporting

The Reporting Currency is US Dollars (US$). Except otherwise stated in other Sections of this report, for payments made in Naira, the average exchange rate from the Central Bank of Nigeria (CBN)[2] was used for conversion to US Dollars. The NNPCL used FAAC's monthly average rate of conversion for all revenues it collected.

Table 2 - Average Exchange Rate by CBN

Year	(US$) Dollars	US$/Naira (N)	US$/Euro (E)	US$/British Pound (£)
2021	1	399.6813	0.8469	0.7279

Source: CBN

Table 3 - NNPC/FAAC Monthly Exchange Rates for 2021

Month	(US$) Dollars	Naira N to US $
January	1	379.00
February	1	382.54
March	1	378.88
April	1	382.54
May	1	383.47
June	1	382.80
July	1	384.27
August	1	384.27
September	1	384.35
October	1	387.01
November	1	386.30
December	1	388.68

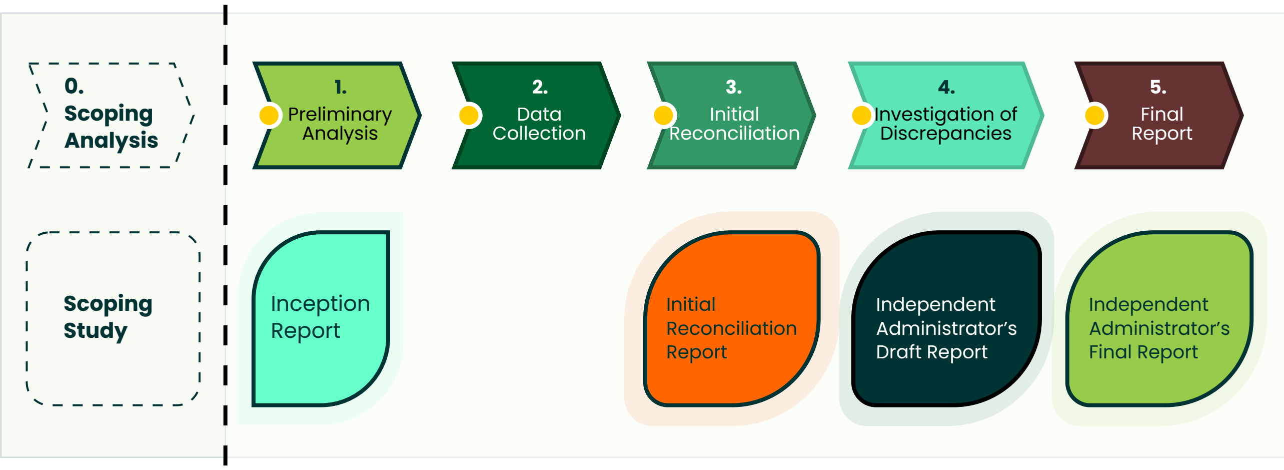
Source: FAAC Monthly Reports

[2] Exchange rate from CBN - https://www.cbn.gov.ng/rates/ExchangeArchives.asp

1.4. Scope of Work

The scope of work spanned six phases, as illustrated in Figure 1 below. It is also in line with the EITI Requirements and the Terms of Reference (See Appendix 2). The IA conducted some scoping work which provided information that the NSWG utilized in its determination of the scope of information published in this EITI report. The scoping report is attached as Appendix 1.

Figure 1 – The Audit Phases and Deliverables



1.4.1. Materiality for the Report

The EITI Standard defined Materiality as follows: "Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the disclosures". Material Companies and Revenue Streams (i.e., payments and revenues are highlighted below. However, the audit reported beyond what is material as required by the NEITI Act 2007.

Revenue Streams

In arriving at the materiality decision for the revenue streams, each revenue stream was taken as a percentage of the total revenue. Based on the scoping work carried out by the IA, it was determined and agreed that 13 revenue streams with a minimum contribution of 1.5% to the total revenue was material for reconciliation. Based on this (1.5%) threshold, 96.53% of the total revenue was to be reconciled. Refer to the scoping report for the details of the material revenue streams.

In addition to the above, ten more revenue streams were included in the scope of coverage on the basis of Section 3(f) of NEITI Act, which focuses on all revenue payments. This Section mandates NEITI to "monitor and ensure that ALL payments due to the Federal Government from all extractive industry companies, including taxes, royalties, dividends, bonuses, penalties, levies and such like, are duly made". Based on this, the scoping study recommended that, to every extent possible, "**all revenue streams except NESS Fees, PAYE and Miscellaneous Income shall be reconciled by the IA**". It was further decided that all discrepancies should be investigated to a margin of 0.05% of the aggregate revenue stream.

Given the above, 23 revenue streams were covered in this report and 20 of these were reconciled. See Table 4 below for the description of the revenue streams.

Table 4 - A Description of Revenue Streams

S/N	Revenue Stream	Description of Revenue Reconciled Revenue Streams	Collecting Government Entity
1	Royalty (Oil)	A percentage share of production i.e. the value derived from oil production, paid from a producing well.	Nigerian Upstream Petroleum Regulatory Commission (NUPRC)
2	Royalty (Gas)	A percentage share of production i.e. the value derived from gas production, paid from a producing well.	
3	Signature Bonus/ Licence fees	Signature Bonus is a onetime fee for the assignment and securing of a licence. It is paid, irrespective of economic success of the well, by the contractor or licensee while the periodic renewals for the licence is termed licence fees.	
4	Flared Gas Payment	Gas flare payments apply to any natural gas that is flared and/ or vented at production facilities of the producers.	
5	Concession Rentals	These are receipts of revenue from the grant extended by the Federation to permit companies to explore for and produce oil, gas or mineral resources within a strictly defined geographic area.	
6	Petroleum Profits Tax (PPT)	PPT is tax imposed on income of companies in petroleum operations. Read more about PPT here[3].	Federal Inland Revenue Service (FIRS)
7	Companies Income Tax (CIT)	CIT tax is a tax imposed on the profit of oil and gas companies whose income is from oil and gas production. Read more about CIT here[4].	
8	Capital Gains Tax (CGT)	CGT is a tax levied on profit from the sale of property/assets or an investment. Read more about CGT here[5].	
9	Tertiary Education Tax (EDT)	EDT is a tax chargeable on all companies registered in Nigeria, who are expected to pay a given percentage of their chargeable profits as contribution to the Education Tax Fund which is used for the rehabilitation, restoration and consolidation of Tertiary Education in Nigeria. Read more here[6].	
10	Withholding Tax	Withholding Tax is income tax paid in advance. Find out more here[7].	
11	Value Added Tax (VAT)	VAT is a consumption tax paid when goods are purchased and/ or services rendered. Read more here[8].	
12	NDDC 3% Levy	It is a mandatory social contribution levied on companies operating in the oil and gas sector. Read more about NDDC here[9].	Niger Delta Development Commission (NDDC)
13	NCDMB 1% Levy	This is a levy imposed on all contracts in the upstream sector, to develop Nigerian Content in the Nigerian Oil and Gas Industry. Read more here[10].	Nigerian Content Development and Monitoring Board (NCDMB)

[3] Information on Petroleum Profits Tax - https://www.firs.gov.ng/petroleum-profits-tax-ppt/
[4] Information about Company Income Tax - https://firs.gov.ng/wp-content/uploads/2021/07/Company-Income-Tax-Act.pdf
[5] Information on Capital Gains Tax - https://www.firs.gov.ng/capital-gains-tax-cgt/
[6] Information on Tertiary Education Tax - https://www.firs.gov.ng/tertiary-education-tax-edt/
[7] Information on Withholding Tax - https://www.firs.gov.ng/withholding-tax-wht/
[8] Information on Value Added Tax - https://www.firs.gov.ng/value-added-tax-vat/
[9] Information on NDDC - https://www.nddc.gov.ng/mission.aspx
[10] Information on NCDMB - https://ncdmb.gov.ng/ncdf-frequently-asked-questions/

Table 4 - A Description of Revenue Streams (cont'd)

S/N	Revenue Stream	Description of Revenue	Collecting Government Entity
14	Dividend from NLNG	This is NNPC's profits from its investment in Nigeria NLG Limited (NLNG).	Nigerian National Petroleum Corporation (NNPC)
15	Transportation Fees/ Pipeline/ Haulage Fees	This is revenue received by the NNPC in relation to transportation of oil and gas products.	
16	Proceeds from Sale of Federation Export Crude Oil	These are revenues from the international sales of the Federation crude oil equity entitlement from JV operations. Crude oil and gas are normally allocated to the Federation from Joint Venture operations through the NNPC in accordance with the Federation's equity share or participatory interests in each of the Joint Venture operations.	
17	Proceeds from Sale of Domestic Crude Oil	These are revenues from the local sales of Federation crude oil equity entitlement from the different production arrangements. Crude oil is allocated from Federation equity crude from different production arrangements to NNPC for refining into petroleum products for local market or consumption.	
18	Proceeds from Sale of Profit Oil	These are receipts of revenue from the sale of the Federation's share of crude oil entitlement from PSC operations.	
19	Proceeds from Sale of Federation Equity Gas	These are revenues from the sale of the Federation Gas equity entitlement from JV operations.	
20	Proceeds from Sale of Feedstock	These are revenues from the sale of the Federation Feedstock equity entitlement from JV operations.	
		Unilaterally Disclosed by Companies	
21	Pay As You Earn (PAYE)	PAYE is a tax imposed on individuals who are either in employment or running their own small businesses. Information on PAYE can be found here[11].	Federal Inland Revenue Service (FIRS)
		Unilaterally Disclosed by Government	
22	Nigerian Export Supervision Scheme (NESS) Fee	This is an administrative charge required to be paid by exporters of crude oil for the administration of the Pre-Shipment Inspection of Exports Scheme. The essence of Pre-Shipment Inspection is to ascertain the quantity, quality and price comparison of oil by virtue of section 2 of the Pre-shipment Inspection Act. The act can be found here[12].	Federal Ministry of Finance, Budget & National Planning
23	Miscellaneous Income	This includes bank interest receipts, insurance claims and other share of revenue from the oil and gas sector.	Nigerian National Petroleum Corporation (NNPC)

[11] Information on PAYE - https://lirs.gov.ng/tax-information/tax-types
[12] Pre-Shipment Inspection of Exports Act

Total Revenue from the Oil and Gas Sector in 2021

This report shows that the total receipts from the 23 revenue streams was US$23,046,088,000 in 2021. Table 5 below shows what portion of total receipts were reconciled and what portion was unilaterally disclosed. See Chapter 4 of this report for details of revenue collection from the sector.

Table 5 - Summary of Reconciliation Position

S/N	Reconciliation Position	Amount (US$)	% of Total Revenue
1	Reconciled Revenue	21,648,054,000	93.94
2	Unreconciled Revenue	7,808,000	0.03
3	Unilaterally Disclosed Revenue	1,390,226,000	6.03
4	**Total Revenue**	**23,046,088,000**	**100**

Companies

Sixty-nine companies that made payments for concession rentals, licenses, signature bonuses, royalty, and/or oil and gas taxes in 2021 were covered in this report. This is inclusive of four additional companies that were discovered after the completion of scoping work. The material companies were identified for reconciliation from the data received from the companies (before initial reconciliation). Each company's total payments was computed as a percentage of total payments by all 69 companies, and 22 of the companies, with payments of over US$50m, which constituted 95.65% of all company's payments were material for reconciliation. See Table 6 below for a list of companies and their respective contributions to the total Companies' payments. Those in the highlighted box were the material companies.

Table 6 - Companies Covered in the Report

S/N	ENTITIES	PAYMENTS BY COMPANIES	% CONTRIBUTION TO TOTAL PAYMENT
1	SHELL NIG. EXP. & PROD.CO LTD (SNEPCO)	1,460,056.00	12.32278
2	EQUINOR NIGERIA ENERGY COMPANY LIMITED	1,155,453.00	9.75195
3	SHELL PETROLEUM DEVELOPMENT COMPANY	1,063,175.00	8.97313
4	MOBIL PRODUCING NIG UNLIMITED	1,044,536.00	8.81582
5	TOTAL ENERGIES UPSTREAM NIGERIA LIMITED	986,484.00	8.32586
6	STAR DEEP WATER PETROLEUM LIMITED	932,798.00	7.87276
7	CHEVRON NIGERIA LTD	739,736.00	6.24333
8	TOTAL ENERGIES EP NIGERIA LIMITED	675,312.00	5.69959
9	ESSO E&P NIGERIA LTD	629,234.00	5.31070
10	NIGERIA PETROLEUM DEVELOPMENT COMPANY LIMITED	617,313.00	5.21008
11	STERLING OIL EXPLORATION & ENERGY PRODUCTION CO. LTD	613,434.00	5.17734
12	NIGERIA AGIP OIL CO LTD	227,965.00	1.92401
13	ESSO E&P (OFFSHORE EAST) NIGERIA LTD	211,887.00	1.78831
14	ADDAX PETROLEUM DEVELOPMENT NIGERIA LIMITED	195,890.00	1.65330
15	SEPLAT PETROLEUM DEVELOPMENT COMPANY	177,589.00	1.49884
16	NECONDE ENERGY LIMITED	133,763.00	1.12895
17	FIRST EXPLORATION & PRODUCTION LIMITED	105,700.00	0.89210
18	CONTINENTAL OIL AND GAS COMPANY	92,259.00	0.77866
19	ND WESTERN LIMITED	89,209.00	0.75292

Table 6 - Companies Covered in the Report

S/N	ENTITIES	PAYMENTS BY COMPANIES	% CONTRIBUTION TO TOTAL PAYMENT
20	NIGERIA AGIP EXOLORATION(NAE)	66,515.00	0.56138
21	CONOIL PRODUCING LTD	63,511.00	0.53603
22	EROTON E&P COMPANY LIMITED	50,974.00	0.43022
23	OANDO OIL LIMITED	43,966.00	0.37107
24	STERLING GLOBAL OIL RESOURCES LIMITED	41,784.00	0.35265
25	NEWCROSS E&P LIMiTED	40,976.00	0.34583
26	AMNI INTERNATIONAL PETROLEUM LTD	39,470.00	0.33312
27	ORIENTAL ENERGY RESOURCES LTD	39,057.00	0.32964
28	SHORELINE NATURAL RESOURCES LTD	32,714.00	0.27610
29	AITEO EASTERN E&P CO. LTD	30,087.00	0.25393
30	MIDWESTERN OIL AND GAS	29,485.00	0.24885
31	ELCREST EXPLORATION & PRODUCTION NIGERIA LIMITED	25,338.00	0.21385
32	FIRST HYDROCARBON NIGERIA	21,071.00	0.17784
33	HEIRS HOLDINGS OIL & GAS LIMITED	19,939.00	0.16828
34	CHINA NATIONAL OFFSHORE OIL CORPORATION LTD	17,442.00	0.14721
35	BELEMA OIL PRODUCING LTD	16,363.00	0.13810
36	NIGER DELTA PETROLEUM RESOURCES LTD	15,387.00	0.12987
37	ENERGIA LIMITED	13,229.00	0.11165
38	MONI PULO LTD	9,428.00	0.07957
39	PILLAR OIL LIMITED	66,515.00	8,555.00
40	PLATFORM PETROLEUM LIMITED	63,511.00	8,334.00
41	YINKA FOLAWIYO PETROLEUM	50,974.00	7,801.00
42	LEKOIL LIMITED	43,966.00	7,756.00
43	PANOCEAN OIL NIGERIA LIMITED	41,784.00	6,124.00
44	WALTERSMITH PETROMAN	40,976.00	6,116.00
45	FRONTIER OIL LIMITED	39,470.00	5,061.00
46	GREEN ENERGY INTERNATIONAL LIMITED	39,057.00	4,410.00
47	ADDAX PETROLEUM EXPLORATION NIGERIA LIMITED	32,714.00	3,476.00
48	UNIVERSAL ENERGY LIMITED	30,087.00	2,526.00
49	BRITTANIA U-NIGERIA	29,485.00	2,408.00
50	CHORUS ENERGY LTD	25,338.00	2,374.00
51	ENAGEED RESOURCES LTD	21,071.00	2,009.00
52	SOUTH ATLANTIC PET. LTD	19,939.00	1,909.00
53	FAMFA OIL LIMITED	17,442.00	1,748.00
59	NEWCROSS PETROLEUM LIMITED	16,363.00	1,672.00
54	NETWORK EXPLORATION & PRODUCTION LTD	15,387.00	1,456.00
55	EXCEL EXPLORATION & PRODUCTION LIMITED	13,229.00	1,407.00
56	AGIP ENERGY AND NATURAL RESOURCES (AENR)	9,428.00	1,377.00
57	PRIME 130		1,049.00
58	ALL GRACE ENERGY LIMITED		886.00
60	TEXACO NIGERIA OUTER SHELF LIMITED		428.00

Table 6 - Companies Covered in the Report

S/N	ENTITIES	PAYMENTS BY COMPANIES	% CONTRIBUTION TO TOTAL PAYMENT
61	PRIME 127	207.00	0.00175
62	SUMMIT OIL INTERNATIONAL LIMITED	189.00	0.00160
63	NEXEN PETROLEUM NIGERIA LIMITED (Subsidiary of CNOOC)	177.00	0.00149
64	DUBRI OIL COMPANY LIMITED	116.00	0.00098
65	MILLENIUM OIL & GAS LIMITED	96.00	0.00081
66	STERLING GLOBAL EXPLORATION AND PRODUCTION LIMITED	80.00	0.00068
67	STERLING EXPLORATION LIMITED	74.00	0.00062
68	STERLING INTERNATIONAL RESOURCES LIMITED	58.00	0.00049
69	SUNTRUST OIL COMPANY NIGERIA LIMITED	21.00	0.00018
		11,848,429.00	**100.00000**

Out of the 69 companies selected, Lekoil Limited did not submit any information to the IA for reconciliation but made payments. The total payments by Lekoil amounted to US$7,756,000, representing 0.03365% of the total revenue and thus considered non-material to this report.

1.4.2. Government Entities

It was identified at scoping that a total of 12 Government Entities and one State-owned Enterprise (SOE) should be covered in the audit. Of this number, five are agencies that received revenue (See Table 7).

Table 7- Government Entities Covered by the report

	State Owned Enterprise (SOE)
	Nigerian National Petroleum Company Limited (NNPCL)
	Receiving Government Entities
1	Federal Inland Revenue Service (FIRS)
2	Nigerian Upsream Pretroleum Regulatory Commission (NUPRC)
3	Niger Delta Development Commission (NDDC)
4	Federal Ministry of Finance, Budget, and National Planning
5	Nigerian Content Development and Monitoring Board (NCDMB)
	Other Government Entities
6	Central Bank of Nigeria (CBN)
7	Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)
8	Office of the Accountant General of the Federation
9	Federal Ministry of Environment
10	National Oil Spill Detection and Response Agency
11	Hydrocarbon Pollution Remediation Project
12	National Environmental Standards and Regulations Enforcement Agency

1.4.3. Other Entities

Other Entities covered by this report are:

- Nigeria Sao Tome Joint Development Authority
- Nigeria Liquefied Natural Gas (NLNG) Limited

1.5. Work Approach

1.5.1. Nature and Extent of Work Done

The primary tasks of the Independent Administrator were to;

- Carry out preliminary procedures for the assignment as stated in the TOR
- Collect primary data from covered entities and gather publicly available information for the report, in accordance with the agreed scope of work
- Compile and organize/manage the collected data, carry out reconciliation, and identify gaps and discrepancies (if any) between payments and receipts
- Investigate and resolve the discrepancies based on the guidelines provided by the NSWG
- Prepare a report that mirrors: the contextual information, reconciled payments and receipts, and differences
- Prepare a report that incorporates audit findings and recommendations as well as the comments and views of the NSWG on the above.

1.5.2. Data Collection

Data was collected from covered entities through the NEITI Audit Management System (NAMS) and the traditional templates. Entities populated data for some specified revenue streams, such as taxes, NDDC payment, NCDMB payment and revenues from the SOE on the NAMS platform as a trial run of the new platform while the other information were collected through the traditional data collection templates. The Covered Entities were also required to submit Audited Financial Statements and other supporting documents along with the populated templates. These formed the primary source of information/data used for the reconciliations.

1.5.3. Level of Disaggregation

In this report all data were disaggregated by individual projects, companies and/or revenue streams.
The word "project" in this context as "operational activity(ies) that is (are) governed by a single license, contract agreement and/or any other similar legal document and form the basis for payment of liabilities with the government. These activities can be governed by an Oil Prospecting License (OPL) or Oil Mining License (OML). Where activities relating to one or more OPLs and/or OMLs are substantially interconnected and are governed by a single joint operating agreement, production sharing contract, service contract or other similar agreement, they may be treated as a single project".

Accordingly, all production and revenue data were disaggregated in line with the above and detail can be found in Appendix 8, 13 and 23.

1.5.4. Reconciliation and Investigation of Discrepancies

Data reconciliation exercise was undertaken by the IA with the Covered Entities to resolve variances identified between data submitted by Companies and data submitted by Government Entities. All discrepancies were identified prior to the reconciliation phase and were shared with relevant parties.

Initial Reconciliation Procedures: The payments reported by the extractive companies were compiled, validated with source documents and compared with the receipts reported by the Government Agencies. All discrepancies identified thereon were listed according to the Government Agency and company involved.

Final Reconciliation Procedures: In cases where the reported revenue data from Government Agencies tallied with the payment data reported by companies, or with little variation that is within the tolerable reconciliation discrepancies of 0.05% of the aggregate revenue stream as contained in the TOR, the IA concluded that the discrepancies were not material to the report. That means, they have not impacted the report or audit outcome.

However, in cases where the reported revenue data from Government Agencies did not agree with the companies' reported payment data, and the variation was not within the tolerable reconciliation discrepancies, the discrepancies were identified and subjected to further investigations, and necessary adjustments were made thereafter before completing the final reconciliation report.

The above procedure also applied to Production and export data.

1.6. Data Quality & Assurance

The data quality procedures relied upon by the Independent Administrator were drawn from applicable legal and institutional framework for quality and assurance in Nigeria as set out in the scoping study.

The following procedures were adopted in the course of the audit:

1. Review of templates submitted directly by the Covered Entities to establish the completeness and relevance of data provided: The IA reviewed the Data Templates submitted by 22 material Companies and the data submitted by the government entities. The IA ensured that the templates provided all the necessary information and data required for the Audit and where such information/data were not provided, the IA requested them from the covered entities.

   Relevance and completeness checks of each data provided by the companies were also carried out by creating a check-list of information to be submitted by the covered entities. This check-list was used throughout the Audit to verify the completeness and relevance of Data submitted by covered entities.

2. Obtain source documents and data templates and conduct 100% vouching of transactions with underlying records to ensure integrity, accuracy and relevance of data: The IA received supporting documents from the 22 material Companies. The IA ensured that the source documents obtained were accurately matched with the information submitted in the Data Templates and obtained further clarification where necessary.

3. Reconciliation of Companies' records with records of NUPRC, FIRS and other Government Agencies to ensure that payments are consistent with receipts: The IA carried out reconciliation exercise with the covered entities to match payments by companies with Government receipts. Reconciliation was done for all payments made by material Companies. The result of the reconciliation can be found here.

4. Obtain the 2021 Audited Financial Statement or an attestation from companies, signed by a senior official of the entity, who is a member of a recognised professional accounting body, confirming that transaction figures and source documents provided to the IA are complete, correct and adhere to requirements of IFRS/IPSAS, as applicable: Upon conclusion of the reconciliation, Companies were requested to sign the reconciled company position and also attest to the completeness and correctness of the Data provided. The IA further requested attestation from a senior member of the company who is a member of a recognised professional accounting body, to confirm that the data provided conforms to data used in the audited account/management account and in compliance with the requirement of IFRS/IPSAS. Companies that had provided Audited Financial Statements were not required to sign the attestation.

Of the 22 material companies, 20 either signed the attestation confirming that their internal accounting procedures was in compliance with the International Financial Reporting Standards (IFRS) or submitted Audited Financial statements to the IA.

Assessment of the Data Assurance Procedures
The IA used the above mechanisms to conduct the Data Assurance analysis on all information and source documents obtained from the material entities; and the level of assurance for each procedure was graded as follows:

Data Quality Procedure	Result	%	Assesment
Review all templates submitted directly by the Covered Entities to the IA to establish the completeness and relevance of data provided.	All the 22 material Companies submitted data templates and check-lists. The IA reviewed all of the templates and check-lists submitted.	100%	High
Obtain source documents and data templates and conduct 100% vouching of transactions with underlying records to ensure integrity, accuracy and relevance of Data.	All the 22 material Companies provided supporting documents requested.	100%	High
Reconciliation of Companies' records with records of NUPRC, FIRS and other Government Agencies to ensure that payments are consistent with receipts	All the Companies' payments were reconciled with government's records. Details of the result can be found here.	100%	High
Obtain AFS or an attestation from organizations, signed by a senior official of the entity, who is a member of ICAN or ACCA, confirming that transactions figures and source documents provided to the Independent Auditors are complete, correct and adhere to requirements of IFRS/IPSA, as applicable	20 companies provided either attestation or Audited Financial Statement.	91%	High

Grading of the Level of Assurance

High: Assessment level above 79%
Medium: Assessment level between 50% and 79%
Low: Assessment level below 50%

The above result of the assessment above provides a reasonable assurance that the audit conforms with the data quality procedure set by the IA.

1.7. Findings, Observations and Recommendations

Observations and Findings

The audit observed that out of the 69 companies covered by the report, Lekoil Ltd. failed to submit the requested information and data for reconciliation. The total payments by Lekoil amounted to US$7,756,000, representing 0.03365% of the total revenue.

Implication:
Non-cooperation of Lekoil Ltd. in this audit indicates lack of commitment to the NEITI reconciliation process.

Recommendation:
NEITI should take measures to ensure full compliance of covered entities with the annual audit process, in view of revenue implications to the Government. It may also be necessary for NEITI to activate its sanctions mechanisms.

CHAPTER
TWO

THE OIL AND GAS SECTOR IN NIGERIA

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TWO

THE OIL AND GAS SECTOR IN NIGERIA

2.1. Legal Framework and Fiscal Regime
2.1.1. Legal and Institutional Framework

Section 44(3) of the 1999 Constitution of the Federal Republic of Nigeria states that;
"The entire property and control of all minerals, mineral oils and natural gas in, under or upon any land in Nigeria or in, under or upon the territorial waters and the Exclusive Economic Zone of Nigeria shall vest in the Government of the Federation and shall be managed in such manner as may be prescribed by the National Assembly."
The above implies that the Government of the Federation owns all natural resources upon and within the Nigerian territory. Through the Federal Ministry of Petroleum Resources, it oversees the activities in the petroleum industry in the country. The ministry is headed by a minister who is appointed by the president subject to approval by the National Assembly.

2021 brought about major institutional reforms in the Oil and Gas industry, following the introduction of the Petroleum Industry Act (PIA), 2021. The act introduced legal, governance, regulatory and fiscal reforms and addressed legitimate concerns of host communities. Some old legislations were repealed and these include;

- Associated Gas Re-injection Act, 1979. Cap. A25. Laws of the Federation of Nigeria, 2004, and its Amendments:
- Hydrocarbon Oil Refineries Act No. 17 of 1965, Cap. H5, Laws of the Federation of Nigeria, 2004
- Motor Spirits (Returns) Act, Cap. M20, Laws of the Federation of Nigeria, 2004
- Nigerian National Petroleum Corporation (Projects) Act No. 94 of 1993. Cap. N124. Laws of the Federation of Nigeria. 2004
- Nigerian National Petroleum Corporation Act (NNPC) 1977 No. 33, N123. Laws of the Federation of Nigeria as amended. when NNPC ceases to exist under Section 54 (3) of this Act
- Petroleum Products Pricing Regulatory Agency (Establishment) Act No. 8, 2003

Upon the completion of the conversion process described under Section 92 of the PIA, the following will also be repealed:

- Petroleum Profit Tax Act, cap. PI3, LFN. 2004 (provided the repeal shall apply from the effective date to any new acreage granted under the Act)
- The Deep Offshore and Inland Basin Production Sharing Contract Act, 2019, as amended (provided the repeal shall apply from the effective date to any new acreage granted under the Act).

Other noTable changes/introductions brought about by the PIA include;

- The establishment of Nigerian Upstream Petroleum Regulatory Commission (NUPRC), also referred to as "the Commission". The Commission is a body corporate that oversees the upstream operations of the oil and gas sector in Nigeria.
- The establishment of Nigerian Midstream and Downstream Regulatory Authority (NMDPRA), also referred to as "the Authority", to regulate the midstream and downstream petroleum operations, with robust provisions for gas and liquids

operations.
- The incorporation of a limited liability company known as Nigerian National Petroleum Company Limited (NNPC Limited) to which the determined assets, interests and liabilities of NNPC and its subsidiaries will be transferred.
- The introduction of the Hydrocarbon tax and the application of the Company Income Tax (CIT) to all companies operating in the oil and gas industry as these taxes will replace the Petroleum Profit Tax (PPT).
- Changes in the computation of royalties.
- Establishment of the Host Communities Development Trust for execution of projects for the benefit and sustainable development, economic empowerment opportunities, infrastructural development, health care development, etc., for the host communities.
- Mandatory disclosure of contracts and Licenses.
- Introduction of open competitive bidding process which brought an end to the discretionary award of mining licenses and leases.

The full text of the PIA 2021 can be found here[13]. A compendium of other Oil and Gas Industry laws and regulations can be found here[14] and tax laws can be found here[15].

Although the PIA became law in 2021, the savings provision in Section 311 of the act allows for some laws to be saved until the expiration of some licences/ leases and the fulfilment of certain events. Refer to the savings provisions of the PIA for more information. This report should be read with this in context. The Ministry of Petroleum Resources, headed by the Minister of Petroleum, is responsible for setting, monitoring and administering government policy for the sector, while other departments and agencies carry on different roles in the industry. The position of Minister of Petroleum was held by the President in 2021.

See Table 8 below for a description of the responsibilities of the Government Institutions directly involved in the oil and gas sector.

Table 8 - Responsibilities of Key Government Entities

Government Entity	Key Responsibilities
Ministry of Petroleum Resources (MPR)	The MPR has the overall mandate to formulate policies on the oil and gas sector and supervise their implementation. The key functions include; • Coordination and supervision of bi-lateral and multilateral relations affecting the oil and gas sector • Policy matters relating to research and development in petroleum and gas sectors of the industry • Formulation of policies to stimulate private industry investment and participation in the oil and gas sector
Nigerian Upstream Petroleum Regulatory Commission (NUPRC)	The NUPRC, also known as the Commission, has the statutory responsibility of ensuring compliance to petroleum laws, regulations and guidelines in the Upstream Oil and Gas Sector. The discharge of these responsibilities involves monitoring of operations at drilling sites, producing wells, production platforms and flowstations, crude oil export terminals, and all pipelines carrying crude oil, natural gas, while carrying out the following functions, among others: The functions of NUPRC can be found here[16].

[13] Full Text of the PIA - http://www.petroleumindustrybill.com/wp-content/uploads/2021/09/Official-Gazette-of-the-Petroleum-Industry-Act-2021.pdf
[14] A compendium of Oil and Gas Industry laws and regulations
[15] Tax Laws

Government Entity	Key Responsibilities
Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)	The NMDPRA, also known as the Authority, has the mandate to regulate the midstream and downstream petroleum operations including technical, operational and commercial activities. The functions of NMDPRA can be found here[17].
Nigerian National Petroleum Company Limited (NNPCL)	NNPCL is the State-Owned Enterprise of Nigeria with the Federation having 100% share ownership, held on its behalf by the Ministry of Finance Incorporated and the Ministry of Petroleum Resources Incorporated. NNPCL Carries out Exploratory Activities and operational functions such as production, trading, refining, transportation and marketing of crude oil. NNPCL also manages the interests/assets of the government in the industry.
Federal Inland Revenue Service (FIRS)	The FIRS is responsible for the administration of taxes in the sector. Read more about the functions of FIRS here[18].
Niger Delta Development Commission (NDDC)	NDDC was set up to offer a lasting solution to the socio-economic difficulties of the Niger Delta Region and to facilitate the rapid and sustainable development of the Niger Delta into a region that is economically prosperous, socially stable, ecologically regenerative and politically peaceful. More about NDDC can be found here[19].
Nigerian Content Development and Monitoring Board (NCDMB)	NCDMB is vested with the mandate to make procedures that will guide, monitor, coordinate and implement the provisions of the Nigerian Oil and Gas Industry Content Development Act, which is summarily to promote the development and utilization of in-country capacities for the industrialization of Nigeria. More about NCDMB can be found here[20].
Federal Ministry of Finance, Budget, and National Planning (FMFBNP)	The FMFBNP is responsible for economic policy formulation, control and monitoring of the Federation's revenues and expenditures. more details on FMFBNP can be found here[21].

Other government institutions and their roles can be found here[22].

2.1.2. Fiscal Regime

The government of Nigeria generates revenues from companies operating in the Oil and Gas industry in the form of royalty and taxes and also through sales of crude oil by the NNPC. Various laws and regulations guided the fiscal regime in 2021 and the major laws have been mentioned above. The PIA has brought about changes to the Fiscal regime of the sector with the introduction of new benefit streams and the changes to the revenue flows to the Federation.

Table 9 below highlights the fiscal regime for 2021;

[16] Functions of NUPRC - https://www.nuprc.gov.ng/functions-of-nuprc/
[17] Functions of NMDPRA - https://www.nmdpra.gov.ng/our-mandate/
[18] Functions of FIRS
[19] Information on NDDC
[20] Functions of NDCMB
[21] https://www.finance.gov.ng/#/
[22] Roles of Government Institutions in the oil and gas sector - https://neiti.gov.ng/legal

Table 9 - Nigeria's Oil and Gas Fiscal Regime in 2021

Fiscal Regime	
1. Royalty	
Crude Oil (onshore)	20%
Crude Oil (offshore)	
• 100metres water depth	18.5%
• 101-200 metres water depth	16.5%
• >201 metres water depth	10%
• Frontier Basins	7.5%
• Inland Basins	7.5%
Additional Royalty computation: royalty rates based on an increase in price that exceeds US$20 per barrel shall be determined for crude oil condensates	
US$0 - US$20 per barrel	0%
US$21 - US$60 per barrel	2.5%
US$61 - US$100	4%
US$101 - US$150	8%
>US$151	10%
Royalty on Gas	
• Onshore	7% of gas sale
• Offshore	5% of gas sale
2. Flared Gas Payments	
• >10000 bbls of crude oil per day	US$2 per thousand standard cubic feet of gas
• <10000 bbls of crude oil per day	US$0.50 per thousand standard cubic feet of gas
3. Petroleum Profit Tax (PPT)	
• PPT Rate for JV & Sole Risk (Year 1 – Year 5 of operations)	66.75% of Chargeable Profit
• PPT Rate for JV & Sole Risk (After 5 years of operations)	85% of Chargeable Profit
• PPT Rate for Companies under the Production Sharing Contract	50% of Chargeable Profit
4. Companies Income Tax (CIT)	
CIT Rate	30% of Total Profit
5. Niger Delta Development Commission (NDDC)	3% on total annual budget of Oil producing (including gas processing) companies operating in the Niger-Delta
• NDDC Levy	
6. Nigerian Content Development and Monitoring Board (NCDMB)	
• NCDMB Levy	1% on total contract value in any project or transaction in the upstream sector of the Nigerian Oil and gas Industry

Changes in the Oil and Gas Fiscal Regime through the Enactment of PIA (2021)

With the enactment of the PIA 2021, major changes have been made to the fiscal regime in Nigeria's oil and gas sector. Chapter 4 of the PIA introduced the Petroleum Industry Fiscal Framework (PIFF) with the following major changes:

- Removal of the PPT and its replacement with two taxes, namely: Hydrocarbon Tax

(HT) and Companies Income Tax (CIT). These two taxes are to be paid by companies engaged in upstream petroleum operations. CIT will be applied in accordance with the Companies Income Tax Act. The HT rate will be graduated and dependent on area of operation and the period that the mining lease was granted.

- Chargeable Tax shall be a percentage of aggregate chargeable profit for the accounting period. For holders of PMLs, with respect to offshore and shallow water areas, chargeable tax shall be 30% of crude profits while for the holders of PPLs, with respect to offshore and shallow water areas, chargeable tax shall be 15% of crude oil profits (Section 267 of the PIA)
- Changes in Royalty Rates to both Production/Terrain Based Royalties and Price Based

Royalties

1. Production/Terrain Based Royalties Computation

Crude Oil and Condensates

- Onshore - 15%
- 0 - 200m water depth (Shallow Offshore) - 12.5%
- Above 200m water depth (Deep Offshore) - 7.5%
- Frontier Basins - 7.5%

* Where production in Deep Offshore Fields is ≤ 50,000 bopd - 5%
** Where production in Onshore, Shallow Offshore, Frontier and Marginal Fields is ≤ 10,000 bopd

- 5% for the first 5,000 bopd
- 7.5% for volumes above 5,000 bopd

Gas and NGLs

* Irrespective of the terrain gas is produced - 5%
* Where the gas is utilized in-country - 2.5%

2. Price Based Royalties

Crude Oil and Condensates (prices per barrels) Applies to Onshore, Shallow Water and Deep Offshore production but not to Production from Frontier terrains.

- Below $50 - 0%
- At $100 - 5%
- Above $150 - 10%

Where the price is in between $50 to $100 and $100 to $150, the royalty shall be derived by linear interpolation.

Royalty derived from "Royalty by Price" shall be for the credit of Nigerian Sovereign Investment Authority (NSIA).

- Other fiscal changes include:
  - Ascertainment of crude oil revenue (Sections 262(1) & 262(2) of the PIA
  - Allowable deductions (Section 263 of the PIA)
  - Non-allowable deductions (Section 264 of the PIA)
  - Chargeable profits and allowances (Section 264 of the PIA)
  - Consolidation of Costs and Taxes

- Change in Penalty Regime (Sections 277, 297 and 302)

In addition to the above, Gas Flare Penalties collected by Nigerian Upstream Petroleum Regulatory Commission (NUPRC) on behalf of the Federation prior to the implementation of PIA will no longer be a revenue to the Federation. Money received from gas flare penalties by the Commission will now be for the purpose of environmental remediation and relief of the host communities of the settlors on which the penalties are levies as provided for in Section 104(4) of the PIA.

It should also be noted that, the PIA made provisions for other benefit streams from the petroleum sector which are also not applicable for 2021 audit due to the fact that the full implementation of PIA did not commence in 2021.

The new benefit streams include:

o **Interest and penalty on debt**

This is the interest penalty at the prevailing CBN rate accrued on outstanding royalties, fees, rents, production or profit shares or required payments to the commission on behalf of the Federation, which are due and remain unpaid for a period of 30 days after it becomes due for payment.

o **Domestic gas delivery penalty**

This is the penalty imposed on the lessee for failure to comply with the domestic gas delivery obligation. The penalty is $3.50 per MMBtu of gas not delivered, which may be adjusted by the commission as provided for in the PIA. The Domestic Gas Delivery Obligation regulation can be found here.

o **Upstream Environmental remediation fund**

The upstream environmental remediation fund is established for the upstream petroleum operations under licenses and leases as provided for in the Petroleum Industry Act, 2021. This is a financial contribution to be paid by the licensee or lessee for the rehabilitation or management of negative environmental impacts with respect to the licenses or lease. The commission is responsible for the administration and management of the Fund in accordance with the PIA. The draft Upstream Environmental Remediation Fund Regulations can be found here.

o **Host Community Development Fund**

The PIA, 2021 provides for the establishment of the fund by the constitution of each host communities development trust to be known as Host communities development trust fund and funded by each settlor (or where applicable, through the operator) through annual contribution to the applicable host communities development trust fund of an amount equal to three per cent (3%) of the settlor's actual annual operating expenditure for the preceding financial year in the upstream petroleum operations affecting the Host Communities for which the Fund was established. The gazetted Nigerian Petroleum Host Communities Development Regulations can be found here.

2.2. Contracts, Licences and Leases in the Nigerian Oil and Gas Industry

All mining and prospective licenses, prior to the introduction of the PIA, were acquired in accordance with the provisions of the Petroleum Act 1969 and other relevant subsidiary legislations. The Minister of Petroleum was empowered by the Act to issue (and revoke) all licenses for prospecting, exploration and production of crude oil and gas. Section 2(2) of the Petroleum Act provides that only citizens or companies incorporated in Nigeria can validly partake in the oil and gas industry, for activities in exploration, drilling, storage, production, refining and transportation of the oil and gas.

The Petroleum act provides for the following category of licenses / leases:

- Oil Exploration License (OEL) which entitles the licensee to the non-exclusive right to explore for oil and gas within the area of the grant.
- Oil Prospecting License (OPL) which confers on the licensee the exclusive right to explore for oil and gas within the area of the grant, and to carry away and dispose of the petroleum won and saved during its prospective operations. This license is usually issued for a period not exceeding 5 years (Onshore and shallow waters) and 10 years (deep offshore and inland basins).
- Oil Mining Leases (OML) which entitles the licensee the exclusive right within the leased area to conduct exploration and prospective operations and to win, get, work, store, carry away, transport, export or otherwise treat petroleum discovered in or under the lease area. It allows full commercial production (at least 10,000bpd) in a lease area. The lease is usually for a period of 20 years.

Section 70 (1) of the PIA 2021 prescribes new types of licences and leases for upstream petroleum operations, these include:

- Petroleum Exploration Licence (PEL) which may be granted to qualified applicants to carry out petroleum exploration operations on a non-exclusive basis.
- Petroleum Prospecting Licence (PPL) which may be granted to qualified applicants to drill exploration and appraisal wells and do corresponding tests on an exclusive basis and also carry out petroleum exploration operations on a non-exclusive basis.
- Petroleum Mining Lease (PML) which may be granted to qualified applicants to win, work, carry away and dispose of crude oil, condensates and natural gas on an exclusive basis, etc.

The NUPRC has issued a regulation for the conversion and renewal of licences and leases and this can be found here[23].

Post PIA enactment, NUPRC regulates all matters that relate to licenses, leases and contracts in the upstream petroleum sector. Section 68(2) of the PIA empowers the NUPRC to administer any acreage for upstream operations in Nigeria. Section 69 (1) also requires NUPRC to adopt a national grid system for acreage management. The NUPRC, as at August 2022 has put out a draft regulation "Acreage Management, Drilling and Production Regulations" which will be the guide for the process.

Contracts

The operating contracts in the Nigeria oil and gas industry operational in year 2021 were the following; Joint Operating Agreements (JOA), Production Sharing Contracts (PSCs), Sole Risk (SR), Service Contracts (SCs), the Modified Carry Agreements (MCAs) and Repayment Agreements (RA). The SCs is a variation of the PSC arrangement while MCA and RA are funding arrangements for JVs (See Figure 3).

[23] Convesion and renewal regulation - https://www.nuprc.gov.ng/wp-content/uploads/2022/11/Conversion-and-Renewal-Licences-and-Leases-Publication.pdf

Figure 2- 2021 Production Contract Arrangements

JOINT OPERATING AGREEMENT (JOA)	• Joint Ventures (JVs) are governed by a Joint Operating Agreement (JOA) which covers issues such as appointment and duties of operator, audit rights, formats and periodicity of reports, control of Bank accounts, nominations for crude liftings etc. • Partnership Between NNPC & companies funded by Cash Call • Production shared on equity basis
Production Sharing Contract (PSC)	• 100% funding by PSC contractors • Production shared based on entitlements in the contract • Crude Oil and Gas allocated for Royalty, Tax, Cost and Profit
Other Financing Agreements	• Modification Carry Agreements (MCA) by JV partner (Operator) • Repayment Agreements (RA): Crude allocation to operator for the settlement for pre 2016 cash call arrears • Crude Allocation to defray Financing and compensation
Independents Nigeria Sao Tome Joint Development Authority Production/Sole Risk	• These are participatory rights by the Federal Government of Nigeria to contractors with respect to OMLs • Crude owned by operators while the operators pay Royalty and PPT
Farm-Out Agreement	• This is an agreement to "farm-out" marginal fields from an OML • The Marginal fields were hitherto part of OML held other companies but reallocated to indigenous companies. • They are targeted at abandoned or unproductive fields in lease areas covered by OMLs. • Crude oil and gas are owned by operators while the operators pay Royalty and PPT • Government reserves the right to participating interest at any time (Back-in right).
Service Contract (SC)	• An adaptation of PSC (100% funding by Contractor) • Contract covers a single service area and renumeration of service contractor only based on commercial production • The only service contractor is AENR but the underlying asset has been transferred to NPDC, the upstream subsidiary of NNPC. • Crude Allocation to cover agreed renumerations.

NUPRC is responsible for providing the regulatory framework of the contracts listed above and also keeps a listing of contracts and the type of contractual arrangements in a register. The NNPC usually signs the agreement on behalf of the Federation and has copies of the agreements entered on behalf of the Federation. Details of contracts and licenses involved in the various arrangements as at 2021 can be found here . However, there is no public disclosure of details of any contract by NUPRC, but NNPC contract disclosures can be found here . More information on contracts in the sector can be found here[24].

2.2.1. Contracts and License Allocation

The Petroleum Act of 1969 (as amended) provided the legal basis for the license allocation system in Nigeria prior to the enactment of the PIA. Section 2 (1)(b) of the Petroleum Act 1969 provides for discretionary award by the Minister. There are typically guidelines set for bid rounds for the award of OPLs and for the grant of license to operate marginal fields.

Post-PIA enactment, Section 73 of the PIA, 2021 provides for a bidding process in respect of

PPLs and PMLs allocation, while a PEL may be granted upon the successful completion of an application process. PPLs and PMLs may only be granted to the winner of a bid round conducted in accordance to the Petroleum Licensing Round Regulation, 2022 (read here[25]). The only exceptions to Section 73 of the Act are stated in Sections 71(5) and 74(3) of the PIA. Section 72(5) also states that the Minister may grant a PPL to a qualified applicant recommended by the Commission. A licensing round plan for a mini-bid licensing round in progress at the time of this report can be found here[26]. The Commission has also put out a draft regulation for the upstream petroleum assignment of interest which will govern the procedure for the assignment of interest in a licence or lease and also the grant of consent by the minister. This draft regulation can be found here[27]. The NUPRC has a guideline for the process of award of marginal fields in Nigeria, which is usually by a bid round. The guideline for the award of marginal fields can be found here[28]. It is important to note that all producing marginal field contracts will be converted to petroleum mining leases in accordance to Section 94(1), while all discoveries declared as marginal fields prior to 1st January 2021, which are not yet producing shall be converted to Petroleum prospecting licences.

2.2.2. Bidding Rounds Process for Award of Petroleum Licences

The bidding process starts with an official advert signifying blocks available. Below is Figure 3, which summarizes the process of bidding for Licenses. There was no bid round in 2021.

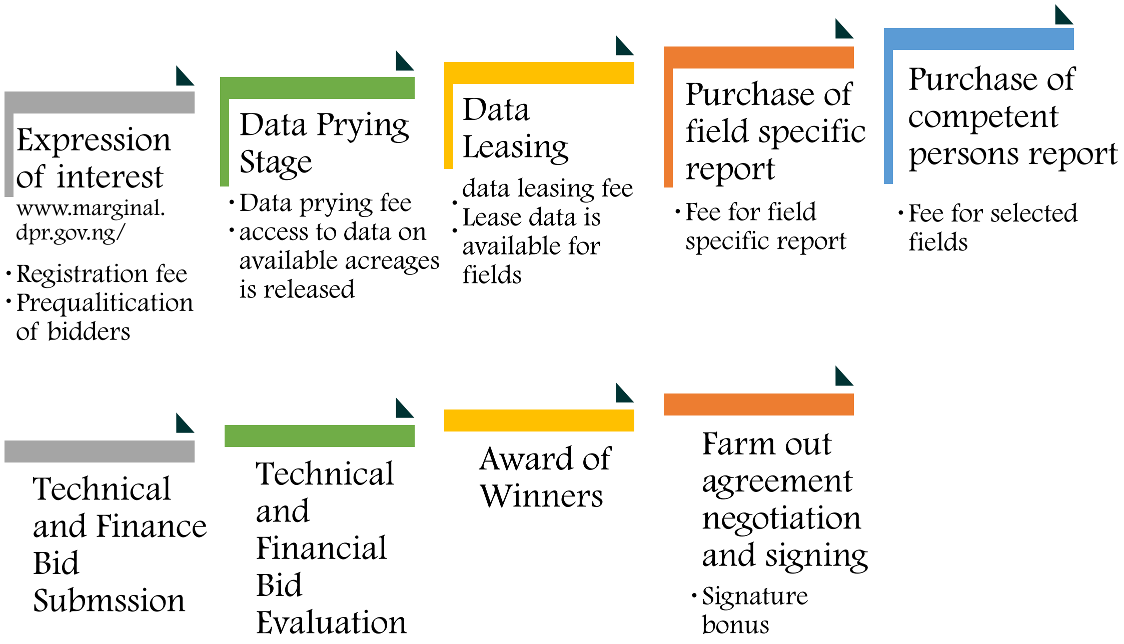
Figure 3 - Bidding Rounds Process Summary

[24] Information on oil and gas contracts and licenses- https://neiti.gov.ng/legal
[25] Petroleum licencing Round Regulation 2022 - https://www.nuprc.gov.ng/wp-content/uploads/2022/11/Petroleum-Licensing-Round-Regulations-2022-1.pdf
[26] 2022 Mini bid licencing round - https://www.nuprc.gov.ng/wp-content/uploads/2023/03/Licencing-Round-Plan.pdf
[27] Draft Nigerian Upstream Petroleum Assignmemt of Interest Regulations, 2023 - https://www.nuprc.gov.ng/wp-content/uploads/2023/07/Draft-Nigeria-Upstream-Petroleum-Assignment-of-Interests-Regulations.pdf
[28] Guideline for the award and operations of marginal fields- https://www.nuprc.gov.ng/wp-content/uploads/2020/08/Guidelines-for-the-Award-and-Operations-of-Marginal-Fields-in-Nigeria.pdf

2.2.2.1. Marginal Field Bid Round Initiated in 2020

In June 2020, a marginal field bid process involving 57 fields was announced under the guidelines set by the NUPRC (then DPR). The Marginal Field award process was managed through an electronic portal and is depicted in the Figure below;

Figure 4– Marginal Field Award Process for the Bid Round Initiated in 2020



Source: NUPRC's marginal fields website[29]

The 2020 EITI report mentioned that the marginal field award process was still in progress and that information was not provided by the NUPRC for reporting. This report thus provides information about the process since it has been concluded. According to NUPRC, there were 665 applicants for the 2020 Marginal Field bid round (See list in Appendix 3). The pre-qualification and evaluation criteria, as well as the technical and financial evaluation criteria used in evaluating all applicants are attached as Appendix 4. A total of 106 companies emerged from the process as the Marginal Field Bid Round awardees (See Appendix 5). It should however be noted that only five companies (See Appendix 6) had made payment of signature bonus based on 2021 audit information provided by NUPRC. According to the Commission's regulation, all successful applicants whose names are in the Notice of Preferred Bidder Status ought to have made payment of signature bonus, prior to award. It should be noted that four other companies whose names were not on the list of awardees paid signature bonus on 2020/2021 marginal fields award.

2.2.3. Licences and Leases granted in 2021

According to the report provided by NUPRC, two licences were granted in 2021 pursuant to Section 2(1)(b & C) of the Petroleum Act 1969. Details of the licences are in Table 10 below:

[29] Marginal field process explained by NUPRC

Table 10 – Licences/Leases Issued in 2021

S/N	Licence Type	Companies	Asset Number	Date of Grant
1	Oil Mining Lease (OML)	Damas Petrochemicals and Refinery	OML 110	February 5, 2021
2	Oil Mining Lease (OML)	Cadence Capital Limited General Hydrocarbons Limited	OML 120 & OML 121	Not provided

Source: NUPRC

The process for the awards of the leases granted in 2021 was in accordance with the guidelines and procedures for obtaining Minister's consent to the assignment of interests in the oil and gas assets which can be found here[30]. No information was provided by NUPRC on transfer of licenses in 2021.

2.3. Register of Licenses

The Petroleum Industry Act designates the NUPRC as the custodian of Register for all licenses and leases for the upstream petroleum operations and NMDPRA for midstream and downstream operations. Section 219 of the PIA 2021 states that the Commission shall maintain and make publicly available, a register of leases, licences, permits and authorizations, issued, revoked, suspended or withdrawn or any exemptions granted. This register is expected to be kept in electronic format. Requirement 2.3 of the EITI Standard requires the disclosure of details below:

- The licence holder
- The coordinates/ size and location of licence area
- Date of Application for licence
- Date of Award
- Duration of licence
- Commodity being produced

NUPRC has a published acreage situation report for the upstream petroleum operations on its website. The IA reviewed the information which included all the material companies covered in the audit and other companies operating in the upstream sector. The register provided required information as prescribed by the EITI, including details of the licence holders, the size of the area of licence in square kilometres, the geological location and terrain of the licence, the dates of award and expiration dates of the licence. It however does not include the coordinates of the license or the dates of application of the license. The acreage situation report for the upstream petroleum operations published by the Commission can be found here[31].

2.4. Disclosure of Contracts & Licences

2.4.1. Government Policy & Legal Framework

Prior to the enactment of the PIA 2021, there was no law that mandated the disclosure of contracts and licences in Nigeria. However, with the enactment of the PIA, government's

[30] Acreage situation report - https://www.nuprc.gov.ng/acreage-situation-reports/

[31] Procedure for license awarded in 2020 - https://www.nuprc.gov.ng/wp-content/uploads/2021/04/DPR-Guidelines-on-Asset-Divestment-2021.pdf

policy on License disclosure is contained in Section 83 (3)(5) and Section 85. Section 83 states that the text of any existing contract, licence or lease and any amendment or side letter with NNPC shall not be confidential and should be published on the website of the commission. Section 85 also provides for a model contract. As at the time of this report, the Commission had not publicly disclosed any contract. The Commission indicated that it is in the process of developing a regulation that would guide the implementation of Section 83 of the PIA. However, NNPC has published on its website, all contracts it signed between 1st January 2021 and August 2021 (when the PIA was signed into law). Theses are:

1. PSC Renewal Agreement for OML 118
2. Annex to PSC Renewal Agreement for OML 118
3. Gas Sale and Purchase Agreement for OML 130
4. Gas Development Agreement for OML 143
5. Sale and Purchase Agreement for OMLs 86 & 88

In addition, NNPCL has also published a model term contract and model DSDP contract on crude oil sales. More information on contract disclosure practice in the sector can be found here[32].

2.4.2. Beneficial Ownership (BO)

Beneficial Owners (BO) are persons or organizations that have the right to receive income, profits, etc. from a property or investment that they own. The EITI Standard of 2019, the global standard for the good governance of oil, gas and mineral resources extracting companies has mandated in Requirement 2.5 that "implementing countries maintain a publicly available register of the beneficial owners of the corporate entity(ies) that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract, including the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted".

Majority of the oil companies in Nigeria exhibit a complex structure of ownership which makes it difficult to identify the real individuals behind the companies and the practice of cloaking the real owners remain prevalent in the country. It is also a common practice for companies to hold interest in other companies thereby shielding the identity of the natural persons who ultimately benefit from the activities of the company. This practice is not unlawful as the law permits legal ownership by corporate bodies.

2.4.3. Beneficial Ownership Definition

According to the EITI Standard 2019, A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity. The Companies and Allied Matters Act 2020, also defines anyone with 5% holding in a company as persons with significant control of the company. The NSWG agreed to adopt the former definition for beneficial ownership which is still consistent with the EITI Standard. On 23rd November 2022, the Minister of Trade, Industry and Investment approved the Persons with Significant Control Regulations (PSC) 2022, in exercise of its power under Section 867 of CAMA 2020. CAC PSC Regulations 2022 was formulated to set out guidelines for the

[32] Term contract - https://cms1977.nnpcgroup.com/uploads/TERM_CONTRACT_Template_4838264723.pdf?updated_at=2022-12-16T14:42:24.275Z

disclosure of persons with significant control in a company, and aid transparency in the beneficial ownership structure of entities registered with CAC. This will in turn aid Nigeria in adhering to its international obligations under EITI.

2.4.4. Government Policies on BO Disclosure in Nigeria

Section 7(f) of the PIA 2021 mandates the NUPRC, as part of its technical regulatory functions, to keep public registers of beneficial ownership. Prior to this law, the Corporate Affairs Commission had taken the necessary steps to ensure that their PSC register, which collects information from all companies registered in Nigeria was live on its website (See here). CAC usually collects PSC information at the time of filing annual returns or at the time of any other updates to records of the company. Companies' data on Persons with Significant Control is also available to the public without a required fee.

In addition and prior to the enactment of the PIA, NEITI had committed to ensuring overall compliance with the EITI Standard on disclosure of beneficial owners of oil companies by collating information from the NEITI Audit. The NEITI Beneficial ownership portal[33] has information on beneficial ownership.

NUPRC has a beneficial ownership website titled: the Nigerian Oil and Gas Asset Beneficial Ownership Register (NOGABAR[34]) that is expected to show the beneficial owners of all corporate entities that operate and invest in Nigeria's upstream extractive industry. Section 7(f) of the PIA 2021 mandates the NUPRC, as part of its technical regulatory functions, to keep public registers of beneficial ownership. Although there are some information on the website, the level of implementation of the above Section of the PIA is very low.

2.4.5. Beneficial Ownership Data Collected from Covered Companies

Beneficial owner data was requested from all companies covered in this Report. The data was used to update the NEITI Beneficial Ownership Data portal. All companies have some beneficial ownership data publicly accessible either through the NEITI Beneficial Ownership Portal or the CAC Portal, except China National Offshore Oil Corporation Limited, Enageed Resources Ltd., Suntrust Oil and Company Nigeria Ltd. and Lekoil Limited. The NUPRC had also requested[35] for beneficial ownership data from all owners of 5% equity and above of licences and leases. This information will be made public through the NOGABOR portal.

NEITI has also published an assessment of the comprehensiveness of publicly available beneficial ownership data in Nigeria here .

Some of the covered Companies did not provide information of the natural person(s) who own or control interest in the companies neither were links to public listings provided. The companies do not have this information on the NEITI or CAC portals. These companies are mentioned in the Table below;

[33] DSDP contract - https://cms1977.nnpcgroup.com/uploads/DSDP_Template_bc3ddf5c34.pdf?updated_at=2023-02-20T09:02:50.053Z
[34] NEITI's Beneficial Ownership Portal
[35] NUPRC's Beneficial Ownership Website

Table 11 – List of Companies that did not provide details of natural person(s)

S/N	List of Companies that did not provide details of natural person(s)
1	Addax Petroleum Development Ltd
2	Addax Petroleum Exploration Nig. Ltd
3	Chevron Nigeria Ltd
4	Midwestern Oil & Gas
5	Nigeria Agip Exploration
6	NNPC E & P Ltd
7	Oando Oil Limited

State Participation

Nigerian National Petroleum Company Limited (NNPCL) is Nigeria's State-owned company involved in the upstream and downstream oil and gas sector. The company evolved from the Nigerian National Petroleum Corporation and currently engages in all commercial activities relating to the petroleum industry.

2.6. Legal Framework of NNPCL

The ownership of NNPCL is vested in the government with Ministry of Finance Incorporated (MOFI) and Ministry of Petroleum Incorporated (MOPI) jointly holding the shares of N200billion in equal amount, on behalf of the Federation. Section 53 of the Petroleum Industry Act provides the basis for which NNPCL, was duly incorporated at the Corporate Affairs Commission (CAC), under the Companies and Allied Matters Act (CAMA). The PIA provides for some assets and liabilities to be transferred from NNPC to NNPC Limited. The roles of NNPC Limited are to:

- carry out petroleum operations on a commercial basis, comparable to private companies in Nigeria carrying out similar activities including exemption to Public Procurement Act, Fiscal Responsibility Act and Treasury Single Account;
- be vested as the concessionaire of all Production Sharing Contracts (PSC), Profit Sharing and Risk Service Contracts as the National oil company on behalf of the Federation in line with its competencies;
- lift and sell royalty oil and tax oil on behalf of the Commission and the Service respectively for an agreed commercial fee and in the case of profit oil and profit gas payable to the concessionaire, NNPCL shall promptly remit the proceeds of the sales of the profit oil and profit gas to the Federation less its 30% for management fee and Frontier Exploration Fund as specified in Section 9 (4) of the PIA;
- carry out test marketing to ascertain the value of crude oil and report to the Commission;
- be vested with the rights to natural gas under production sharing contracts entered into prior to and after the effective date of the PIA;
- carry out the management of production sharing contracts for a fee, based on the profit oil share or profit gas share in accordance with paragraph ©;
- with respect to any joint operating agreement in which NNPCL is a party on the effective date assume the working interest held by NNPCL irrespective of whether such licence or lease is converted under Section 92 of the PIA;

- engage in the business of renewables and other energy investments;
- promote the domestic use of natural gas through development and operation of large-scale gas utilisation industries;
- maintain the role of NNPC, under Section 54 of the PIA;
- carry out task requested by the Commission or Authority on a fee basis and generally engage in activities that ensure national energy security in an efficient manner, in the overall interest of the Federation;
- carry out such other tasks as may be determined by the Board of NNPCL; and
- make NNPCL supplier of last resort for security reasons and all associated costs shall be for the account of the Federation

Governance of NNPCL

The Board of the NNPCL is expected to perform in accordance with the Companies and Allied Matters Act, its Articles of Association and also carry out the responsibilities prescribed under the PIA 2021. The responsibilities prescribed under the PIA include;

- Be responsible for the strategic guidance and determining the business structure of NNPCL.
- Be responsible for the approval of the annual budget of NNPCL.
- Act in good faith and exercise due diligence and care in the best interest of NNPCL, the shareholders and the sustainable development of Nigeria.
- apply the highest ethical standards in performing its duties, taking into account the interest of its stakeholders and the fiduciary duty of the directors to NNPC Limited;
- make decisions guided by commercial and technical considerations that represents good international petroleum industry practices;
- determine and report to the shareholders of NNPC Limited on key performance indicators on at least annual basis;
- review and guide corporate strategy, major plan of action, risk, policy and business plan;
- set performance objectives for NNPC Limited, the Board of NNPC Limited, members of NNPC Limited's management and individual business units and subsidiaries of NNPC Limited;
- monitor NNPC Limited's corporate performance;
- oversee major capitals expenditures, acquisitions and divestitures;
- monitor the effectiveness of NNPC Limited's governance practices and propose and implement changes;
- select, compensate, monitor and replace management executives and oversee succession plan.
- align key executive and board of NNPC Limited remuneration with the longer term interests of NNPC Limited, its shareholders and stakeholders.
- monitor and address potential conflicts of interest of management and members of the board of NNPC Limited and breach of fiduciary duty by members of the board of NNPC Limited;
- ensure the integrity of NNPC Limited's accounting and financial reporting systems, including audit of NNPC Limited's accounts by independent third party;
- ensure that appropriate system of control is in place for risk, management, financial and operational control and compliance with applicable law and relevant standards;
- oversee the process of disclosure and communications to shareholders and the public; and
- determine the dividend policy of NNPC Limited, ensure sustained growth and sound financial base for NNPC Limited.

Board membership prescribed by the PIA 2021, as may be appointed by the President of Nigeria are;

- a Non-Executive Chairman
- the Chief Executive of NNPC Limited
- the Chief Financial Officer of NNPC Limited
- a representative of the Ministry of Petroleum, not below the rank of a Director
- a representative of the Ministry of Finance not below the rank of a Director
- six Non-Executive members, one from each geopolitical zone

2.6.1. Operations, Structure and Governance of NNPC in 2021

For the year 2021, the NNPC operated its old group structure through its subsidiaries and Strategic Business Units, which cover the entire spectrum of Nigeria's oil industry and gas operations: exploration and production, gas development, refining, distribution, petrochemicals, engineering, and commercial investments. The Group also had interests in shipping, insurance, medical services and telecommunications. See below a list of NNPC subsidiaries in 2021.

Table 12 – NNPC Subsidiaries in 2021

S/N	Business Units Service Units	Holdings	Country' of incorporation	Principal Business activity
1	NNPC Retail Ltd	100%	Nigeria	Retail Business (Refined products, lubricants, LPS, CNG) and Non-fuel businessesail
2	Duke Global Energy Investment Limited	100%	Nigeria	Exploration and production: Oil servicing
3	Duke Oil Senices UK Limited	100%	United Kingdom	Providing logistics services to Duke Oil Incorporated
4	Duke Oil Company Inc	100%	Panama	Marketing of crude oil and petroleum products
5	Nigerian Petroleum Development Company	100%	Nigeria	Nigeria Exploration and production
6	Warn Refining and Petrochemical Company Limited (WRPC)	100%	Nigeria	Refining of crude oil and manufacturing of petrochemicals
7	Nigerian Gas Company Limited	100%	Nigeria	Transmission and distribution of Nigeria's natural gas.
8	Port-Harcourt Refining Company Limited (PHRC)	100%	Nigeria	Refining of crude oil
9	Petroleum Products Marketing Company Limited (PPMC)	100%	Nigeria	Nigeria Petroleum product marketing and distribution
10	National Engineering and Technical Company Limited	100%	Nigeria	Nigeria Engineering, procurement, construction and technical services
11	Integrated Data Sendees Limited (IDSL)	100%	Nigeria	Nigeria Geophysical and petroleum engineering sendees
12	The Wheel Insurance Company	100%	Guernsey, Channel Islands	Providing reinsurance cover in respect of excess capacity of NNPC oil assets transferred abroad
13	Nigerian Gas Marketing Company Limited (NGMC)	100%	Nigeria	Sales and marketing of gas
14	Nigerian Pipelines and Storage Company Limited (NPSC)	100%	Nigeria	Nigeria Transportation and storage of petroleum products.
15	NNPC Health Maintenance Organisation	99%	Nigeria	Provision of health insurance to individuals, families, and corporate groups.
16	Ngas Limited	62%	Bermuda	Shipment and delivery of gas
17	Nidas Marine Limited	100%	Nigeria	Shipping and marine transportation
18	Nidas Shipping Limited	100%	United Kingdom	Shipping and marine transportation
19	NNPC Liquefied Petroleum Gas (NNPC LPG)	100%	Nigeria	Liquified petroleum gas sales
20	NNPC LNG Limited 100% Nigeria	100%	Nigeria	Liquified natural gas sales

S/N	Business Units Service Units	Holdings	Country' of incorporation	Principal Business activity
21	NNPC Oilfield Sendees Limited	99%	Nigeria	Sendees
22	NNPC Gas & Power Investment Company Limited	100%	Nigeria	Energy, gas and power investment services
23	National Petroleum Telecommunication Limited (NAPET)	100%	Nigeria	Telecommunications investment
24	NNPC Gas and Power Investment Company (NGPIC)	100%	Nigeria	Gas and power operations

Source: NNPC 2021 Group AFS

All oil and gas upstream assets belonging to the State were held and managed by NNPC through The National Petroleum Investment and Management Services (NNPC Upstream Investment Management Services) and from which a few assets are assigned to Nigerian Petroleum Development Company (NPDC) Limited (NNPC E&P Limited (NEPL) Limited) as operator for capacity building.

NAPIMS was the custodian and manager of OMLs that were considered as Federation assets. NAPIMS was also the Federation's representative in JVs, where the Federation has equity holdings and pays cash calls (Chapter 5 has details of cash calls). The NNPC is also the concessionaire to the government in the PSCs and signs on its behalf.

2.6.2.NNPC's Financial Relationships/Transactions in 2021 and post passage of PIA

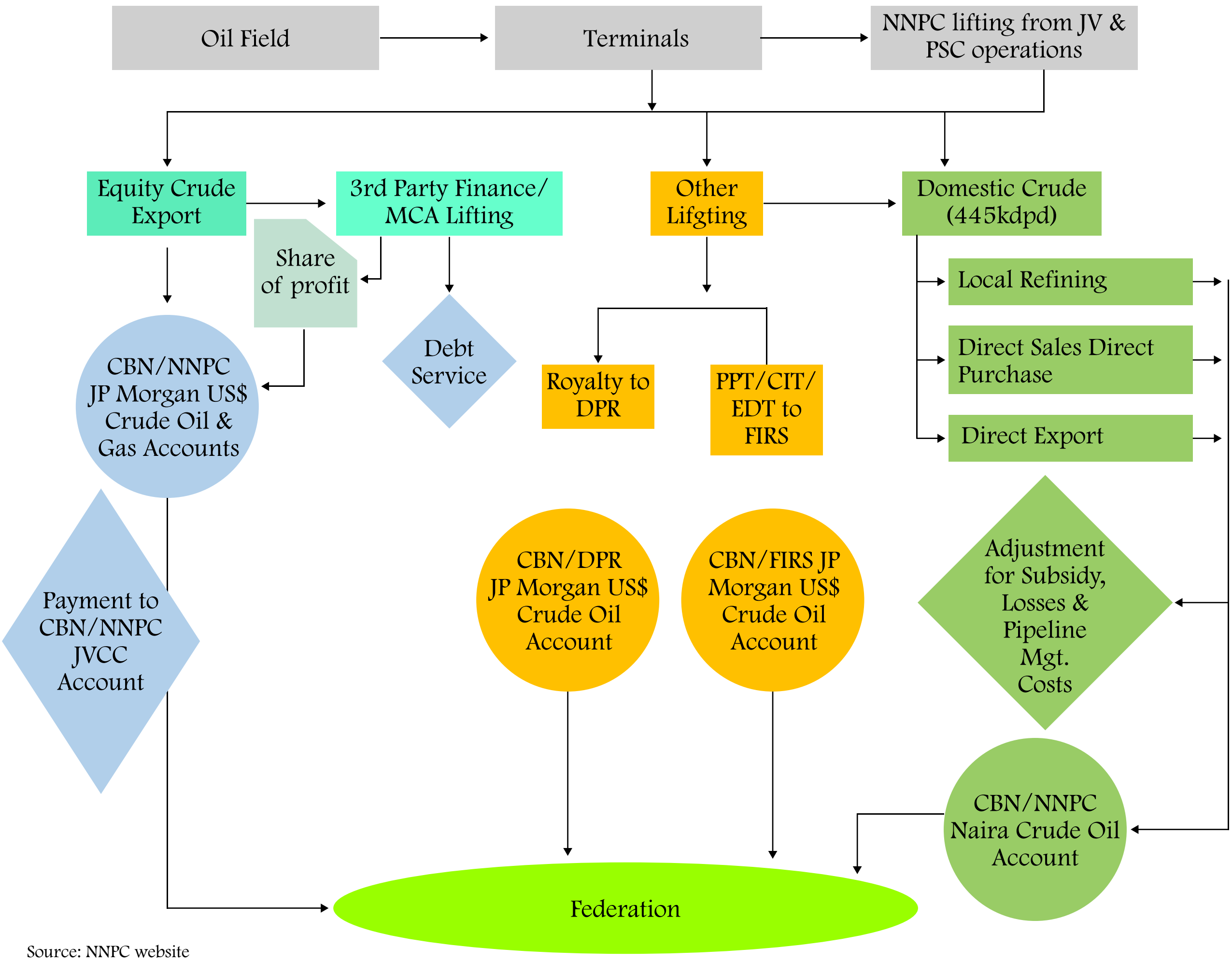
The financial relationship and transactions of NNPC with the government in 2021 was guided by the provisions of Section 7(4)b of the NNPC Act which empowers NNPC to receive all monies due to the Federation into the Corporation's account and defray all expenses it incurs during its operations from such fund.

The above forms the basis for NNPC's deductions from revenue (See Appendix 22 for details of deductions), of certain expenditures, some of which could be described as quasi-fiscal. These expenditures, as classified by NNPC and reported to Federation Accounts Allocation Committee (FAAC) in 2021, include the following:

- JV cost recovery (these are cash call and other production related expenses)
- Pipeline repairs and maintenance cost (Strategic holding cost, pipeline management cost etc.)
- Under recovery/crude oil and production loses (under recovery is the same as PMS subsidy)
- Government priority projects (these are gas infrastructure development projects such as OB3 gas supply line, Trans-Sahara gas pipeline, Escravos-Lagos pipeline expansion etc.)

The Financial relationship between NNPC and the Federation in 2021 is depicted below:

Figure 5 – Flow of oil and gas revenue from NNPC's operations into the Federation account pre-passage of PIA



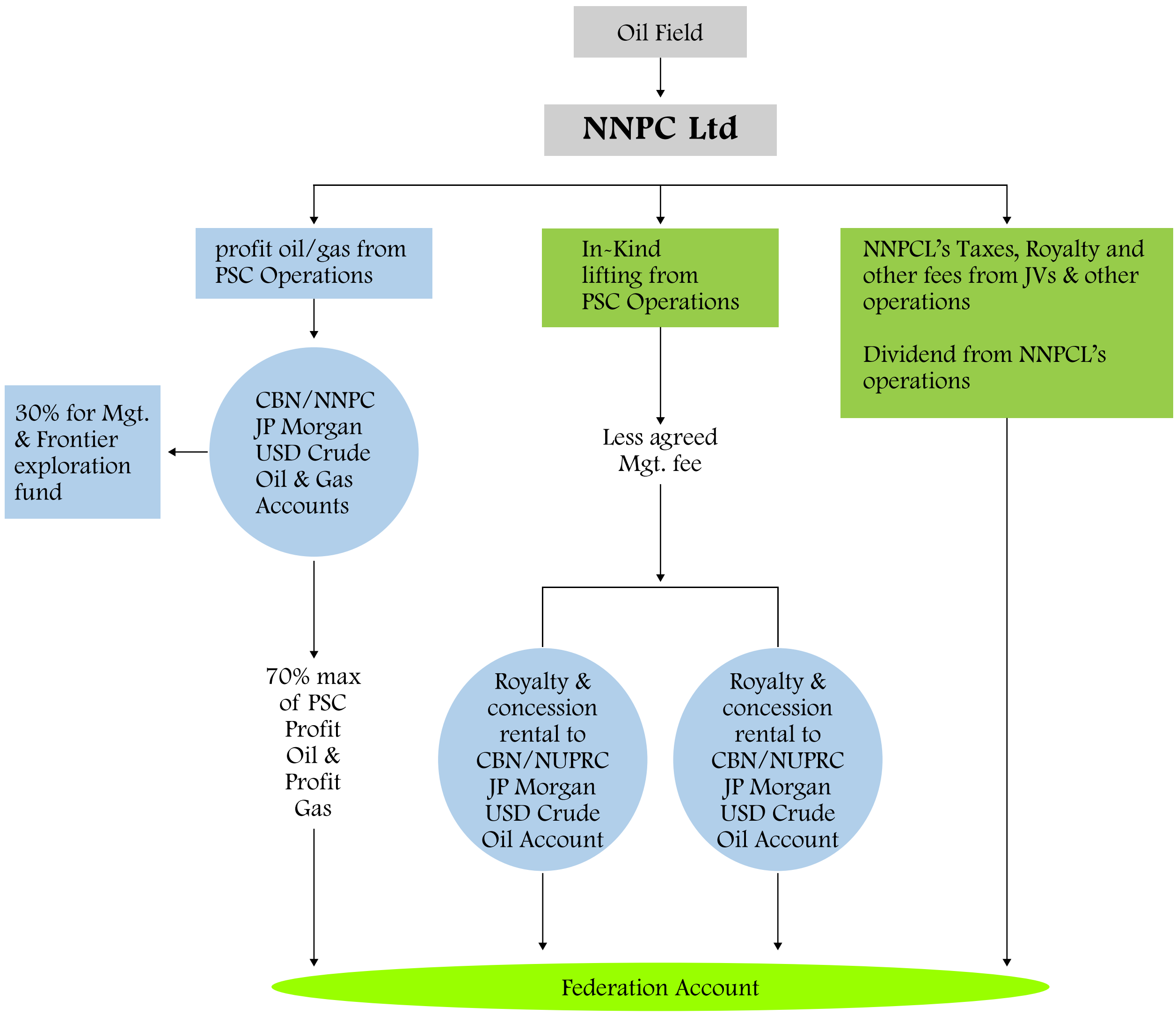
Source: NNPC website

It should be noted that Section 54(1) of the PIA, 2021 provides that the Minister of Petroleum and the Minister of Finance shall within 18 months of the effective date of the PIA identify and transfer assets, interests and liabilities of NNPC to NNPCL. However, this provision of the PIA has not been effected, but NNPCL has taken over all the Federation assets in the JVs and operate as a business entity. This means that the sale of equity crude proceeds, which, hitherto went to the Federation, automatically become revenue to the NNPCL. The PIA however requires NNPCL to settle applicable taxes, royalty and pay dividend to the shareholders (MOFI and MOPI). NNPCL and any of its subsidiaries is to conduct their affairs on a commercial basis in a profiTable and efficient manner without recourse to government funds, operating as a Companies and Allied Matters Act entity, declaring dividends to its shareholders, and retaining 20% of profits as retained earnings to grow its businesses.

The PIA also provides for the NNPCL to manage the concession of all Production Sharing Contracts (PSC), Profit Sharing and Risk Service Contracts as the National Oil Company on behalf of the Federation in line with its competencies. Therefore, NNPCL will lift and sell royalty oil and tax oil on behalf of the NUPRC and FIRS respectively (where they are collected in-kind), for an agreed commercial fee and in the case of profit oil and profit gas payable to the concessionaire, NNPCL shall promptly remit the proceeds of the sales of the profit oil and profit gas to the Federation less 30% for management fee and Frontier Exploration Fund as specified in Section 64(C) and 9(4) of the PIA. However, there is the need for clarity as to what percentage goes for frontier exploration fund and NNPCL management fee.

The Financial relationship between NNPCL and the Federation post-passage of PIA is depicted below.

Figure 6 - Flow of oil and gas revenue from NNPC's operations into the Federation account post-passage of PIA



2.6.3. Federation Resource Assets Held by NNPC in 2021
Joint Ventures (JV)

NNPC represented the Federation in 12 Joint Ventures (JVs) with at least 50% equity interest in each joint Venture[36]. The JVs operated by AMNI International Petroleum Development Company (AMNI) and West African Exploration and Production Company Limited (WAEP) did not produce in 2021.

[36] NNPC 2021 Audited Financial Statement

Table 13 – Federation's 2021 Upstream Petroleum Operations Joint Venture Arrangements

OPERATOR	OPL/(OML)	FEDERATION'S INTEREST 2021 (%)	2020 (%)
Shell Petroleum Development Company of Nigeria Limited	17,20,21,22,23,25,27, 28,31,32,33,35,36,43, 45,4674,77,79	55	55
Chevron Nigeria Limited	49,51,89,91,86,88,90, 95	60	60
Total E&P Nigeria Limited	99, 100, 102, 58	60	60
Mobil producing Nigeria Unlimited	104, 67, 68, 70	60	60
AITEO Exploration and Production Limited	29	55	55
Eroton Exploration and Production Company Limited	18	55	55
First E & P Development Company Limited	83, 85	60	60
Seplat Petroleum Development Company	53	60	60
West African Exploration and Production Company Limited	71, 72	55	55
AMNI International Petroleum Development Company	52	60	60
Belema Oil Producing Limited	55	60	60
Heirs holdings Oil and Gas Limited	17	55	-

The NNPC also has participating interest in Escravos gas to liquids project (the "EGTL Project"). The participating interest is 60% and the operator is Chevron Nigeria Limited (CNL).

Source: NAPIMS 2021 Audited Financial Statement

It should be noted that the assets in Table 13 will be transferred to NNPC Ltd to operate as a business entity when the relevant Section of the law is fully implemented as explained above.

Production Sharing Contracts (PSCs)

NNPC also participates in Production Sharing Contracts (PSCs) which is an arrangement or contract where the oil company undertakes to fund operations to explore, develop and produce petroleum within a concession area, under an Oil Prospecting License and for an agreed number of years. If the effort is successful, the company will be subject to pay Petroleum Profit Tax (PPT), Royalty and other bonuses/levies to the Government. The company is entitled to recover its costs, in-kind, through 'Cost Oil'.

The company also pays PPT and Royalty in-kind, through the NNPC's arrangement of lifting of crude oil and gas for Tax, Royalty and share of Profit oil (usually shared in a pre-determined ratio), for sale and remittance to designated accounts. The account could be FIRS (Tax) account or DPR account (Royalty) while proceeds from the sale of profit oil is remitted directly to the Federation Account. PSC frees the Government from financial burden since the company bears cost of exploration and production.

In 2021, 12 of the PSC blocks made production while 17 blocks did not produce. There were also 6 inactive blocks. Tables 14,15 and 16 below show companies under each category.

Table 14 - Producing PSC Blocks

S/N	CONTRACTOR	OPL/(OML)	Date of First Oil	Expiry Date
1	Addax Petroleum Development (Nigeria) Limited – (Antan)	OPLs 98/118 (OMLs 123/124)	1998	2028
2	Nigerian Agip Exploration (Nigeria) Limited - (Abo)	OPL 316 (OML125)	2003	2023
3	Addax Petroleum Exploration (Nigeria) Limited – (Okwori)	OPLs 90/225 (OMLs 126/137)	2005	2028
4	Shell Nigeria Exploration and Production Company – (Bonga)	OPL 212 (OML 118)	2005	2023
5	Esso Exploration and Production Nigeria Limited (Erha)	OPL 209 (OML 133)	2006	2023
6	Star Deep Water Petroleum Limited – (Agbami Unit)	OPLs 216/217 (OMLs 127/128)	2008	2038
7	Total Upstream Nigeria Limited (Akpo)	OPL 246(OML 130)	2009	2025
8	Sterling Global Oil Resources Limited – (Okwuibome)	OPL 280 (143)	2012	2032
9	Esso Exploration and Production Nigeria Limted (Usan)	OPL 222 (OML 138)	2012	2036
10	Enageed Resources Limited	OPL 274 (Unit Area) (OML 148)	2017	2035
11	Sterling Global Oil Resources Limited – (Agu)	OPL 277 (OML 146)	2018	2031
12	Pan Ocean Oil Corporation – (Obi Anyima)	OPL 275 (OML 147)	2019	2033

Source: NAPIMS 2021 Audited Financial Statement

Table 15 - Non-Producing PSC Blocks

S/N	CONTRACTOR	OPL/(OML)	Date of First Oil	Expiry Date
1	Esso E & P (Deep Water West) Limited	OPL 221 (OML 139)	2003	2033
2	Esso E & P (Deep Water West) Limited	OPL 223 (OML 154)	2004	2034
3	Nigerian Agip Exploration (NAE)	OML 134 (OPL 211)	1993	2023
4	Shell Nigeria Exploration and Production Company (SNEPCO)	OML 135 (OPL 219)	1993	2023
5	Texaco Nigeria Outer Shelf Limited (TNOS)	OML 132 (OPL 213)	1993	2023
6	Star Deep Water Petroleum Limited	OML 140	2004	2034
7	Esso E & P (Deep Water West) Limited	OML 145 (OPL 214)	2002	2032
8	Statoil Nigeria Limited	OML 129 (OPL 218)	1993	2023
9	NewCross Petroleum Limited	OPL 283	2010	2035
10	Sahara Energy Exploration and Production Limieted (SEEPL)	OPL 284	2007	2033
11	Conoil Producing Limited	OML 153 (OPL 290)	2008	2033
12	Continental Oil and Gas Limited	OML 1so (OPL 2007)	2008	2033
13	Enageed Resources Limited	OPL 274	2008	2035
14	Nig-Del United Oil company Limited	OPL 223	2007	2020
15	Sterling Oil Exploration & Energy Production Co. Limited	OPL 2004	2016	2041
16	Sterling Oil Exploration & Energy Production Co. Limited	OPL 2005	2016	2041
17	Sterling Oil Exploration & Energy Production Co. Limited	OPL 2006	2016	2041

Source: NAPIMS 2021 Audited Financial Statement

Table 16 - Inactive Producing PSC Blocks

S/N	CONTRACTOR	OPL/(OML)	Contract Year
1	GEC Petroleum Development Company Limited (GPDC)	OPL 2009	2008
2	GEC Petroleum Development Company Limited (GPDC)	OPL 2010	2008
3	Nigerian Agip Oil Company (NAOC)	OPL 135	2006
4	Nigerian Agip Oil Company (NAOC)	OPL 282	2006
5	Monipulo Limited	OPL 231	2011
6	Esso Exploration and Production Limited	OPL 226	2006

Source: NAPIMS 2021 Audited Financial Statement

Other Commercial Arrangements

- **Service Contracts**

NNPC had a service contract for petroleum operations with Agip Energy and Natural Resources (Nigeria) Limited (AENR) on OML 116. Under the contract, AENR was a purely technical contractor with no equity interest in the assets and outputs of operation. However, the service contract was terminated in 2019 and the operatorship of OML 116 was subsequently transferred to NPDC on purely technical basis to operate on behalf of the Federation.

- **Carry Agreements or Alternative Funding Agreements**

The government of Nigeria introduced the carry funding agreements in 2008 where the operators finance the Federation's participating interest shares of agreed development costs of certain projects under certain terms and conditions. The carried party reimburses the operator in kind.

Table 17- Carry Agreements Between Federation (NAPIMS) and Some of its Partners in The JOAs

S/N	Carry Party	Federation Interests	Projects
1	Total E&P Nigeria Limited (TEPNG)	60%	Development of Amenam/kpono
2	Chevron Nigeria Limited	60%	North Swamp
3	Chevron Nigeria Limited	60%	South Offshore Water Injection Project (SOWIP)

Source: NAPIMS 2021 Audited Financial Statement

Modified Carry Agreement (MCA)

Under the agreements, the carried party is NNPC. NNPC's share of project development expenditures based on its participating interest are reimbursed to the carrying parties, by means of Carry Tax Relief (CTR) and Carry Oil, amongst other terms. The existing MCA projects are as follows:

- Gbaran- Ubie Phase 2A
- Ofon 2
- OML 58
- Oso Condensate
- Gbaran-Ubie Phase 1
- 2007-2009 Drilling Bundle
- 2010 Drilling Bundle

Outlook of Other Key Projects by NNPC and Partners

A summary of key projects NNPC is currently implementing with its partners is presented below. Details including a description of each project, the scope of implementation and the time frame can be found here.

Table 18 - Outlook of Other Key Projects by NNPC and Partners

S/N	Project Name	Contract Type	Lease/OML	Partner/Operator
1	Bonga North	PSC	118	SNEPCO
2	Bonga SouthWest-Aparo (BSWAP)	PSC	118	SNEPCO
3	Bonga New Oil Campaign	PSC	118	SNEPCo
4	Bolia-Chota, Nnwa-Doro & Ngolo	PSC	131/135	
5	Owowo Development	PSC	154	ESSO
6	Bosi Development	PSC	133	ESSO
7	Agbami Gas Monetization	PSC	127/128	Stardeep
8	Preowei Development	PSC	130	TUPNI
9	ANOH Gas Development	JV	21/53	SPDC
10	Ubeta Gas Development	JV	58	TEPNG
11	Project Panther	JV	OMLs 49, 90, 91 & 95	CNL
12	Agbami Rev 5 FDP Infill Drilling	PSC	127/128	STARDEEP
13	Madu Development	JV	85	First E&P

2.7. Observations, Findings and Recommendations
Observations and Findings

The following were the observations on Production from PSC Blocks In 2021:

1. Only 12 (34%) of the PSC blocks recorded production, while 23 other blocks, representing 66% of total numbers of PSC blocks did not produce.
2. Total production from the PSCs, which was 242.96 million barrels represents 42.92% of total production of the 566.13 million barrels.
3. According to the Commission's regulation, all successful applicants whose names are in the Notice of Preferred Bidder Status ought to have made payment of signature bonus, prior to award, however, the list of awardees contained names of companies that had not made payment of signature bonus. Four companies whose names were not on the list of awardees also made payment of signature bonus for 2020/2021 marginal fields award.
4. Section 64C and 9 (4) of the PIA provides for 30% deduction from profit oil and profit gas by NNPCL for frontier exploration fund and NNPCL management fee, but does not provide clarification as to what percentage goes for frontier exploration fund and NNPCL management fee.
5. Section 54(1) of the PIA, 2021 provides that the Minister of Petroleum and the Minister of Finance shall within 18 months of the effective date of the PIA identify and transfer assets, interests and liabilities of NNPC to NNPCL. However, this provision of the PIA has not been effected, but NNPCL has taken over all the Federation assets in the JVs and operate as a business entity.

Implication:

1. The PSC arrangements, which contributed highest to the total production volumes operated only 34% of the total allocated blocks.
2. Award of marginal fields prior to payment of signature bonus as well as payment of signature bonus by companies that did not participate in the process by NUPRC indicates that the Commission did not adhere to it own regulations.
3. The amount due to the frontier exploration fund from PSC operations is not clear .
4. The equity crude proceeds, which constitute major source of revenue to the

Federation prior to PIA, will no longer flow to the Federation.

Recommendations

1. There is the need for NUPRC, and NNPC Ltd. speedily review the technical, operational and other constraints limiting production from the idle PSC blocks with the view of optimising production from the PSC arrangements. Where these issues cannot be resolved, consider revocation of licenses and subsequent allocation to other interested parties.
2. The NUPRC should adhere strictly to all its regulations.
3. There is the need to review PIA to:
    - Clarify Terminology and Deductions: To address the ambiguity surrounding the allocation of 30% for both the management fee and the FEF, the PIA should provide clear and precise definitions of terms like "profit oil" and the "management fee." This will eliminate confusion and ensure consistent application across relevant Sections of the law.
    - Review and Streamline Deductions: The federal government should consider reviewing the deductions from profit oil to ensure they are clearly delineated. If the intention is to have one 30% retention that covers both the management fee and the FEF, the wording should be rephrased to reflect this clearly. Alternatively, if separate 30% retentions are required, the language should be revised accordingly.

4. The Minister of Petroleum and Minister of Finance should determine the assets, interests and liabilities to be transferred to NNPCL and and what remains with NNPC in accordance with Section 54 (1) of the PIA.

NNPC response:
PSC blocks transit from exploration/appraisal phase to production overtime. Also note that some of the blocks are still at award status as some contractors may not have come forward for budget/work program due to various reasons from regulatory to business operations' considerations. We are hopeful that about 2-3 blocks will soon attain production status.

CHAPTER **THREE**

EXPLORATION, PRODUCTION AND EXPORT

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EXPLORATION, PRODUCTION AND EXPORT

Oil exploration and field development in Nigeria commenced in 1937 and has made continuous progress over the years. The oil and gas value chain encompasses Exploration and Production (E&P) of oil and gas, transportation, and storage, refining and marketing of oil, processing, and marketing of gas, as well as related activities such as oilfield services and petrochemicals.

3.1. Exploration

Exploration involves the process of searching for hydrocarbon resources beneath the earth's surface using technological processes such as acquiring seismic data and drilling of exploration wells. The details of NNPC frontier exploration services activities between 2020 and 2022 can be found here.

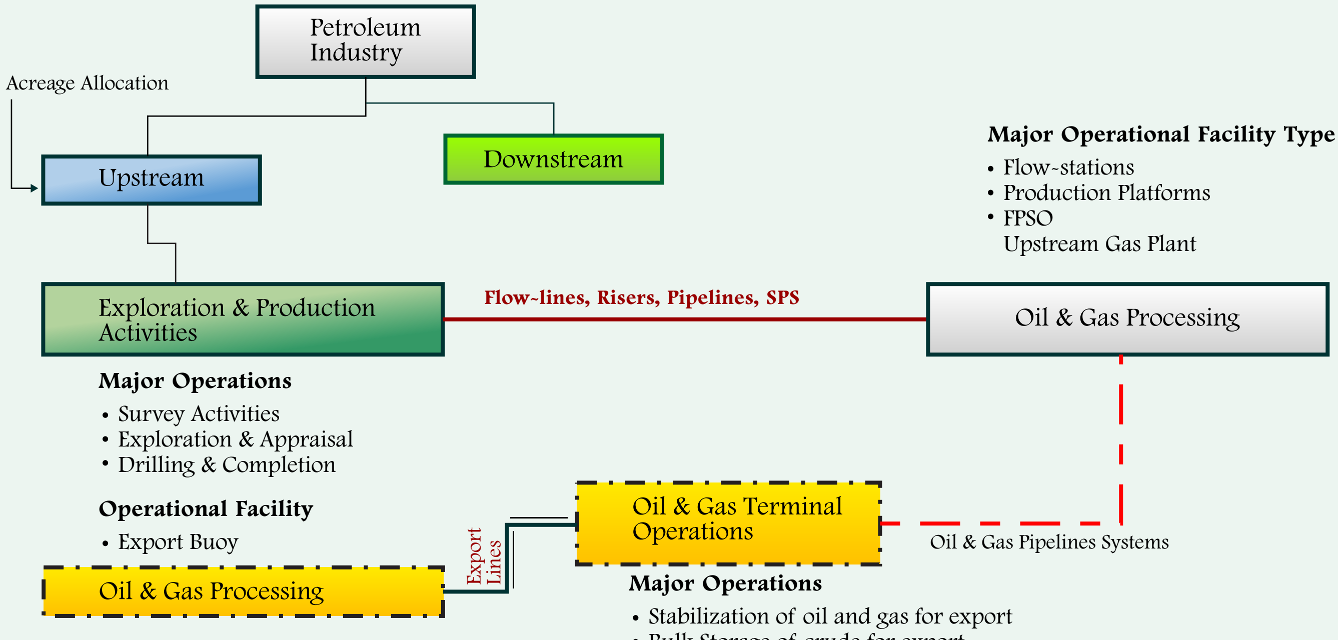
According to OPEC 2021 data published in OPEC Annual Statistical Bulletin 2022, Nigeria proven crude oil reserves in 2021 was 37.05 (Billion Barrels), maintaining second largest (behind Libya) oil reserves in the African region. This is an increase of about 4% of 2020 data (36.91 billion barrels). Nigeria maintains the largest gas reserves of about 5.85 billion cubic meters of gas in the African region, a marginal increase of about 2% of 2020 data (5.75 billion cubic meters.). Some of the major players in exploration and production activities in Nigeria include the NNPC, Royal Dutch Shell Plc, Total Energies Nigeria, Chevron Corporation and Exxon Mobil Corporation.

3.2. Production and Exports

Production as defined by NUPRC and in accordance with the law is "the safe withdrawal of hydrocarbon from the subsurface in accordance with technical and conservation considerations so as to minimize waste and ensure optimum recovery". The nation's production is typically measured in barrels (volume) and barrels of oil per day (rate) in the case of oil and million standard cubic feet per day (rate) or million standard cubic feet (volume) in the case of gas.

NUPRC is responsible for the regulation and monitoring of oil and gas activities from exploration, through production and exports from the terminals. The Figure below shows the major field operation activities between exploration, production and export.

Figure 7 - Flow of Production to Exports



Source: NUPRC

Production Arrangements

Production in the year was carried out under the Joint Venture (JV) arrangement, Production Sharing Contract (PSC), Sole Risk (SR), Service Contract (SC), and the Marginal Fields (MF). Production was also recorded through the Modified Carried Agreement (MCA) and Repayment Agreements which was structured for offsetting Cash-Call legacy liabilities. See figure 3 for a full description of all the arrangements.

Joint Development Zone (JDZ)

In addition to the national production arrangements mentioned above, Nigeria also operates a unitized zone with Sao Tome and Principe referred to as the JDZ. The zone lies approximately 200km offshore Nigeria, where large petroleum discoveries have been made. There has been a bilateral treaty between the two countries since 2001 to administer production from the zone, through the institution of the Joint Development Authority (JDA). There were no exploration or production activities in 2021. However, there were three revenues recorded by the Authority in the year 2021. These were License Fee & Acreage Rental, Value Added Tax and Withholding Tax. See Appendix 7 for more details.

3.2.1.Crude Oil Production and Exports

The total volumes of oil and gas production for 2021 were extracted from the NMDPRA Sign-off documents. This document is signed by the production company, NMDPRA and NNPC following the yearly reconciliation of production figures. The figures were also reconciled with the companies during the course of the audit. For year 2021, 54 companies produced crude oil resulting in a total metered production of 634.60million barrels, however, 68.47million barrels was lost to production adjustment, measurement error and theft/sabotage, leaving a balance of 566.13 million barrels as fiscalised production for 2021. The fiscalised production includes both crude oil and condensates. The reconciled production data is however at variance with publicly disclosed data on NUPRC website. The Table below shows the reconciled crude oil production analysis by companies.

Table 19 – 2021 Crude Oil Production by Companies

Company	Metered Production at Flow Station	Losses			Fiscalized production
		Production adjustment	Measurement error	Theft/ sabotage	
NAE	6,006,933	(528)	-	-	6,006,405
SPDC	74,217,878	-	(14,025,443)	(10,423,979)	49,768,456
EXCEL E&P	337,084	-	(2,143)	(26,607)	308,334
NPDC/SEPLAT JV	15,438,174	-	-	(1,631,740)	13,806,434
PANOCEAN	888,816	-	-	(94,797)	794,019
NPDC/NECONDE JV	8,839,478	-	(11,214)	(66,685)	8,761,579
NPDC/FHN JV (OML 26)	3,198,427	-	(5,227)	(353,334)	2,839,866
NPDC (OML 98)	610,787	-	-	(65,642)	545,145
NPDC (OML 111)	3,700,924	-	-	(387,877)	3,313,047
NPDC (OML65-ABURA)	2,248,707	-	(22,219)	(237,098)	1,989,390
NPDC/ND WESTERN JV (OML 34)	6,010,865	-	(57,600)	(655,454)	5,297,811
NPDC/SHORELINE JV (OML 30)	8,736,682	-	(56,234)	(852,540)	7,827,908
NPDC/ELCREST JV (OML 40)	4,788,213	-	(240,217)	(383,798)	4,164,198
MIDWESTERN	2,866,413	-	(451)	(272,753)	2,593,209
ENERGIA	1,256,801	-	(210)	(120,168)	1,136,423
PILLAR OIL	875,584	-	(8,070)	(75,520)	791,994
CHORUS	189,194	-	(12)	(18,617)	170,565
PLATFORM	828,533	-	(212)	(73,526)	754,795
CHEVRON	60,668,290	(361)	-	-	60,667,929
STARDEEP	44,591,730	-	-	-	44,591,730
TUPNI	89,192,403	-	-	-	89,192,403
APDNL	6,393,025	-	(2,191)	(124,594)	6,266,240
APENL	1,282,171	-	-	-	1,282,171
MONI PULO	644,957	-	-	-	644,957
FIRST E&P	10,785,471	-	-	-	10,785,471
SNEPCO	38,348,722	-	-	-	38,348,722
NAOC	15,245,414	-	(31,887)	(1,235,009)	13,978,518
NPDC	5,171,168	62,330	(1,608)	(92,669)	5,139,221
SEPLAT	2,874,964	-	(64,002)	(1,069,914)	1,741,048
ESSO E&P	21,597,725	-	-	-	21,597,725
CONOIL	243,630	-	-	-	243,630
CONTINENTAL OIL	5,117,972	(1,219)			5,116,753
DUBRI	22,901	-	-	-	22,901
TEPNG	31,977,465	-	(74,546)	(3,398,270)	28,504,649
AMNI	3,940,642	923	-	-	3,941,565
GREEN ENERGY	1,589,941	(4,923)	-	-	1,585,018
MOBIL	64,602,388	186,639	-	-	64,789,027
FRONTIER	420,354	(13,083)	-	-	407,272
UNIVERSAL	919,234	(60,495)	-	-	858,739
NETWORK E&P	578,603	(45,802)	-	-	532,801
ALL GRACE	318,924	-	-	-	318,924
ESSO E&P (OE)	15,644,271	-	-	-	15,644,271
BELEMA	2,328,417	-	(75,515)	(1,337,173)	915,728
NDPR	2,962,195	-	(2,395)	(1,462,845)	1,496,955
EROTON	7,039,369	-	(3,750,120)	(1,732,602)	1,556,647
AITEO	13,941,368	-	(8,370,373)	(2,760,907)	2,810,088

Company	Metered Production at Flow Station	Losses			Fiscalized production
		Production adjustment	Measurement error	Theft/ sabotage	
NEWCROSS E&P	8,640,346	-	(235,199)	(5,173,679)	3,231,468
HEIRS HOLDINGS	10,893,862	-	(3,997,838)	(3,205,072)	3,690,953
WALTERSMITH	1,320,447	-	(9,078)	(234,047)	1,077,322
STERLING GLOBAL	3,370,526	-	-	-	3,370,526
STERLING EXPLORATION	15,862,333	-	-	-	15,862,333
YINKA FOLAWIYO	394,361	14,037	-	-	408,398
BRITTANIA-U	450,830	-	-	-	450,830
ORIENTAL	4,187,425		-	-	4,187,425
Total	634,603,337	137,518	(31,044,004)	(37,566,916)	566,129,936

Source: NEITI 2021 Audit Template, 2021 NMDPRA Reconciliation Sign-off Report

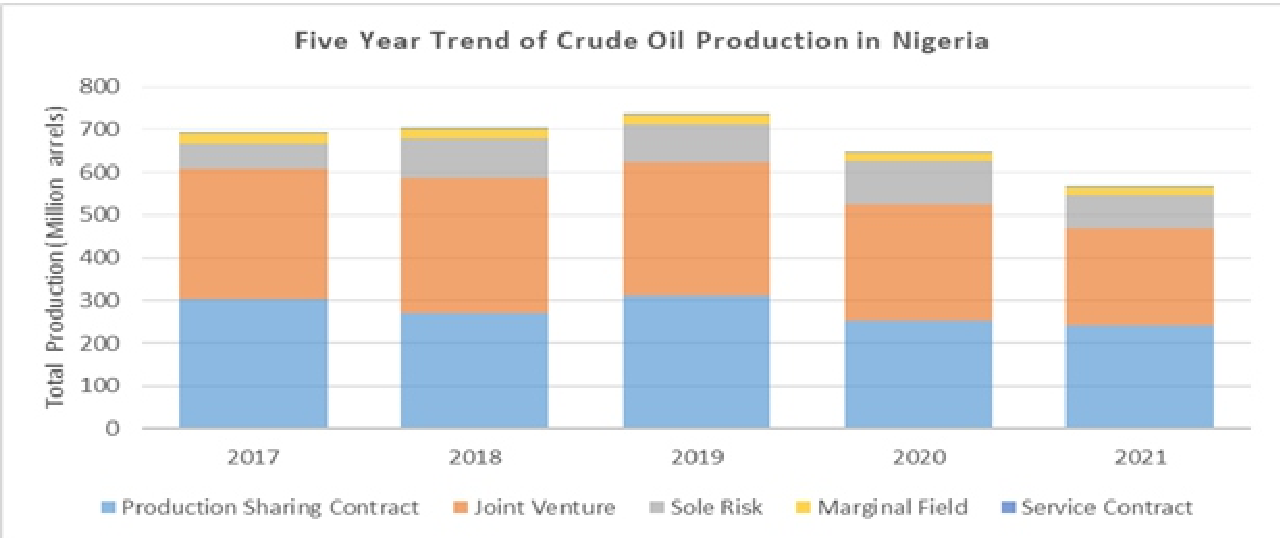
The total fiscalised crude oil production for 2021 was 566.13 million barrels. This is a 12% reduction from the volume produced in 2020, which was 646.79million barrels. The production disaggregation by project level can be found in Appendix 8. The Table below compares the fiscalised production volume by production arrangement for the years 2020 and 2021.

Table 20 – Comparism of 2021 and 2020 Fiscalised Crude Oil Production by Arrangements

Description	2021 mbbls	2020 mbbls	Change %
Joint Venture (JV) - Includes MCA and RA	225,230.00	271,418.16	-17%
Production Sharing Contract (PSC)	242,956.55	253,781.76	-4%
Service Contract (SC)	978.89	1,099.73	-11%
Sole Risk (SR)	80,293.90	99,839.56	-19%
Marginal Field (MF)	6,670.61	20,648.23	-19%
Total Production	566,129.94	646,787.44	-12%

Source: NEITI 2021 Audit Template, 2021 NMDPRA Reconciliation Sign-off Report & NEITI 2020 Audit Report

Figure 8: A Five-Year Trend of Crude Oil Production in Nigeria (2017 - 2021)



The production figure of 566.13million barrels in 2021 was the lowest when compared with the figures recorded in the previous four years. This is followed by the year 2020 with a production figure of 647million barrels, while 2019 had the highest production figure of 735.24million barrels.

Table 21 - 2021 Percentage Contribution to Crude Oil Production

Year	Total Production	Average Production Per day	JV	RA	MCA	PSC	SC	SR	MF
	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls
2021	566,129.94	1551.04	181,794.85	16,771.10	26,664.05	242,956.55	978.89	80,293.90	16,670.61
Percentage Contribution			32.11%	2.96%	4.71%	42.92%	0.17%	14.18%	2.94%

Source: NEITI 2021 Audit Template, 2021 NMDPRA Reconciliation signed-off Report

From Table 21 above, the PSC arrangement was the largest contributor to total crude production for the year 2021 (242.96million barrels), accounting for up to 42.92%. The JV arrangement contributed 32.11% (181.79million barrels) while sole risk contributed 14.18% (80.29million barrels). Additionally, MCA contributed 4.71% (26.67million barrels), RA was 2.96% (16.77million barrels) marginal field was 2.94% (16.67million barrels), and Service Contract was 0.17% (0.98 million barrels).

Table 22 - Fiscalised Crude Oil Production by Terminal, Stream and Percentage Contribution

2021 Ranking	Terminal	Terminal Operator	Streams (Crude Type)	2021		2020		Year-on -Year Change
				Annual Total	Contribution	Annual Total	Contribution	
				mbbls ('000)	%	mbbls ('000)	%	%
				a		b		c = (a-b)/b *100
1	Forcados	SPDC	Forcados Blend	71,083.79	12.56%	85,671.34	13.25%	-17.03%
2	Escravos	Chevron	Escravos Blend	59,045.51	10.43%	54,774.19	8.47%	7.80%
3	Egina	TUPNI	Egina	57,591.79	10.17%	56,374.02	8.72%	2.16%
4	QIT	Mobil	Qua Ibo Light	56,579.60	9.99%	68,592.99	10.61%	-17.51%
5	Agbami	Star Deep	Agbami	44,591.73	7.88%	52,450.33	8.11%	-14.98%
6	Bonga	SNEPCO	Bonga	38,348.72	6.77%	43,007.05	6.65%	-10.83%
7	Bonny	SPDC	Bonny Light	35,502.97	6.27%	73,423.94	11.35%	-51.65%
8	Akpo	TUPNI	Akpo	31,600.62	5.58%	35,603.96	5.50%	-11.24%
9	Odudu	TEPNG	Amenam Blend	25,013.43	4.42%	28,803.65	4.45%	-13.16%
10	Erha	Mobil	Erha	21,597.73	3.81%	23,602.85	3.65%	-8.50%
11	Brass	NAOC	Brass Blend	19,512.40	3.45%	32,231.85	4.98%	-39.46%
12	Tulja	SEEPCO / SGORL	Okwibome	19,232.86	3.40%	13,224.35	2.04%	45.44%
13	Usan	Mobil	Usan	15,644.27	2.76%	13,612.31	2.10%	14.93%
14	Anyala Madu	First E&P	CJ Blend	10,785.47	1.91%	722.05	0.11%	1393.73%
15	Yoho	Mobil	Yoho	10,008.24	1.77%	9,201.33	1.42%	8.77%
16	Ugo	Neconde	Ugo Ocha	8,160.10	1.44%	9,637.47	1.49%	-15.33%

2021 Ranking	Terminal	Terminal Operator	Streams (Crude Type)	2021		2020		Year-on -Year Change
				Annual Total	Contribution	Annual Total	Contribution	
				mbbls ('000)	%	mbbls ('000)	%	%
				a		b		c = (a-b)/b *100
17	Pennington	Chevron	Pennington Light	7,005.70	1.24%	4,290.22	0.66%	63.29%
18	EA (Sea Eagle)	SPDC	EA	6,906.46	1.22%	9,541.83	1.48%	-27.62%
19	Abo	NAE	Abo	6,006.41	1.06%	5,793.19	0.90%	3.68%
20	Antan	Addax	Antan Blend	5,577.49	0.99%	6,172.00	0.95%	-9.63%
21	Ebok	Oriental Energy	Ebok	4,187.43	0.74%	4,711.79	0.73%	-11.13%
22	Okono	NPDC	Okono	4,160.33	0.73%	4,987.62	0.77%	-16.59%
23	Okoro	Amni	Okoro	3,941.57	0.70%	5,433.23	0.84%	-27.45%
24	Otakikpo	Green Energy	Otakikpo	1,585.02	0.28%	1,834.49	0.28%	-13.60%
25	Okwori	Addax	Okwori Blend	1,282.17	0.23%	1,429.38	0.22%	-10.30%
26	Ajapa	Brittania- U	Ajapa	450.83	0.08%	596.35	0.09%	-24.40%
27	Aje	Yinka Folawiyo	Aje	408.40	0.07%	689.10	0.11%	-40.73%
28	Ubima	All Grace	Ubima Blend	318.92	0.06%	374.57	0.06%	-14.86%
	TOTAL			**566,129.94**	**100.00%**	**646,787.43**	**100.00%**	**-12.47%**

Source: NEITI 2020 Audit Report, NEITI 2021 Audit Template and 2021 NMDPRA Reconciliation signed-off Report

Forcados terminal operated by SPDC had the highest percentage of contribution to total crude production in 2021 with production figures of 71,083.79mbbls amounting to 12.56%. This is followed by Escravos terminal with production volume of 59,045.51mbbls amounting to 10.43% of total crude production for the year. Egina Terminal operated by Tupni contributed 10.17% (57,591.79mbbls). The remaining terminals each contributed less than 10% of the total production with Atan, Ebok, Okoro, Okono, Otakikpo, Okwori, Aje, Ajapa and Ubima producing less than 1% each.

3.2.1.1. Federation Entitlement to Crude Production from JV Arrangement

The Federation, through the NNPC, is entitled to share of crude in the JV production arrangements. This share is based on equity participation and the contract entered into by the NNPC with the producing companies. The total crude entitlement to the Federation from JV productions was 132.25 million barrels in 2021. Of this amount, Mobil JV was the largest contributor with 38.87 million barrels, while Belema Oil JV contributed the least with 0.55 million barrels. The Table below shows Federation entitlement from JV production arrangement including companies shares.

Table 23 - Federation Entitlement from JV Production Arrangement

	TOTAL PRODUCTION		NNPC EQUITY	NNPC SHARE		COMPANY EQUITY	COMPANY SHARE	
	mbbls	mbbls	%	mbbls		%	mbbls	mbbls
	2021	2020		2021	2020		2021	2020
AITEO	2,810.09	9,637.53	55%	1,545.55	5,300.64	45%	1,264.54	4,336.89
BELEMA	915.73	1,913.29	60%	549.44	1,147.97	40%	366.29	765.32
CHEVRON	60,667.93	55,816.14	60%	36,400.76	33,489.68	40%	24,267.17	22,326.46
EROTON	1,556.65	7,624.21	55%	856.16	4,193.32	45%	700.49	3,430.89
FIRST E&P	10,785.47	722.05	60%	6,471.28	433.23	40%	4,314.19	288.82
HEIRS HOLDING	3,690.95	-	55%	2,030.02	-	45%	1,660.93	-
MOBIL	64,789.03	76,119.30	60%	38,873.42	45,671.58	40%	25,915.61	30,447.72
NAOC	-	5,328.85	60%	-	3,197.31	40%	-	2,131.54
SEPLAT	1,741.05	2,066.59	60%	1,044.63	1,239.96	40%	696.42	826.64
SPDC	49,768.46	77,321.30	55%	27,372.65	42,526.72	45%	22,395.81	34,794.59
TEPNG	28,504.65	34,868.88	60%	17,102.79	20,921.33	40%	11,401.86	13,947.55
GRAND TOTAL	**225,230.00**	**271,418.14**		**132,246.69**	**158,121.73**		**92,983.31**	**113,296.41**

Source: NEITI 2020 Audit Report, NEITI 2021 Audit Template and 2021 NMDPRA Reconciliation signed-off Report

3.2.1.2. Crude Oil Losses and Deferment

Crude oil losses occur as a result of theft, sabotage and/or metering error, which lead to a reduction in the volume of fiscalised crude production for a period of time. Deferment on the other hand, is the stoppage in production as a result of scheduled and unscheduled repairs and maintenances or pipeline breaks/leaks, poor equipment performance etc. The Table below compares fiscalised production as well as the unilaterally disclosed crude oil losses suffered by some companies in 2021. A total 29 companies suffered crude losses from theft and sabotage amounting to 37.57 million barrels.

Table 24- Crude Oil Losses

S/N	COMPANY	Metering Production at Flow Station	Metering Error	% of Metering Error To Metered Production	Theft/ Shortage	% of Theft/ Shortage to Metered Production	Fiscalization Production	% of Fiscalized Production to Metered Production
		bbls	bbls	%	bbls	%	bbls	%
1	SPDC	74,217,878	14,025,443	19%	10,423,979	14%	49,768,456	67%
2	EXCEL	337,084	2,143	1%	26,607	8%	308,334	91%
3	NPDC/SEPLAT JV	15,438,174	-	0%	1,631,740	11%	13,806,434	89%
4	PANOCEAN	888,816	-	0%	94,797	11%	794,019	89%
5	NPDC/NECONDE JV	8,839,478	11,214	0%	66,685	1%	8,761,579	99%
6	NPDC/FHN JV (OML 26)	3,198,427	5,227	0%	353,334	11%	2,839,866	89%
7	NPDC (OML 98)	610,787	-	0%	65,642	11%	545,145	89%
8	NPDC (OML 111)	3,700,924	-	0%	387,877	10%	3,313,047	90%
9	NPDC(OML 65-ABURA)	2,248,707	22,219	1%	237,098	11%	1,989,390	88%
10	NPDC/ND WESTERN JV (OML 34)	6,010,865	57,600	1%	655,454	11%	5,297,811	88%
11	NPDC/SHORELINE JV (OML 30)	8,736,682	56,234	1%	852,540	10%	7,827,908	90%

S/N	COMPANY	Metering Production at Flow Station	Metering Error	% of Metering Error To Metered Production	Theft/ Shortage	% of Theft/ Shortage to Metered Production	Fiscalization Production	% of Fiscalized Production to Metered Production
		bbls	bbls	%	bbls	%	bbls	%
12	NPDC/ELCREST JV(OML 40)	4,788,213	240,217	5%	383,798	8%	4,164,198	87%
13	MIDWESTERN	2,866,413	451	0%	272,753	10%	2,593,209	90%
14	ENERGIA	1,256,801	210	0%	120,168	10%	1,136,423	90%
15	PILLAR OIL	875,584	8,070	1%	75,520	9%	791,994	90%
16	CHORUS	189,194	12	0%	18,617	10%	170,565	90%
17	PLATFORM	828,533	212	0%	73,526	9%	754,795	91%
18	APDNL	6,393,025	2,191	0%	124,594	2%	6,266,240	98%
19	NAOC	15,245,414	31,887	0%	1,235,009	8%	13,978,518	92%
20	NPDC	5,171,168	1,608	0%	92,669	2%	5,076,891	98%
21	SEPLAT	2,874,964	64,002	2%	1,069,914	37%	1,741,048	61%
22	TEPNG	31,977,465	74,546	0%	3,398,270	11%	28,504,649	89%
23	BELEMA	2,328,417	75,515	3%	1,337,173	57%	915,729	39%
24	NDPR	2,962,195	2,395	0%	1,462,845	49%	1,496,955	51%
25	EROTON	7,039,369	3,750,120	53%	1,732,602	25%	1,556,647	22%
26	AITEO	13,941,368	8,370,373	60%	2,760,907	20%	2,810,088	20%
27	NEWCROSS	8,640,346	235,199	3%	5,173,679	60%	3,231,468	37%
28	HEIRS HOLDING	10,893,862	3,997,838	37%	3,205,072	29%	3,690,952	34%
29	WALTERSMITH	1,320,447	9,078	1%	234,047	18%	1,077,322	82%
	TOTAL	243,820,600	31,044,004	13%	37,566,916	15%	175,209,680	72%

Source: NEITI 2021 Audit Template and 2021 NMDPRA Reconciliation signed-off Report

The Table above reflects that total production in 2021 as per Table 19 could have been higher by 37.57million barrels without the theft and sabotage. Usually, crude losses are suffered by companies that transport their products through pipelines where it is susceptible to sabotage. The metering error of over 13% of actual metered production calls for concern.

Table 25 - Crude Theft by Terminal

Terminal	Metered production at flow station	Theft/sabotage	Percentage
FORCADOS	80,990,093	7,118,427	9%
BRASS	21,260,081	1,539,204	7%
BONNY	92,459,908	28,909,285	31%
TOTAL	194,710,082	37,566,916	19%

Source: NEITI 2021 Audit Template and 2021 NMDPRA Reconciliation signed-off Report

From the Table above, theft and sabotage occurred in three terminals, namely Forcados, Brass and Bonny with Bonny having the highest volume of theft (28.91 million barrels) accounting for 31% of metered production into the terminal. This is followed by Forcados which experienced theft in the volume of 7.12 million barrels amounting to 9% of metered production into Forcados. Brass Terminal had the least volume of theft with 1.54 million barrels amounting to 7% of metered production, although production stopped in some fields in May. Cumulatively, a total of 37.57 million barrels of crude oil was lost to theft and sabotage in 2021, making 19% of production delivered into Bonny, Brass and Forcados Terminals.

Figure 9 - A five-year trend of crude oil Losses in Nigeria (2017 - 2021)

Figure 10 above shows a five year trend of crude losses. The drop in crude oil losses due to theft and sabotage between 2020 and 2021 is generally due to the decline in crude oil production during this period.

Total Deferred crude production for 2021 unilaterally disclosed by companies was 70.09 million barrels. This is 3.5% higher than the previous years' deferred crude production of 72.70 million barrels. A total of 28 companies populated the deferred production template with Shell Petroleum Development Company having the highest contribution (23.16%) and Conoil having the least contribution (0.06%). The major reason stated as the cause of deferred production was repairs and maintenance.

Table 26 - 2021 Crude Oil Production Deferments

RANKING	COMPANY	DEFERRED PRODUCTION BBLS	CONTRIBUTION %
	SPDC	16,233,915	23.16%
2	NAOC	6,954,155	9.92%
3	SEPLAT	6,339,085	9.04%
4	AITEO	6,293,742	8.98%
5	CHEVERON	6,047,755	8.63%
6	NPDC/ND WESTERN JV	5,201,150	7.42%
7	TEPNG	3,050,877	4.35%
8	NPDC ABURA	2,971,222	4.24%
9	NPDC-FHN	2,831,046	4.04%
10	CONTINENTAL OIL	2,167,301	3.09%
11	NPDC (OML 111)	1,980,291	2.83%
12	APENL	1,636,699	2.34%
13	NPDC	1,376,090	1.96%
14	APDNL	1,129,909	1.61%
15	SNEPCO	1,078,504	1.54%
16	ENERGIA	741,364	1.06%
17	ENAGEED	727,506	1.04%
18	PILLAR OIL	579,098	0.83%
19	HEIRS HOLDINGS	559,988	0.80%
20	PLATFORM	434,527	0.62%
21	ORIENTAL	320,277	0.46%
22	NPDC (OML 40)	311,486	0.44%
23	NPDC (OML 119)	310,000	0.44%
24	GREEN ENERGY	265,486	0.38%
25	BELEMA	237,189	0.34%
26	ALL GRACE ENERGY	215,572	0.31%
27	CHORUS	49,280	0.07%
28	CONOIL	45,260	0.06%
	TOTAL	70,088,774	100.00%

3.2.1.3. Crude Oil Lifting

Lifting is the process of taking crude oil out of quantities produced for the purpose of export or domestic utilisation. Lifting occurs at the various crude oil terminals by companies and by the NNPC, on behalf of the Federation. Lifting by the NNPC is categorised into federation volumes for export, federation volumes for domestic utilisation and NPDC volumes.

Total crude lifting for the year was 551.01 million barrels. This was 15% lower than the volume lifted in 2020.

Table 27 -Total Crude Oil Lifting

Description	2021	2020	Change
	mbbls	mbbls	%
Opening stock	12,588.34	16,709.42	-24.66%
Total production for the year	566,129.94	644,362.56	-12.14%
Total stock available for lifting (A)	578,718.28	661,071.98	-12.46%
NNPC Lifting			
Export Lifting:			
* Joint Venture operator	30,112.85	56,719.76	-46.91%
Production Sharing Contract	51,278.18	60,539.69	-15.22%
Marginal Field Operators	160.00	230.00	-30.43%
Service Contract	1,547.54	100.00	1447.54%
Subtotal - Export - (B)	83,145.57	117,589.45	-29.29%
Domestic Lifting (Refinery & DSDP)			
*Joint Venture	98,768.23	103,941.87	-4.98%
Production Sharing Contract	-	3,744.45	-100.00%
Marginal Field	180.00	60.00	166.67%
Subtotal -Refinery & DSDP - (C)	98,948.23	107,746.33	-8.18%
Total - NNPC Lifting - (D= B + C)	182,093.80	225,335.78	-19.20%
Company Lifting			
Joint Venture	88,240.24	117,793.03	-25.09%
Production Sharing Contract	191,592.98	191,892.21	-0.16%
Sole Risk	71,427.33	94,801.40	-24.66%
Marginal Field	17,651.83	18,661.22	-5.30%
Total- Company Lifting- (E)	368,912.38	423,147.86	-12.81%
Total Crude Oil lifting - (F= D + E)	551,006.18	648,483.64	-15.03%
Closing stock - (G = A - F)	27,712.10	12,588.34	120.14%

Source: NEITI 2021 Templates and NNPC-COMD Annual Production Report

*Included in the lifting by NNPC from JV is 21,090 million barrels lifted for alternative funding arrangement (AF).

As Shown on the Table above, the Federation through the NNPC lifted a total of 182.09 million barrels while companies lifted 368.91 million barrels.

Figure 10 - Five Year Trend of Crude Oil Lifting

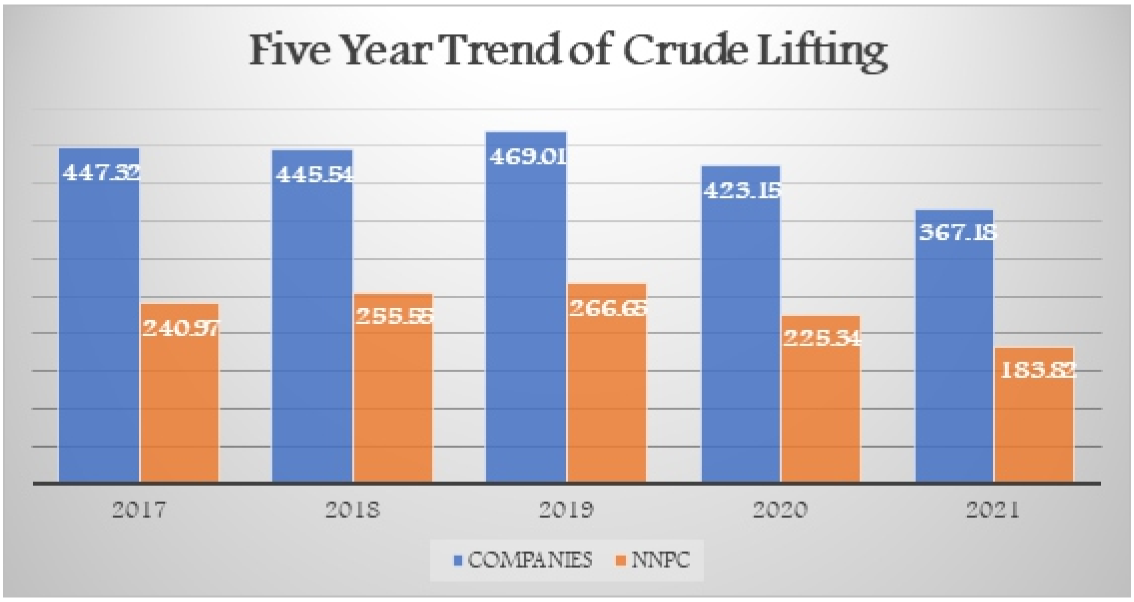


Table - Total Crude Oil Lifting by Arrangements

Production Arrangements	Parties	BBLS
Joint Venture	NNPC	107,790,536
	Companies	88,240,244
AF (carry/MCA/TPF)	NNPC	21,090,550
	Companies	-
PSC	NNPC	51,325,177
	Companies	191,592,975
Independent	NNPC	-
	Companies	71,427,329
Marginal Field	NNPC	340,000
	Companies	17,651,832
SC	NNPC	1,547,543
	Companies	-
Total		551,006,186

Source: NEITI 2021 Templates and 2021 NMDPRA Reconciliation signed-off Report

Out of the 551.01million barrels of crude oil lifted in 2021, PSC arrangement had the highest share of lifting with 242.92million barrels followed by the JV arrangement with 196.03million barrels. Service contract had the lowest share of 1.55million barrels. See Appendix 9 for crude lifting by companies.

Crude Oil Lifting and Sales by NNPC

The NNPC manages the sales of Federation share of crude oil production. Federation crude oil and gas are broadly classified into export and domestic, which are lifted and marketed by the NNPC at international market prices. The buyers are selected through a competitive bidding process. Also, the NNPC manages the lifting and sales of crude oil on behalf of NUPRC and FIRS in settlement of Royalty and Taxes respectively for NNPC's Production Sharing Contractors, Service Contractors and JV Alternative Funding (AF) arrangements. These liftings are regarded as in-kind payments under the Production Sharing Contracts (PSCs) Service Contract (SC) and JV Alternative Funding (AF) arrangements.

Productions Volumes are allocated between the Companies and NNPC.

a. Companies' Entitlement: - Crude oil production volumes are allocated to the Producing Company/other Companies within a peculiar arrangement. Hence, Crude Oil Production and Lifting by the Company.
b. Federation Entitlement: - Crude oil production volumes are allocated to the NNPC (Federation) and Related Government Agencies/Alternative Funding Partners. Hence, Crude Oil Production and Lifting by NNPC.

Upon Sales of Crude Oil, NNPC advises the customers/off-takers to remit directly into the Related Party's Accounts.

a. For Lifting and Sales of Crude Oil due to the Federation from JV Equity, profit oil and overriding royalty from Marginal field, Customers remit to the respective JV proceeds accounts and NNPC-CBN JP Morgan Chase Crude Oil & Gas Revenue Account respectively.
b. For Lifting and Sales of Crude Oil due to the Federal Inland Revenue Service (FIRS) and Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Customers remit directly to Related Agencies' Designated Bank Accounts.
c. For Lifting and Sales of Crude Oil pledged to Entities for third Party Financing, proceeds were accounted for through Escrow Accounts opened for that purpose and funds are disbursed from the account for payment of the third-Party loan principal, together with the related Interest and administrative expenses. Balance in the Escrow Account (if any) is shared among the JV partners, in accordance with their respective JV equity holding. In the case of MCAs, the Customers are advised to remit the sales proceeds of the carry Oil and the partners' share of profit to the related Entities Designated Bank Account. Royalty and Taxes arising from MCAs operations are remitted to the respective NUPRC and FIRS accounts, while NNPC share of profit (Federation Equity share) is remitted to NNPC/CBN JP Morgan account.

Tendering Process for Crude Oil Sales

NNPC manages the tendering process for sales of the Federation equity share of crude oil under the export category and the Direct Sales Direct Purchases (DSDP) under the domestic crude category. The buyers of crude in the export category in 2021 were among the international and indigenous companies selected in 2021 tendering process under a three-year sales contract running from 2021 through 2023. Buyers under the DSDP arrangement were selected in the 2021 tendering process for a three-year DSDP contract covering the period between 2021 and 2023. See Appendix 10 for a list of 2021/2023 crude oil term contract holders, DSDP contract holders and countries with bi-lateral agreement. See Section 3.2.1.3 of Appendix 24 for the description of the NNPC tendering process.

Pricing of Federation Crude Oil

The pricing and valuation was carried-out by the Crude Oil Marketing Division (COMD) using the Official Selling Price (OSP) and average dated Brent depending on the pricing options selected by the customers. The pricing options was either Prompt, Deferred or Advanced. Each of these pricing options was based on average of five days Dated Brent Quotation from the Bill of lading (B/L) date. Buyers get granted the right to choose one of the three pricing options to determine the value of crude oil purchase from Nigeria irrespective of the destination of the cargo around the world. However, where a buyer declined to choose any of the pricing options, NNPC reserved the right to apply the Prompt Option price automatically (by default) in determining the value of the crude oil cargo. See Appendix 11

for details.
The derived annual average selling price of Federation equity crude oil in 2021 was US$66.97/barrel. This is 61% higher than the average selling price in 2020 (US$41.65).

3.2.1.4. Sales Revenue Flows from NNPC Lifting

Revenue Flows from NNPC Crude Oil lifting are for the Account of various Parties such as the NNPC-NAPIMS (Federation), Federal Inland Revenue Service (FIRS), Nigerian Upstream Petroleum Regulatory Commission (NUPRC), JV Partners.

Summary of Export Crude Oil Sales and Receipts on behalf of the Federation
From the review of NNPC-COMD Populated Template and validation/reconciliation carried out, find below the summary of Crude Oil export sales and receipts by NNPC-COMD on behalf of the Federation.

Table 29 – Summary of crude oil Export Sales and Receipts on behalf of the Federation

Crude oil export on behalf of Federation	Sales volume (BBL)	Sales Value ($)	Sales Receipts ($)	Variance ($)
Sales of Federation equity crude oil export	5,178,002	334,946,907	325,937,940	9,008,968
Sales of profit oil (PSC)	400,000	28,987,000	21,173,600	7,813,400
Sales of crude from MF	160,000	10,916,200	9,374,944	1,541,256
Sales of profit oil (SC)	1,033,780	69,295,913	69,295,913	-
*Sales of TMP oil	3,844,301	259,634,515	259,634,515	-
**Sales of RA oil	14,219,937	999,705,694	867,256,485	132,449,209
Sub-total 2021 lifting	24,836,020	1,703,486,229	1,552,673,396	150,812,832
Crude export -Prior year receivable	497,135.00	24,318,678.49	24,318,678	-
Grand Total	25,333,155	1,727,804,907	1,576,992,075	150,812,832

Sources: NEITI 2021 data template and NNPC-COMD lifting profile

* Sales of Trial Marketing Period (TMP) oil: This is the sale of Federation equity crude oil derived from the market trial of a new crude oil type (Anyala madu) under a joint venture arrangement between NNPC and First Exploration and Production Ltd, the Operator. The sales value of $259.63million in the above Table was traced to TMP Escrow account jointly operated by both parties. However, this amount was not swept to the Federation Account in 2021.

**Sales of RA oil: The lifting was for the repayment agreements with some JV Partners to defray 2016 outstanding cash call. The sum of $867.26million was traced to the respective escrow accounts jointly operated by NNPC and the respective JV Partners; from which the repayments were made to the Partners. However, the sum of $132.45million could not be confirmed to have been paid, as the relevant NAOC Escrow account was not provided by NNPC for audit review.

NNPC lifted total crude oil of 14.23million barrels valued at $999.71million in 2021 on behalf of different parties. See Table 29 above and Appendix 12 for details.

As indicated in the Table above, NNPC lifted and exported a total of 24.84million barrels of crude oil valued at $1.70billion on behalf of the Federation in 2021. The sum of $1.58billion was traced to the respective bank accounts as the actual sales receipt in 2021, of which the sum of $1.55billion represents 2021 sales receipts while the sum of $24.32million relates to settlement of prior year receivables. The variance is analysed in the Table below.

Analysis of Variance

Revenue streams	Not due for payment ($)	Credit note ($)	Outstanding ($)	Total ($)
Sales of Federation equity crude oil export	2,231,550	3,884,538	2,892,880	9,008,968
Sales of profit oil (PSC)	7,813,400	-	-	7,813,400
Sales of crude from MF	-	1,541,256	-	1,541,256
Sales of RA oil	18,893,469	-	113,555,740	132,449,209
Total	28,938,419	5,425,794	116,448,620	150,812,832

From the above Table, the sum of $28.94million was not due for payment as of December 2021, while the sum of $5.43million accounted for credit note redeemed in 2021, the sum of $116.45million was outstanding as of December 31, 2021.

Summary of Domestic Crude Oil Sales and Receipts on behalf of the Federation
From the review of NNPC-COMD Populated Template and validation/reconciliation carried out, find below the summary of Domestic Crude Oil sales and receipts by NNPC on behalf the Federation.

Table 30 - Summary of Domestic Crude Oil Sales and Receipts on behalf of the Federation

Domestic crude	Sales volume (BBL)	Sales Value ($)	Naira equivalent (N)	Sales Receipts (N)	Variance (N)
DSDP	94,224,905	6,786,580,791	2,606,296,720,707	1,644,087,407,357	1,085,930,647,231
PPMC Export	4,703,328	322,283,447	123,721,333,881		
Sub-total: 2021 lifting	98,928,233	7,108,864,239	2,730,018,054,588	1,644,087,407,357	1,085,930,647,231
Domestic crude - Prior year receivable	35,894,448	1,553,233,306	588,675,423,027	588,675,423,027	-
	134,822,681	8,662,097,545	3,318,693,477,615	2,232,762,830,384	1,085,930,647,231

Source: NEITI 2021 data template and NNPC-COMD lifting profile

As indicated in the Table above, NNPC allocated a total of 98.92million barrels of crude oil valued at $7.11billion (N2.73trillion) for local market in 2021. However, no crude was delivered to any of the local refineries in 2021, instead, NNPC used 95.25% of this crude for crude exchange for product at international market under the DSDP arrangement while 4.75% was sold at international market. This may be due to the fact that none of the refineries was operational in 2021. The sum of N2.23trillion ($5.85billion) was the actual domestic crude sales receipts in 2021, out of which the sum of N1.64trillion ($4.30billion) represents 2021 sales receipts while the sum of N588.68billion ($1.55billion) relates to settlement of prior year receivables. The variance is analysed in the Table below.

Analysis of Variance

Description	Amount in Naira	Dollar equivalent ($)
Not due for payment	751,106,061,732	1,939,238,343
Outstanding payment	334,824,585,499	871,145,012
Total	1,085,930,647,231	2,810,383,356

The sum of N751.11billion ($1.94billion) was not due for payment as of December 2021, while the sum of N334.82billion ($871.15million) was outstanding liability as of December 31, 2021.

It is noteworthy that a total sum of N1.20tillion ($3.15billion) was deducted in 2021 against the domestic sales proceeds for subsidy (N1.16trillion), crude and product losses (N16.20billion), pipeline repairs and maintenance (N22.05billion) and strategic stock holding (N6.75billion). See Chapter 4 for details.

3.2.2. Gas Production

The total gas production for the year was 2,743,700 mmscf. This is 8.96% lower than the 2020 production which was 3,013,634mmscf. The Table below shows that for the year 2021, JV arrangement was the largest contributor to the total gas production with 1,490,097 mmscf accounting for 54.31% of the total gas production for the year. This was followed by Production Sharing Contract with 609,589 mmscf accounting for 22.22%. Marginal Field was the least contributor to the total gas production with 82,725 accounting for 3.02% of total gas production for the year. The Table below shows the summary of gas production by arrangements. The gas production by projects can be found in Appendix 13.

Table 31 – Total Gas Production per Arrangement

Descriptions	2021	2020	Change
	mmscf	mmscf	%
Joint Venture (JV)	1,490,097	2,060,150	-27.67%
Production Sharing Contract (PSC)	609,589	564,627	7.96%
Sole Risk (SR)	561,289	315,848	77.71%
Marginal Field (MF)	82,725	73,014	13.30%
Total Production	2,743,700	3,013,640	-8.96%

Source: NEITI 2021 Audit Template

Figure 12 below shows that the largest gas production for the past five years was in 2017 with a production volume of 3,499,695 mmscf. This declined sharply to 2,909,144 mmscf in 2018 and then grew to 3,047,507 in 2019 before declining again to 3,013,640 mmscf in 2020 and then declining by 8.96% to 2,743,700.32 mmscf in 2021. The average production per day in 2021 was 7,516.99 mmscf.

Figure 12 – Five-Year Trend of Gas Production (2017- 2021)

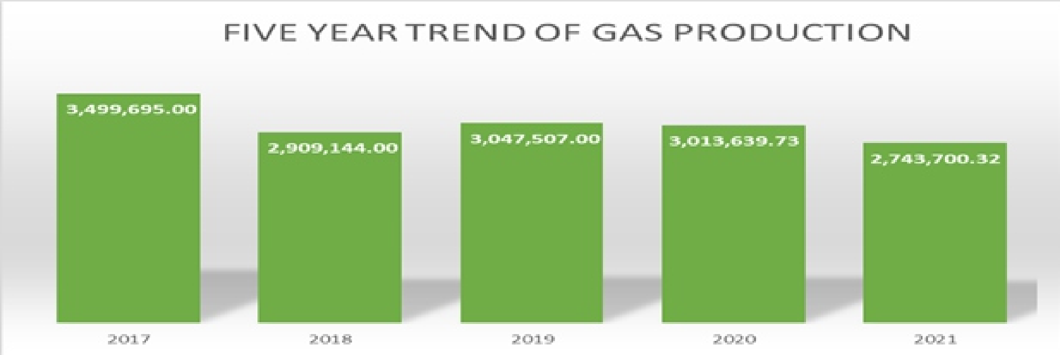


Table 32 – Federation Entitlement from JV Production Arrangement (mmscf)

	Total Production	NNPC Equity	NNPC Share	Company Equity	Company Share
COMPANY	2021	%	2021	%	2021
AITEO	14,350	55%	7,893	45%	6,458
MOBIL	298,293	60%	178,976	40%	119,317
SPDC	583,698	55%	321,034	45%	262,664
CHEVERON	279,523	60%	167,714	40%	111,809
SEPLAT	1,457	60%	874	40%	583
EROTON	17,840	55%	9,812	45%	8,028
FIRST E&P	6,536	60%	3,922	40%	2,615
HEIRS HOLDINGS	19,004	55%	10,452	45%	8,552
BELEMA	3,739	60%	2,244	40%	1,496
TEPNG	265,656	60%	159,394	40%	106,262
GRAND TOTAL	1,490,097		862,314		627,783

Source: NEITI 2021 Audit Templates

The total Federation entitlement from Joint Venture and Alternative Funding Arrangements was 862,313.50 mmscf while the company's share was 627,783.34mmscf. SPDC with 583,697.87mmscf was the highest JV producer of gas for the year while Seplat Petroleum Development Company was the least producer of JV gas with 1,457.30mmscf.

3.2.2.1. Gas Utilisation

The Table below shows the total gas utilised in 2021, which was 2,743,700.20mmscf. This comprises of of 249,934.38mmscf (9%) flare gas, 575,381.68mmscf (21%) reinjected gas, 340,381.85mmscf (12%) fuel gas, 1,534,033.72 mmscf (55%) gas sold and un-accounted gas of 43,968.60 mmscf (2%). The unaccounted gas is the quantities that the companies cannot account for based on the templates submitted.

Table 33 - 2021 Gas Utilisation

Table 33 - 2021 Gas Utilisation

S/N	Company	Flared	Re-injection	Fuel	Sales	Unaccounted	Total
		mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
1	NAE	3,497	9,673	1,269	-	-	14,439
2	NAOC	15,148	10,786	19,758	196,686	-	242,378
3	GREEN ENERGY	1,554	-	-	-	-	1,554
4	NDPR	79	-	329	8,983	0	9,391
5	AITEO	7,105	-	163	7,082	-	14,350
6	ALL GRACE	541	-	-	-	-	541
7	CHEVERON	13,829	-	226,802	38,892	-	279,523
8	FRONTIER	665	-	238	42,065	-	42,967
9	EROTON	6,285	-	758	10,797	-	17,840
10	ESSO E&P (OE)	6,954	16,866	3,243	-	18,526	45,589
11	ESSO E&P	6,780	50,021	2,102	-	-	58,903
12	MONIPULO	240	-	-	-	-	240
13	STAR DEEP	14,421	138,672	8,367	-	0	161,460
14	NPDC/SEPLAT JV	11,323	-	780	87,514	-	99,617
15	ORIENTAL	550	3,500	880	-	-	4,930
16	CONTINENTAL OIL	7,411	-	210	-	5	7,626
17	CONOIL	86	-	85	-	-	170
18	NPDC/ELCREST JV (OML 40)	2,044	-	-	-	-	2,044
19	NPDC/FHN (OML 26)	3,033	778	176	-	0	3,987
20	NPDC/NECONDE (OML 42)	7,836	-	390	4,514	0	12,739
21	NPDC	16,297	7,959	5,980	32,013	4,459	66,708
22	MOBIL	26,938	197,970	26,163	29,714	17,510	298,293
23	SPDC	27,054	8,066	8,837	539,741		583,698
24	SNEPCO	11,319	-	3,479	13,688		28,486
25	STERLING EXPLORATION	7	772	1,053	43,292	0	45,123
26	STERLING GLOBAL	5	51	157	-	0	213
27	MIDWESTERN	724	-	230	-	0	955
28	PILLAR OIL	451	-	80	-	0	530
29	PLATFORM	1,476	-	138	7,177	0	8,791
30	UNIVERSAL	535	-	7	127	-	669
31	NPDC/ND WESTERN JV	1,583	-	201	114,203	-	115,987
32	SEPLAT	1,457					1,457
33	TUPNI	1,934	78,994	11,693	128,844	-	221,465
34	APDNL	9,601	6,828	664	-		17,092
35	APENL	827	1,446	552			2,825
36	CHORUS	2,546	-	38	31	-	2,615
37	DUBRI	320	-	4			324
38	HEIRS HOLDINGS	2,620		2,427	13,956		19,004
39	EXCEL	8					8
40	BRITTANIA-U	422					422
41	WALTERSMITH	0	385				386
42	FIRST E&P	6,109	-	427			6,536
43	BELEMA	3,574	-	165			3,739
44	NEWCROSS E&P	1,911	-	107	2,323		4,340
45	YINKA FOLAWIYO	3,107	-	-	-	-	3,107
46	TEPNG	8,534	42,268	11,663	199,722	3,469	265,656
47	AMNI	1,533	349	100			1,982
48	NETWORK	672	-	15	-	-	687
49	PANOCEAN	1,233	-	653	12,107		13,994
50	ENAGEED	1,714					1,714
51	ENERGIA	6,002			563		6,565
52	SUMMIT	40					40
	TOTAL	**249,934**	**575,382**	**340,382**	**1,534,034**	**43,969**	**2,743,700**

Source: NEITI 2021 Audit Templates

Table 34 below shows Comparison of gas utilisation between 2020 and 2021. The total utilized gas of 2,699,732mmscf does not include unaccounted gas of 43,968.60mmscf.

Table 34 - Comparison of Gas Utilization between 2020 and 2021

Year	Gas Production	Fuel		reinjected		Flared		sales		Total Utilization	
		volume (mmscf)	% of production	volume	% of production	volume (mmscf)	% of production	Volume (mmscf)	% of production	volume (mmscf)	% of production
2020	3,013,640.00	158,165	5%	593,376	20%	230,488	8%	1,916,742	64%	2,898,770	96%
2021	2,743,700	340,382	12%	575,382	21%	249,934	9%	1,534,034	56%	2,699,732	98%
Diff	-269,940	182,217	7%	-17,994	1%	110,798	1%	-232,086	-8%	-199,038	2%

Source: NEITI 2021 Audit Templates and NEITI 2020 Audit report

3.2.2.2. Federation Entitlement from JV Gas Sales

A total of seven (7) JVs produced gas of 1,490,096.85 mmscf. From the total JV gas produced, gas transferred to third parties by way of sales accounted for 839,904.02mmscf or 56.37% of total production. These were the quantities of gas in exchange for money. The Table below presents the share of gas sales between the Federation and the JV partners.

S/N	COMPANY	SALES	JV PARTNER		FEDERATION	
		MMscf	%	MMscf	%	MMscf
1	AITEO	7,082.36	45%	3,187.06	55%	3,895.30
2	MOBIL	29,713.77	40%	11,885.51	60%	17,828.26
3	SPDC	539,740.78	45%	242,883.35	55%	296,857.43
4	CHEVERON	38,891.68	40%	15,556.67	60%	23,335.01
5	EROTON	10,797.26	45%	4,858.77	55%	5,938.49
6	HEIRS HOLDINGS	13,956.17	45%	6,280.28	55%	7,675.89
7	TEPNG	199,722.00	40%	79,888.80	60%	119,833.20
	TOTAL	839,904.02		364,540.44		475,363.58

Source: NEITI 2021 Templates

Pricing of Federation Gas

The pricing and valuation were carried-out by the Crude Oil Marketing Division (COMD) using the Official Selling Price (OSP) and average of Platts Lpgaswire Nwe Propane or Platts LPGaswire Nwe Butane Or Mont Belvieu Opis Non-Tet Price Quotes depending on the product and also the pricing options selected by the customers. The pricing options could be prompt, deferred or advanced. See Appendix 14 for details of pricing methodology for each of the Federation gas products.

3.2.2.3. Summary of Gas Sales and Receipts on behalf of the Federation

From the review of NNPC-COMD Populated Template and validation/reconciliation carried out, find below the summary of gas sales and receipts by NNPC on behalf of the Federation.

Table 36 - Summary of Gas Sales and Receipts on behalf of the Federation

Export Gas	Sales volume	Sales Value ($)	Naira equivalent (N)	Sales Receipts ($)	Sales Receipts (N)	Variance ($)
Export gas (LPG/NGL/EGTL)-MT/$	701,198	414,225,170	-	158,445,888	-	255,779,283
RA gas sales-(LPG)MT/$	827,279	447,015,035	-	-		447,015,035
Sub-total-LPG	**1,528,477**	**861,240,206**		158,445,888		702,794,318
NLNG gas (Feedstock) -BTU/$	422,295,718	704,165,971	-	550,451,216	-	153,714,755
Sub-total: 2021 lifting		**1,565,406,177**	**-**	**708,897,104**	**-**	**856,509,073**
Feedstock -BTU/$- Prior year receivable	41,239,196	48,326,745	-	41,965,527	-	6,361,219
Total export (A)		**1,613,732,922**		**750,862,631**		**862,870,291**
Domestic Gas	Sales volume (Mt)	Sales Value ($)	Naira equivalent (N)		Sales Receipts (N)	Variance (N)
Domestic Gas (NGL) -MT/₦ 2021 Lifting	70,013	40,097,746	16,280,232,540	-	16,280,232,540	-
Domestic gas- Prior year receivable	7,001	2,546,614	965,166,611	-	898,090,807	67,075,804
Total domestic (B)		**50,873,359**	**17,245,399,151**	**-**	**17,178,323,347**	**67,075,804**

Sources: NEITI 2021 Template, NNPC-COMD lifting profile and bank statements

From the Table above, NNPC lifted and sold a total of 1,528,477mt ($861.24million) and 422,295,718btu ($704.51million) of LPG/NGL/EGTL and NLNG Feedstock respectively at international market in 2021 while 70,013mt ($40.10million) of NGL was sold at local market in 2021. The sum of $750.86million and N17.18billion ($42.99million) were respectively traced to the respective bank accounts as actual gas sales receipt in 2021. The lifting of RA gas was for the repayment agreements with some JV Partners to defray 2016 outstanding cash call, however, NNPC did not provide relevant bank escrow account to confirm the payments. The variance is analysed in the Table below.

Analysis of the Variance

Revenue streams	Not due for payment ($)	First lifting deposit ($)	Credit note ($)	MCA ($)	Outstanding ($)	Total ($)
Export gas (LPG/NGL/EGTL)- MT/$	32,685,859	1,250,000	18,959	-	221,824,464	255,779,283
RA gas sales-(LPG)MT/$					447,015,035	447,015,035
NLNG Feedstock gas - MBTU/$	76,209,804	-	48,918,608	28,586,343	-	153,714,755
Feedstock - Prior year receivable	-	-	-	6,361,219	-	-
Total	108,895,663	1,250,000	48,937,567	34,947,561	668,839,500	856,509,073
			Credit note (N)			
Domestic gas- Prior year receivable			67,075,804			

3.2.3. Other financial flows to the Federation

In addition to the 2021 export crude, domestic crude sales, export gas and domestic gas sales receipts respectively on behalf of the Federation, there were other financial flows received by the NNPC on behalf of the Federation in 2021 amounting to $2.16billion as presented in the Table below. Of this amount, the sum of N169.039billion and $722.596million consisting of the Naira component of transportation fee and miscellaneous revenue as well as NLNG dividend respectively were not remitted to the Federation Account.

Table 37 - Other financial flows to the Federation

Other Financial flows	Amount Dollar (A)	Amount in Naira (B)	Dollar equivalent (A+B) ($)
Transportation fee	194,848,767	9,725,273,450	219,181,416
*Miscellaneous Revenue	816,551,162	159,309,487,219	1,215,143,754
NLNG dividend and interest	722,595,886	-	722,595,886
Total	1,733,995,814	169,034,760,669	2,156,921,056

Source: NEITI Audit Template
*The breakdown of miscellaneous revenue from NNPC operations is contained in appendix 15.

3.2.4. Non-Financial Flows

Non-financial flows are sales proceeds from crude oil and gas lifted as in-kind payments by Exploration and Production companies under a defined production arrangement. The crude oil and gas for in-kind payments are lifted and sold by NNPC on behalf of different parties, including; FIRS for settlement of PPT, CIT and EDT; NUPRC for settlement of royalty and concession rentals; Federation for profit share and the JV Partner for cost recovery. These production arrangements include PSC, SC production arrangements and alternative funding under JV production arrangement.

3.2.4.1. In-Kind Flows Under Production Sharing Contract (PSC) Operations

Production Sharing Contract is an arrangement that allows an Oil Company to bring in the technology and capital to explore for oil and gas resources, with the hope of recovering its investment and share profits with the host national oil company (NNPC). Cost is recoverable with crude oil in the event of commercial finding, with provisions made for:

- Royalty Oil – to meet the Royalty liability due to the Government for the period.
- Tax Oil – to cover the Petroleum Profits Tax liability determined for the period.
- Cost Oil – to meet the PSC Operator's CAPEX and OPEX costs.
- Profit Oil – Shared between NNPC and the PSC Operator on an agreed profit-sharing ratio.

3.2.4.2. In-kind Flows under Service Contract (SC) Operations

Service Contract is an arrangement where NNPC engages the services of a contractor on a purely technical basis, with no equity interest in the assets and outputs of operation. In 2021, NPDC took over the management of OML 116, which was hitherto managed by AENR. The following are the expected payments from the arrangement:

- Royalty Oil – to meet the Royalty liability due to the Government for the period.
- Tax Oil – to cover the Tax liabilities determined for the period.
- Cost Oil – to meet the SC Operator's exploration, development and production costs.
- Profit Oil – Federation.

3.2.4.3. In-kind flows under Alternative Funding (AF) Arrangements

As a result of inability of the Federation to meet cash call obligation on a timely basis, various Alternative Funding Arrangements have been entered into with some Joint Venture Companies to provide the funds needed to enable the running of oil and gas operations of certain fields. The current forms of Alternative Funding Arrangements are in two broad categories, which are:

- Third Party Financing
- Modified Carry Agreements (MCAs)

The third-Party financing arrangements included project Cheetah, Santolina, and Falcon under the Repayment Agreements (RA) for Cash Call legacy liabilities owed to SPDC, NAOC, TEPNG, Mobil and Chevron.

MCA is an arrangement between the JV partners and NNPC that allows the JV partners to, in addition to its equity contribution for the execution of Capital Projects, carries NNPC's equity contribution, which is payable by means of Carry Tax Relief (CTR) and Carry Oil among other terms.

An Escrow Account is set up, and the sales proceeds, with respect to the Carry oil and Share oil, are paid into the Escrow Account.

Table below shows the actual in-kind flows under the PSC, SC production arrangements and MCA under JV arrangement.
NNPC in-kind Lifting of crude from PSC, SC and AF Arrangements for FIRS and NUPRC

The Table below shows the summary of PSC, SC and AF in-kind lifting by NNPC for FIRS and NUPRC in 2021

Table 38 - Summary of PSC, SC and JV (AF) In-Kind Lifting by NNPC

Non-Financial Flows-Crude	Sales volume (BBL)	Sales Value ($)	Sales Receipts ($)	Variance ($)
PSC PPT	20,228,281	1,480,045,347	1,088,903,250	391,142,097
PSC Royalty	30,649,427	2,116,041,887	1,642,771,247	473,270,640
PSC Concession rental	469	1,832,237	1,230,710	601,527
Sub-total: 2021 lifting	50,878,177	3,597,919,471	2,732,905,207	865,014,264
PSC PPT Prior year receivable	9,844,496	426,383,475	426,383,475	-
PSC Royalty Prior year receivable	6,988,123	303,956,424	303,956,424	-
PSC concession rental Prior year receivable	34,800	1,458,855	1,375,540	83,315
Sub-total: Prior year Receivable	16,867,419	731,798,754	731,715,439	83,315
Total PSC (A)	67,745,596	4,329,718,224	3,464,620,646	865,097,578
SC PPT	316,763	20,912,756	20,912,756	-
SC Royalty	197,000	13,119,434	13,119,434	-
Total SC (B)	513,763	34,032,190	34,032,190	-
MCA crude PPT	2,240,843	120,364,211	115,574,450	4,789,761
MCA crude EDT	10,110	671,500	671,500	-
MCA crude Royalty	614,615	32,586,267	31,177,513	1,408,753
Sub-total: 2021 lifting	2,865,567	153,621,978	147,423,464	6,198,514
MCA EDT Prior year receivable	246,210	8,228,968	6,582,365	1,646,603
Total MCA (C)	3,111,777	161,850,946	154,005,829	7,845,117
RA crude Royalty (D)	4,005,046	256,171,187	231,356,787	24,814,400
Grand total (A+B+C+D)	75,376,182	4,781,772,548	3,884,015,452	897,757,095

Source: NEITI 2021 Template, NNPC-COMD lifting profile and bank statements

From the above Table, the total liftings from PSCs for in-kind payments of taxes, royalty and concession rental in 2021 was 50.88million barrels valued at $3.60billion, out of which the sum of $2.73billion was received leaving a variance of $865.01million. The sum of $731.72million was also received from prior year receivable of $731.80million, leaving a variance of $83,315.

The total lifting from service contract arrangement for in-kind payment of taxes and royalty in 2021 was 513,763bbls valued at $34.03million, out of which the sum of $20.91million was for the payment of PPT and the sum of $13.12million represents royalty payment.

The total liftings from MCA for in-kind payments of taxes and royalty in 2021 was 2.8million barrels valued at $153.62million, out of which the sum of $147.42million was received leaving a variance of $6.20million. The sum of $1.65million was also received from prior year receivable of $6.58million, leaving a variance of $1.65million.

4million barrels of crude oil was lifted to pay royalty due on crude lifted for repayment agreement (RA). the sum of $231.3mbillion was received out of the sales value of $256.17million, leaving a variance of $24.81million. The analysis of the variance is presented in the Table below.

Analysis of the variance

Revenue streams	Not due for payment ($)	Underpayment ($)	Outstanding liabilities ($)	Total ($)
PSC PPT	391,142,098	-	-	391,142,097
PSC Royalty	469,933,131	3,337,509	-	473,270,640
PSC Concession rental	307,283	-	294,244	601,527
Sub-total: 2021 lifting	**861,382,511**	**3,337,509**	**294,244**	**865,014,264**
PSC concession rental Prior year receivable	-	-	83,315	83,315
Sub-total: Prior year Receivable	-	-	**83,315**	**83,315**
Total PSC (A)	**861,382,511**	**3,337,509**	**377,559**	**865,097,579**
MCA crude PPT	802,346	-	3,987,415	4,789,761
MCA crude Royalty	235,984	-	1,172,769	1,408,753
Sub-total: 2021 lifting	**1,038,330**	-	**5,160,184**	**6,198,514**
MCA EDT Prior year receivable	-	-	1,646,603	1,646,603
Total MCA (B)	**1,038,330**	-	**6,806,787**	**7,845,117**
RA crude Royalty (C)	-	-	24,814,400	24,814,400
Total (A+B+C)	**862,420,841**	**3,337,509**	**31,998,746**	**897,757,096**

From the above analysis, a total sum of $861.38million was not due for payment under PSC arrangement as of 31st December 2021. The sum of $3.34million was the amount underpaid for PSC Royalty by NNPC as a result of remittance of the sales proceeds in Naira without applying appropriate exchange rate advised by CBN while the sum of $377,559 stood as outstanding liabilities on concession rental as of 31st December 2021.

Similarly, a total sum of $1.04million was not due for payment under MCA arrangement as of 31st December 2021 while the sum of $6.81million stood as outstanding liabilities on MCA taxes and royalty as of 31st December 2021. The outstanding liability on RA royalty as of 31st December 2021 was $24.81million.

NNPC Gas In-kind Lifting from MCA Arrangement

Table 39 - Summary of MCA Gas In-Kind Lifting by NNPC

Non-Financial Flows-Gas	Sales Value ($)	Sales Receipts ($)	Variance ($)
MCA-CIT Feedstock	9,030,938	6,674,556	2,356,382
MCA-EDT Feedstock	366,886	-	366,886
MCA-Royalty Feedstock	2,265,827	1,674,620	591,207
Total for 2021	**11,663,651**	**8,349,176**	**3,314,475**
MCA-CIT Feedstock prior year receivable	3,197,735	2,314,777	882,958
MCA-EDT Feedstock prior year receivable	1,791,366	-	1,791,366
MCA-Royalty Feedstock prior year receivable	802,299	580,768	221,531
Total for prior year receivables	**5,791,399**	**2,895,545**	**2,895,854**
Sub-total	**17,455,050**	**11,244,721**	**6,210,330**

From the above Table, the total sum of $11.66million was the value allocated for the payment of taxes and royalty due from MCA out of $28.59million value exported for MCA in 2021, while the balance of $16.93million was due to relevant JV Partners. The sum of $8.35million and $2.90million were however received in 2021 for 2021 export and prior year receivable respectively, leaving a total variance of $6.21million. The variance represents outstanding liability due of $4.89million and amount not due for payment as of 31st December, 2021 in the sum of $1.32million.

3.3. Observations, Findings and Recommendations

Observations and Findings

1. The crude oil volume losses in 2021 due to measurement errors and theft/sabotage are 31.04million barrels and 37.57million barrels respectively. The combined losses was 11% of the actual metered production volume at flow station. The losses of crude flows into Bonny terminal were 31% of production flow through Bonny terminal, the losses of crude flow into Forcados and Brass terminals were respectively 9% and 7% of production volume pumped through the Forcados and Brass terminals respectively.

Implication:
Incessant crude oil losses in the industry as a result of theft, sabotage and metering errors remain a major cause of revenue losses to the Federation.

Recommendation:
The Federal Government should ensure proper pipeline security surveillance using satellite imagery and other sophisticated ICT tools to ensure real time monitoring and decisive actions on pipeline vandalism. The companies should also work with the Federal Government to ensure the implementation of fiscal provisions in the PIA for the welfare of Host Communities and thus strengthening responsibility for communal ownership of crude oil pipelines.

2. The sum of $278.813million was earned by the Federation from trial marketing period crude lifting in 2021, however, this amount was not swept to the Federation in 2021, though the JV Partner's (First E&P) share was transferred to the Partner as soon as the revenues were received into the TMP escrow account jointly operated by both parties.

Implication:
Loss in time value of money as a result of delay in remittance

Recommendation:
NNPC should ensure that revenues due to the Federation are remitted as soon as received.

NNPC response:
The sum stated including interest accrued was swept to the Federation Account at the conclusion of TMP which traditionally is the practice in the event of over or under lift at the close out reconciliation. The proceeds were reported in the September 2022 FAAC report.

3. The sum of $69.30million was realized from the sale of profit oil lifted from OML 116, currently operated by NPDC on behalf of the Federation, hitherto operated by AENR under service contract arrangement. However, NPDC claimed cost recovery of $61.68million, leaving the balance of $7.61million (N3.14billion as per Appendix 21-2021 NAPIMS AFS) outstanding as at 31st December, 2021.

Implication:
Loss in time value of money as a result of delay in remittance

Recommendation:
NNPC should ensure that revenues due to the Federation are remitted as soon as received.

NNPC response:
The finding which established that NEPL unremitted balance to federation is to the tune of $7.61M is correct and NAPIMS is following up with NPDC to ensure payment of the profit oil to the Federation Account.

4. NAPIMS continues to pay cash call to Newcross, despite the fact that Federation interest has been transferred to NPDC. Cash call payments to the tune of N11.470billion and US$29.218million were made by NAPIMS in 2021 with respect to asset already transferred to NPDC since 2019.

Cash Call Receivables from NPDC with respect to NPDC NAOC and NPDC Newcross for which NAPIMS paid cash call on behalf of the Federation, despite the fact that NAPIMS has transferred Federation interest in the assets to NPDC are N287.55billion and N42.14billion respectively.

Recommendation:
There is the need to carry out independent reconciliation of outstanding amounts due to the Federation as part of a comprehensive reconciliation of debts outstanding between NNPC Group and the Federation, especially with the advent of PIA.

NNPC response:
NAPIMS continued payment of cash call to Newcross during the transition of the transfer. This is to avoid disruption of the JV Operations due to lack of funds. NAPIMS has a reconciled position of the total cash call paid to Newcross on behalf of NPDC.

5. The audit observed that none of the refineries was operational in 2021 despite spending about N200billion within 2020 and 2021 on refinery rehabilitation. This amount was deducted from the Federation sales proceeds.

Implication:
Inefficiency in resource allocation, which has hindered progress and limit the potential for growth and development in the downstream sector of Nigeria oil and gas industry.

Recommendation:
Special investigation should be instituted to carry out status of the refineries and value for money assessment on the refineries

NNPC response:
Rehabilitation of the old Port Harcourt Refinery (Area 5) at 60% Completion EPC: Technimont Project: Rehabilitation Quick fix project is on-going in WRPC EPC: Daewoo E&C Nigeria Limited (DECN)Project: Quick fix Quick fix project is on-going in KRPC EPC: DECN Project: Quick fix. The quick-fix initiative on WRPC and KRPC is expected to restore both refinery plants to a minimum of 60 per cent of its nameplate capacity by Q4 2024. Also note that these projects (WRPC and KRPC) are been executed in three work packages as a Maintenance Services contract by Daewoo E&C Nigeria Limited, with a duration of Fifteen (15) and Twenty-One (21) months respectively.

6. The sum of N1.20trillion ($3.01billion) was deducted from domestic sales proceeds. Subsidy accounted for N1.16trillion, Crude & product losses accounted for N16.20billion, Pipeline repairs accounted for N22.05billion and Strategic stock holding accounted for N6.75billion.

Implication:
These deductions remain a heavy cost to the Federation Revenue remittance.

Recommendation:
1. Previous NEITI audit reports have consistently highlighted transparency issues in the deductions from federation crude sales. Full implementation of PIA provisions will address the issues. However, subsidy has been terminated by the Federal Government in 2023.
2. The practice of charging crude oil and product losses, Pipeline repairs and Strategic stock holding cost to Federation should no longer be acceptable under the PIA. The Federation should not be made to pay for pipeline maintenance, strategic holding cost and losses that the new commercially oriented NNPC has incurred on its own.

NNPC response:
The submission is in line with our 2021 record.

7. About 90% and 46% of PSC FIRS-Tax oil and PSC NUPRC-Royalty oil Cargoes were respectively borrowed and converted to DSDP. The sales proceeds in dollars were originally meant to be remitted to the respective FIRS and NUPRC designated accounts within 30 days otherwise penalties will apply. However, NNPC applies a 90-day payment period (without payment of late penalty) and remits the sales proceeds in Naira as in the case of domestic crude to the respective agencies designated accounts.

Implication:
Loss of revenue in the sum of $3.34million to the Federation as a result of remittance of the sales proceeds of PSC royalty in Naira without applying appropriate exchange rate advised by CBN and loss in time value of money as a result of delay in remittance.

Recommendation:
The transaction should be investigated and NNPC should pay the exchange differential of $3.34million.

NNPC response:
Due to National Energy Security Demand, Federal Government directed that in addition to traditional 445,000 barrels allocated for domestic consumption NNPC could utilize Royalty and Tax oil volumes to Augment. Subsequently, the 90-day payment term in Naira for Federation domestic cargoes was also applied on the statutory obligation volumes. Furthermore, NNPCL applied exchange rate as advised which relates to the month of lifting, however a reconciliation team as directed by the President is working to resolve all outstanding issues between FAAC and NNPC.

8. The outstanding liabilities on crude royalty/concession rental and taxes from PSC operations are in the sum of $26.36million and $5.63million respectively. Of these outstanding liabilities, the sum of $83,315 and $1.64million relate to prior year outstanding liabilities on concession rental and education tax respectively yet to be remitted to the respective agencies' accounts as at 2021. Similarly, the outstanding liabilities on gas royalty and taxes are in the sum of $547,955 and $3.74million. Of these outstanding liabilities, the sum of $69,633 and $882,958 relate to the prior year outstanding liabilities on gas royalty and taxes respectively yet to be remitted to the respective agencies' accounts as at 2021.

Implication:
Loss in time value of money as a result of delay in remittance

Recommendation:
NNPCL should ensure that revenues due to the relevant agencies are remitted as at when due

NNPC response:
Work in progress.

9. The sum of $194.85million and N9.73billion was the pipeline transportation revenue earned from JV operations. While the dollar receipt was remitted to the Federation Account, the Naira receipt is yet to be remitted as the time of this report. Furthermore, there was no adequate disclosure of tariff rate and volumes with respect to what was paid to NNPCL by the JV operators.

Implication:
Opaqueness in accounting for transportation revenue

Recommendation:
NNPCL and companies should provide the basis for computation and NNPCL should ensure that revenues due to the Federation are remitted as soon as received.

NNPC response:
The amount is still being reconciled.

10. The sum of $702.19million and N343.56million were the miscellaneous revenue earned from JV operations. While the dollar receipt was remitted to the Federation Account, the Naira receipt has neither been remitted to the Federation nor was it properly accounted for.

Implication:
Potential loss of revenue to the Federation

Recommendation:
NNPC to ensure that revenue due to the Federation are remitted as soon as received

NNPC response:
We have initiated the process of remitting the amount to the Federation.

11. Included in export gas sales of $414.23million is the sum of $242.05million revenue earned from Escravos gas to liquid (EGTL). Of this amount, only the sum of $20.22million was received into the CNL proceed account and remitted in 2021, the balance of $221.82million was neither received nor properly accounted for.

Implication:
Potential loss of revenue to the Federation

Recommendation:
NNPC should account for this revenue

NNPC response:
The sum of $20.22million represents 8% of gross revenue which is payable as price balance per contract agreement noting that revenues are from an SPV project in partnership with Chevron.

12. The sum of $722.60million was paid to NNPC by NLNG as dividend (including bank interest) earned by the Federation in 2021. This amount was neither remitted to the Federation nor properly accounted for.

Implication:
Potential loss of revenue to the Federation

Recommendation:
NNPC should properly account for this revenue

NNPC response:
NLNG dividend is no longer under NNPC purview. The account is under CBN custody managed by Min of Finance/ OAGF.

13. The sum of N107.47billion was validated as domestic gas revenue based on COMD record, however, NAPIMS reported the sum of N84.47billion as domestic gas revenue in 2021 NAPIMS AFS

Implication:
Discrepancies in records raise concerns about the integrity and accuracy of the data

Recommendation:
NNPC should improve data management processes and establish controls to prevent future discrepancies. Regular monitoring, data reconciliation, and cross-verification can help minimize the occurrence of such discrepancies and maintain data integrity.

NNPC response:
The COMD record being referenced is the actual cash received into the Gas revenue account based on FAAC report. However, NAPIMS AFS is based on the accrual concept of accounting in line with IFRS.

14. The sum of $1.57billion (N624.67billion) was validated as export gas revenue based on COMD record, however, NAPIMS reported the sum of N563.98billion as export gas revenue in 2021 NAPIMS AFS

Implication:
Discrepancies in records raise concerns about the integrity and accuracy of the data

Recommendation:
NNPC should improve data management processes and establish controls to prevent future discrepancies. Regular monitoring, data reconciliation, and cross-verification can help minimize the occurrence of such discrepancies and maintain data integrity.

NNPC response:
The COMD record being referenced is the actual cash received into the Gas revenue account based on FAAC report. However, NAPIMS AFS is based on the accrual concept of accounting in line with IFRS.

15. The sum of $1.64billion (N655.16billion) was validated as export crude oil sales revenue based on COMD record, however, NAPIMS reported the sum of N540.75billion as export crude revenue in 2021 NAPIMS AFS

Implication:
Discrepancies in records raise concerns about the integrity and accuracy of the data

Recommendation:
NNPC should improve data management processes and establish controls to prevent future discrepancies. Regular monitoring, data reconciliation, and cross-verification can help minimize the occurrence of such discrepancies and maintain data integrity.

NNPC response:
The COMD record being referenced is the actual cash received into the Gas revenue account based on FAAC report. However, NAPIMS AFS is based on the accrual concept of accounting in line with IFRS.

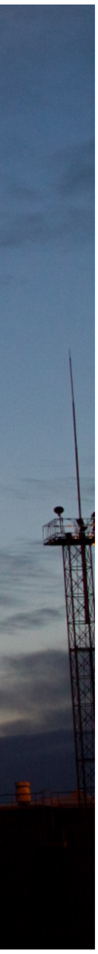
CHAPTER **FOUR**

REVENUE COLLECTION AND RECONCILIATIONS

CHAPTER
FOUR

REVENUE COLLECTION AND RECONCILIATIONS

A major component of the EITI process is the disclosure of revenue payments by companies and a corresponding declaration by government on what is received. The role of the IA is to verify and reconcile the reported payments and receipts. The results of the verifications and reconciliations carried out are presented in this chapter.



4.1. Revenues Covered in the Report

The 23 revenue streams that are covered in this report are classified under 4 categories;

A. Revenue from the Federation share of production entitlements
1. Proceeds from the sale of federation export crude oil
2. Proceeds from the sale of profit oil
3. Proceeds from the sale of domestic crude
4. Proceeds from the sale of federation gas
5. Proceeds from the sale of feedstock

B. Revenue streams that are specific to oil and gas companies as taxes, levies and other Payments on licenses or use
6. Petroleum profit tax (PPT)
7. Royalty (oil)
8. Royalty (gas)
9. Signature bonus
10. Flared gas payments
11. Concession rentals
12. Transportation fees
13. Miscellaneous income

C. Revenue from oil and gas companies as other forms of taxes, levies and returns on investment
14. Company Income Tax (CIT)
15. Value Added Tax (VAT)
16. Dividend from NLNG
17. Pay as you earn (PAYE)
18. Capital Gain Tax (CGT)
19. Withholding Tax (WHT)
20. Education Tax (EDT)

D. Revenue from oil and gas companies paid to Sub-National entities
21. Niger Delta Development Commission (NDDC) levy
22. Nigerian Content Development & Monitoring Board (NCDMB) levy
23. NESS Levy

The Sub-National entities are statutorily enabled to directly collect and expend accrued revenue in accordance with their establishment law.

The companies and government entities have comprehensively disclosed revenue payments and receipts and all revenue streams with the exception of NESS fees, PAYE and miscellaneous income were reconciled in accordance with the data assurance procedures set out in the Scoping Report.

4.2. Revenue from Sales of Crude Oil, Gas and NLNG Feedstock

Category A above, consists of revenues accruable to the Federation from the sales of crude oil, gas and feedstock. Also included are, the Federation share of production entitlements from crude oil, gas and feedstocks from the production arrangements which are sold by NNPC and proceeds paid as in-kind payments into FIRS and DPR accounts as taxes, royalties and other levies. Table 40 below shows the breakdown of total revenue remittance to the Federation from the sales of crude oil and gas while Table 41 shows the breakdown of in-kind payments made to the designated agencies' accounts in 2021.

Table 40 -Sales of Federation Crude Oil and Gas

Revenue flow	2021
	US$'000
Sale of Federation Crude Oil & Gas:	
Proceeds from the sales of Federation export crude oil	5,365,982
Proceeds from the sales of domestic crude oil	5,851,714
Proceeds from the sales of profit oil (PSC/SC)	90,470
Proceeds from the sales of Federation equity gas	648,441
Proceeds from the sales of Feedstock	603,661
Total Sales of Federation Crude Oil and Gas	12,560,268

Source: NEITI 2021 Audit

Included in the aggregate sum of U$5.366billion proceeds of Federation export crude sales above is a total sum of US$286.423million which was not remitted to the Federation by NNPCL. This unremitted sum consists of US$278.813million earned by the Federation from trial marketing under First Exploration and Production JV and US$7.61million from OML 116 operated by NPDC. Similarly, the sum of US$5.852billion proceeds from the sales of domestic crude oil above includes the sum of US$871.145million unremitted domestic crude sales as at 31st December, 2021.

In addition, included in the sum of US$648.441million Federation equity gas proceeds reported above is the sum of US$45.758million that remained as unremitted balance in the domestic gas proceeds account as at the end of 2021.

Total crude oil lifting and feedstock sales for the accounts of FIRS and the defunct DPR in 2021 amounted to a total value of US$3,895,261,000. This is analysed as in-kind payments shown in the Table below:

Table 41 - Total In-Kind Payments

Revenue flow	2021
	US$'000
PSC /SC/ MCA/RA In-Kind Payments	
PSC Tax Oil	1,515,287
PSC Royalty Oil	1,946,728
PSC Concession Rentals	2,606
SC PPT	20,913
SC Royalty	13,119
MCA Tax Oil	115,574
MCA – Royalty Oil	31,179
MCA- EDT Oil	7,254
MCA Feedstock (CIT)	8,989
MCA Feedstock (EDT)	-
MCA Feedstock (Royalty)	2255
RA Royalty Oil	231,357
Total PSCs / MCAs In-Kind Payments	3,895,261

Source: NEITI 2021 Audit

4.3. Payment Reconciliation between Companies and Government Entities

All Revenues described under Categories B, C and D above (inclusive of in-kind payments described under Category A) are paid by companies in the oil and gas industry and these payments have been reconciled (except for NESS, PAYE and Miscellaneous payments). The reconciliation was done by reviewing records as contained in the data templates submitted by the companies and validating them against source documents. Subsequently, a reconciliation meeting was held between the government entities and companies to agree a final position, particularly on areas where discrepancies existed.

4.4. Summary of Reconciled and Unilaterally Disclosed Revenue Flows by Streams

Table 42 below shows the revenue streams covered in the reconciliation exercise with their initial and final reconciliation positions. The total reconciled revenue was US$21,648,054,000 representing 93.97% of total receipts while the total unreconciled revenue is US$7,808,000 representing 0.03% of total receipts. The total unilaterally disclosed revenue was US$1,390,226,000, representing 6.03% of total revenue receipt. Proceeds from crude oil and gas sales were 100% validated from records of NNPC. The percentage of total unreconciled discrepancies to the volume of reconciled revenue are within the set threshold of 0.05% (see Appendix 1).

Table 42 below presents individual companies' payments by revenue streams.

Table 42 ~Summary of Reconciled and Unilaterally Disclosed Revenue Flows by Streams

	Initial Template		Adjustment		Adjusted Figures					
Revenue Streams	Government	Company	Difference	Government	Company	Receipt by Govt	Payment from Company	2021 Unsolved Difference	2020 Unsolved Difference	Contribution on %
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	
*Proceeds from the sales of Federation Export crude oil (Less In NNPC royalty and NNPC taxes)						903,556	903,556			3.92%
Proceeds from the sales of Domestic crude oil						5,851,714	5,851,714			25.39%
Proceeds from the sales of profit oil						90,470	90,470			0.39%
Proceeds from the sales of Federation						648,441	648,441			2.81%
Proceeds from the sales of Feedstock						603,661	603,661			2.62%
Petroleum Profit Tax (PPT)	2,830,693	3,238,957	408,264	150,230	258,034	3,394,061	3,393,562	499		14.73%
Royalty (Oil)	4,536,817	3,985,886	550,931	43,557	594,488	4,841,760	4,840,578	1,182	650	21.01%
Royalty (Gas)	91,922	79,331	12,592	544,508	557,100	636,430	636,430			2.76%
Gas Flare Penalty	237,629	242,181	4,552	11,530	6,979	249,159	248,830	330	466	1.08%
Concession Rental	8,623	6,761	1,861	313	2,174	8,935	8,935		82	0.04%
Transportation Fees	219,947	230,068	10,121	0	10,101	219,181	219,181		16	0.95%
Signature Bonus and License Fees	487,055	29,466	457,589	3,561	461,170	490,616	490,636	20		2.13%
Company Income Tax (CIT)	8,552	567,609	559,057	558,824		612,593	612,593			2.66%
Value Added Tax (VAT)	279,726	564,244	284,524	285,762	1,428	565,487	565,520	33	130	2.45%
Dividend from NNLG						722,596	722,596			3.14%
Capital Gain Tax (CGT)	0	22,876	22,876	26,562	3,686	26,562	26,562			0.12%
Education Tax (EDT)	166,799	203,411	36,611	52,354	15,743	225,736	225,398	337		0.98%
Niger Delta Development Levy (3%)	801,127	787,059	14,068	4,108	9,614	797,019	796,673	346		3.46%
Nigerian Content Development & Monitoring Board (1%)	61,702	57,232	4,470	4,981	9,441	66,683	66,673	10	69	0.29%
Withholding Tax (WHT)	407,997	688,275	280,278	293,187	13,080	701,201	696,150	5,051	694	3.04%
Subtotal from Reconciliation (A)	**10,138,589**	**10,703,355**	**564,773**	**1,971,260**	**1,406,535**	**21,655,862**	**21,648,161**	**7,808**	**2,107**	**93.97%**
Pay-As-You-Earn (PAYE) ~ States	128,460	128,585	125	0	0	128,585	128,585	N/A	N/A	0.5579%
Ness Fee	16,689	16,689		0	0	16,689	16,689	N/A	N/A	0.07%
Miscellaneous Income	12,688	12,381	307	17,091	17,398	1,244,952	1,244,952	N/A	N/A	5.40%
Subtotal ~ Unilateral Disclosed (B)	**157,837**	**157,655**	**182**	**17,091**	**17,398**	**1,390,226**	**1,390,226**	**0**		**6.03%**
Total (A + B)	**10,296,426**	**10,861,010**	**564,590**	**1,988,351**	**1,423,933**	**23,046,088**	**23,038,388**	**7,808**		**100.00%**

NNPC's royalty ($222,792,000), PPT ($308,145,000) and CIT ($36,227,000) payments on behalf of the Federation from the Proceeds of Federation export crude in the sum of $5,365,982,000 (See Table 42 above) prior to remittance at FAAC.

Table 43 -Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
1	AITEO	29	23,000	0	295	0	0	0	0	0	0	0	2,751	231	2,303	0	78	1,308	0	0	0	0	122	30,087
2	Belema Oil	55	13,828	0	0	0	0	0	0	0	0	0	1,151	25	390	0	0	285	0	0	685	0	0	16,363
3	Chevron Nigeria Ltd	49, 51, 86, 88-91 & 95	317,960	21,677	832	11,716	0	0	105,232	927	7,759	0	35,721	7,357	56,126	13,243	931	51,695	41	1,838	99,548	0	7,134	739,736
4	Eroton	18	43,227	13	49	0	0	0	3,393	286	994	0	0	0	219	0	80	164	10	0	2,300	0	241	50,974
5	First E&P Ltd	83, 85	47,513	0	116	4,605	0	0	1,254	0	0	0	607	875	25,950	0	187	20,099	255	0	4,193	0	44	105,700
6	Heirs Holdings Oil and Gas Limited	17	8,503	829	195	1,059	0	0	0	0	0	0	0	0	1,923	0	0	1,274	5,190	0	723	0	243	19,939
7	MPNU	67, 68, 70 & 104	303,570	6,893	436	21,180	0	0	562,470	10,883	9,455	0	39,521	6,679	39,765	0	1,436	32,607	2,692	0	0	0	6,949	1,044,536
8	SEPLAT PETROLEUM DEVELOPMENT COMPANY	4, 38, 41 & 53	84,381	8,870	641	15,067	0	0	3,475	6,996	1,960	0	12,160	0	19,085	0	385	14,398	591	0	9,515	0	64	177,589

Table 43 -Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
		17, 20-23, 25, 27, 28, 31-33, 35, 36, 43, 45, 46, 74, 77, 79																						
10	TotalEnergies EP Nigeria Limited (TEPNG)	58, 99, 100, 102, 112/117, 136	287,683	5,092	293	5,710	0	0	208,008	15,709	17,500	0	11,387	15,126	50,643	0	1,649	54,428	0	0	0	0	2,083	675,312
	Total- JV		**1,488,727**	**61,734**	**4,609**	**71,403**	**10**	**0**	**958,622**	**107,773**	**54,308**	**22,876**	**142,474**	**41,460**	**291,399**	**219,181**	**6,015**	**301,451**	**10,802**	**1,838**	**116,964**	**0**	**21,768**	**3,923,412**
	Production Sharing Contract (PSC)																							
1	Addax Petroleum Dev. Nig. Ltd	123 & 124	83,511	0	267	16,748	0	0	76,104	0	2,518	0	3,221	1,161	5,255	0	30	3,479	323	0	3,269	0	4	**195,890**
2	Addax Petroleum Exploration	126	0	0	0	58	0	0	0	0	610	0	1,374	180	506	0	0	748	0	0	0	0	0	**3,476**

Table 43 -Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
3	Enageed limited	148	0	0	0	0	0	0	0	60	0	0	0	0	1,949	0	0	0	0	0	0	0	0	**2,009**
4	Equinor Nigeria	128	224,016	544,364	195	0	0	0	343,179	0	10,369	0	6,096	50	26,131	0	236	802	10	0	0	0	6	**1,155,453**
5	Esso E & P Offshore Nig Ltd	138	175,030	0	495	15,954	460	0	0	0	5,507	0	7,800	467	3,685	0	237	2,245	7	0	0	0	0	**211,887**
6	Esso E&P Nig Ltd	133	304,317	0	248	12,769	0	0	275,149	0	10,807	0	7,217	1,741	7,989	0	408	7,817	0	0	0	0	775	**629,234**
7	Famfa Oil Ltd	127	0	0	0	0	0	0	0	0	0	0	0	0	323	0	262	418	0	0	741	0	5	**1,748**
8	NAE	134 & 125	38,579	0	242	12,001	20	0	0	0	1,435	0	1,429	723	5,977	0	602	4,209	46	0	1,001	0	251	**66,515**
9	Nexen Petroleum Nig. Ltd	138	0	0	0	0	0	0	0	0	0	0	0	0	16	0	147	1	6	0	6	0	1	**177**
10	Panocean Oil Nig	147	5,560	0	299	0	0	0	100	0	0	0	0	0	150	0	0	0	0	0	0	0	15	**6,124**
11	SEEPCO		111,545	0	58	26	0	0	0	0	0	0	500,100	813	424	0	0	315	0	0	152	0	0	**613,434**
12	SGORL	146	40,009	0	6	1	0	0	0	0	0	0	1,251	415	38	0	0	53	0	0	11	0	0	**41,784**
13	SNEPCO	118	492,225	0	481	20,457	446,502	0	404,509	0	20,428	0	23,271	3,961	29,531	0	1,157	17,139	45	0	0	0	350	**1,460,056**
14	Star Deep Water Petroleum Ltd	127	272,258	0	182	25,913	0	0	572,459	0	17,132	0	10,622	1,279	20,530	0	0	12,371	53	0	0	0	0	**932,798**
15	Sterling Exploration Limited	143	0	0	36	0	0	0	0	0	0	0	0	0	22	0	0	17	0	0	0	0	0	**74**

Table 43 ~Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
16	Sterling Global Exploration		0	0	22	0	0	0	0	0	0	0	0	0	31	0	0	28	0	0	0	0	0	**80**
17	Sterling International		0	0	36	0	0	0	0	0	0	0	0	0	22	0	0	0	0	0	0	0	0	**58**
18	TotalEnergies Upstream Nigeria Limited	130	471,935	2,871	462	3,768	0	0	315,064	8,270	55,427	0	17,878	5,567	25,731	0	1,734	77,704	0	0	0	0	72	**986,484**
	Total- PSC		**2,218,986**	**547,235**	**3,027**	**107,695**	**446,982**	**0**	**1,986,565**	**8,330**	**124,233**	**0**	**580,259**	**16,355**	**128,308**	**0**	**4,812**	**127,345**	**490**	**0**	**5,179**	**0**	**1,479**	**6,307,280**
	Marginal Fields (MF) and Sole Risks (SR)																							
1	All Grace Energy	17	253	0	0	299	0	0	0	60	0	0	0	0	150	0	7	27	0	0	64	0	26	886
2	AMNI International	112 & 117	20,569	0	75	6,318	0	0	740	0	310	0	71	0	4,932	0	191	6,211	42	0	4	0	5	39,470
3	Brittania-U	90	832	0	0	0	0	0	0	0	22	0	182	0	1,213	0	30	117	2	0	8	0	2	2,408
4	Chorus Energy	56	290	9	0	1,256	0	0	8	331	5	0	0	0	239	0	7	156	0	0	20	0	54	2,374
5	CNOOC	130	0	0	0	0	0	0	0	0	0	0	14,555	0	121	0	2,297	109	29	0	316	0	15	17,442
6	CONOIL	59	43,190	0	563	5	0	0	17,638	0	0	0	500	500	854	0	0	261	0	0	0	0	0	63,511

Table 43 -Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
7	Continental Oil	59	35,085	0	146	35,085	0	0	21,310	0	0	0	500	0	0	0	0	132	0	0	0	0	0	92,259
8	Dubril Oil	96	0	0	0	0	0	0	0	13	0	0	88	0	15	0	0	1	0	0	0	0	0	116
9	Elcrest Exploration	40	18,561	0	0	0	0	0	0	0	0	0	0	40	3,591	0	35	2,904	136	0	0	0	71	25,338
10	Energia Limited	56	2,387	0	0	4,320	0	0	1,370	0	297	0	185	265	2,322	0	0	1,506	129	0	437	0	12	13,229
11	Excel Exploration	46	441	0	0	4	0	0	209	0	0	0	0	0	318	0	16	392	0	0	0	0	27	1,407
12	First Hydrocarbon	26	18,480	0	0	0	0	0	0	20	1	0	0	0	712	0	98	201	12	0	1,540	0	6	21,071
13	Frontier	13	660	0	0	401	0	0	0	0	0	0	612	4	1,738	0	25	1,106	124	0	385	0	5	5,061
14	Green Energy	11	1,660	0	0	472	10	0	1,006	0	106	0	750	0	109	0	63	103	0	0	124	0	7	4,410
15	Lekoil		1,182	0	0	330	0	0	499	0	337	0	0	0	152	0	34	5,222	0	0	0	0	0	7,756
16	Midwestern Oil & Gas	56	8,300	0	0	2,300	0	0	0	0	547	0	0	317	10,925	0	358	6,708	0	0	0	0	30	29,485
17	Millenium Oil & Gas	11	0	0	0	0	0	0	0	0	0	0	0	0	72	0	0	24	0	0	0	0	0	96
18	Moni Pulo Ltd	114	6,311	0	70	94	0	0	0	0	0	0	1,000	2	821	0	41	808	12	0	44	0	224	9,428
19	NAOC	60, 61, 62 & 63	66,099	7,506	0	7,229	0	0	23,141	41,135	3,472	2,397	6,836	3,367	24,834	0	286	35,576	936	0	0	0	5,150	227,965

Table 43 -Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
20	NDPR	54	4,149	516	0	40	0	3,100	0	63	32	0	769	445	3,197	0	117	2,841	67	0	0	0	51	15,387
21	ND-Western	34	32,200	11,935	0	0	0	0	9,877	29,825	3,250	0	0	0	297	0	73	1,215	512	0	0	0	25	89,209
22	Neconde Energy	42	133,584	0	0	0	3	0	0	0	0	0	0	0	50	0	45	38	43	0	0	0	0	133,763
23	Network Exploration & Production	13	876	0	0	317	0	0	0	0	0	0	0	0	141	0	40	67	14	0	0	0	0	1,456
24	Newcross E&P Ltd	24	37,479	0	24	0	11	0	0	40	59	0	775	0	1,438	0	0	954	0	0	0	0	196	40,976
25	Newcross Petroleum Limited	67 & 115	0	0	0	0	0	0	1,200	0	0	0	200	0	71	0	0	76	0	0	125	0	0	1,672
26	NPDC	26, 30, 34, 40, 42, 65, 60-63, 111, 116, 119, (4,38,41)	391,870	1,962	324	0	0	40,000	53,651	55,000	0	0	17,454	1,977	29,903	0	0	25,172	0	0	0	0	0	617,313
27	Oando Oil Ltd	60, 61, 62 & 63	33,479	5,487	0	4,904	0	0	0	0	0	0	0	0	0	0	95	0	0	0	0	0	0	43,966
28	Oriental Energy		15,166	0	0	937	300	0	3,805	0	743	1,289	1,305	1,429	8,234	0	270	5,577	0	0	0	0	0	39,057

Table 43 ~Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
29	Pillar Oil	56	1,191	0	0	207	0	0	4,360	0	181	0	269	176	1,201	0	87	826	22	0	0	0	34	8,555
30	Platform Petroleum Ltd	38	1,759	47	0	2,951	0	0	0	1,120	131	0	254	122	1,069	0	71	750	0	0	0	0	60	8,334
31	Prime 127	127	0	0	0	0	0	0	0	0	0	0	0	3	35	0	152	16	0	0	0	0	0	207
32	Prime 130	130	0	0	0	0	0	0	0	0	0	0	0	2	16	0	762	1	10	0	0	0	258	1,049
33	Shoreline Natural Res. Ltd	30	30,000	0	0	0	0	0	0	604	0	0	0	0	92	0	77	591	0	0	1,336	0	15	32,714
34	South Atlantic Pet. Limited	130	0	0	97	0	0	0	0	0	0	0	0	0	621	0	535	647	0	0	0	0	9	1,909
35	Summit Oil	142	0	0	0	0	0	0	0	0	0	0	0	0	109	0	0	74	0	0	0	0	6	189
36	Suntrust Oil	56	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	1	0	0	0	0	10	21
37	Texaco Nig. Outer Shelf Ltd	128, 129 132	0	0	0	0	0	0	0	0	0	0	0	2	124	0	0	33	10	0	0	0	258	428
38	Universal Energy Ltd	14	1,467	0	0	280	0	0	0	0	0	0	146	95	204	0	0	134	0	0	201	0	0	2,526
39	Watersmith Petroman	16	700	0	0	1	0	0	1,914	0	387	0	175	0	567	0	11	2,361	0	0	0	0	0	6,116
40	Yinka Folawiyo Petroleum	113	3,032	0	0	2,310	120	80	0	0	1,305	0	0	16	646	0	36	249	0	0	0	0	7	7,801
	TOTAL MF & SR		**911,256**	**27,462**	**1,299**	**70,061**	**444**	**43,180**	**140,729**	**128,210**	**11,184**	**3,686**	**46,627**	**8,762**	**101,144**	**0**	**5,861**	**103,187**	**2,102**	**0**	**4,604**	**0**	**6,562**	**1,616,360**

Table 43 ~Summary of Revenue Streams by Company

	Covered Entities	License	Royalty (Oil)	Royalty (Gas)	Concession Rental	Gas Flare Penalty	Licence fee & Acreage rentals	Signature Bonus	Petroleum Profits Tax (PPT)	Company Income Tax (CIT)	Education Tax	Capital Gain Tax (CGT)	NDDC Levy	NCDMB Payments	Value Added Tax	Transportation Fee	NESS Fees	Withholding Tax (FIRS)	Withholding Tax (STATES)	Pay As You Earn (PAYE) FIRS	Pay As You Earn (PAYE) STATES	NNLG - Dividend	Miscellaneous Income	Total
			$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)	$'(000)
	Ventures (JV)																							
	Others																							
1	AENR	116	0	0	0	0	0	0	0	1,175	78	0	0	105	13	0	1	4	0	0	0	0	0	1,377
2	NLNG		0	0	0	0	0	0	0	330,877	35,933	0	27,658	0	44,623	0	0	155,396	426	0	0	722,596	0	1,317,509
3	NNPC		222,792	0	0	0	0	0	308,146	36,227	0	0	0	0	0	0	0	0	0	0	0	0	1,215,144	1,782,309
	Total - Others		**222,792**	**0**	**0**	**0**	**0**	**0**	**308,146**	**368,279**	**36,011**	**0**	**27,658**	**105**	**44,636**	**0**	**1**	**155,400**	**426**	**0**	**0**	**722,596**	**1,215,144**	**3,101,194**
	Summary																							
	Total - JV		1,488,727	61,734	4,609	71,403	10	0	958,622	107,773	54,308	22,876	142,474	41,460	291,399	219,181	6,015	301,451	10,802	1,838	116,964	0	21,768	3,923,412
	Total - PSC		2,218,986	547,235	3,027	107,695	446,982	0	1,986,565	8,330	124,233	0	580,259	16,355	128,308	0	4,812	127,345	490	0	5,179	0	1,479	6,307,280
	Total - MF & SR		911,256	27,462	1,299	70,061	444	43,180	140,729	128,210	11,184	3,686	46,627	8,762	101,144	0	5,861	103,187	2,102	0	4,604	0	6,562	1,616,360
	Total - Others		222,792	0	0	0	0	0	0	332,051	36,011	0	27,658	105	44,636	0	1	155,400	426	0	0	722,596	1,215,144	2,534,029
	Total		**4,841,760**	**636,430**	**8,935**	**249,159**	**447,436**	**43,180**	**3,394,061**	**612,593**	**225,736**	**26,562**	**797,019**	**66,683**	**565,487**	**219,181**	**16,689**	**687,382**	**13,819**	**1,838**	**126,747**	**722,596**	**1,244,952**	**14,948,247**

4.5. Summary of Revenue Collection from the Oil and Gas Sector

The total revenue from the oil and gas sector in 2021 from the 23 revenue streams was US$ 23,046,088,000 and the breakdown of the collections is shown in Table 44 below. There was an increase of 12.82% in total revenue collections when compared with the 2020 revenue of US$20,430,387,000. Total collections from sales of crude oil, gas and feedstock was $12,560,268,000 representing 54.50% of the total collections compared to 52.78% in 2020.

There was an increase in in-kind payments from US$2,191,281,000 in 2020 to US$3,895,261,000 in 2021. This increase of 77% was as a result of more production from PSC operations and other alternative funding arrangements than cash call funded JVs.

Table 44 - Summary of Revenue Collection from the Oil and Gas Sector

Description	2021 US$ 000	2020 US$ 000	% Change
SALES OF FEDERATION CRUDE OIL AND GAS			
Proceeds from the sales of Federation Export crude oil (Less Royalty & taxes paid by NNPC on behalf of the Federation)	4,798,817	4,373,676	10%
Proceeds from the sales of domestic crude oil	5,851,714	5,026,027	16%
Proceeds from the sales of profit oil	90,470	161,061	-44%
Proceeds from the sales of Federation equity gas	648,441	713,391	-9%
Proceeds from the sales of Feedstock	603,661	508,917	19%
Total Sales of Federation Crude Oil and Gas (i)	**11,993,103**	**10,783,072**	**11%**
*PSCs / MCAs In-Kind Payments			
Petroleum Profit Tax - PSCs	1,515,287	1,192,013	27%
Royalty (Oil) - PSCs	1,946,728	582,358	234%
Concession rentals- PSCs	2,606	183	1324%
Petroleum Profit Tax - SC	20,913	-	100%
Royalty (Oil) - SC	13,119	-	100%
Petroleum Profit Tax- MCAs	115,574	248,419	-53%
Royalty Oil – MCAs & RA	262,536	153,426	71%
Company Income Tax (CIT) Feedstock- MCAs	8,989	10,096	-11%
Royalty Feedstock – MCA	2,255	2,575	-12%
EDT Feedstock- MCA	-	1,579	0%
EDT Oil- MCA	7,254	632	1048%
Total PSCs /MCAs/ Other in-Kind Payments (ii)	**3,895,261**	**2,191,281**	**78%**
Subtotal (A)=(i)-(ii)	**8,097,842**	**8,591,791**	**-6%**
Other Specific Financial Flows to the Government			
Petroleum Profit Tax	3,394,061	3,273,564	4%
Royalty (Oil)	4,841,760	4,639,138	4%
Royalty (Gas)	636,430	277,690	128%
Flare Gas Payment (FGP)	249,159	256,985	-3%
Concession Rentals	8,935	9,873	-9%
Miscellaneous Income	1,244,952	293,687	324%
Transportation Revenue	219,181	121,178	81%
Signature Bonus & License Renewal	490,616	333,858	47%
Total Other Specific Financial Flows to Government (iii)	**11,085,096**	**9,205,973**	**20%**
Other Flows to Government			
Company Income Tax	612,593	268,839	128%
Value Added Tax	565,487	491,581	15%
Dividend from NLNG	722,596	545,133	33%
Capital Gain Tax	26,562	54,413	-51%

Table 44 - Summary of Revenue Collection from the Oil and Gas Sector

Description	2021 US$ 000	2020 US$ 000	% Change
Withholding Tax	701,201	436,134	61%
Education Tax	225,736	404,011	-44%
Total Other Flows to Government (iv)	2,854,174	**2,200,111**	30%
Subtotal (B)=(iii)+(iv)	13,939,271	**11,406,084**	22%
Flows to other Entities			
Niger Delta Development Commission (NDDC) 3% Levy	797,019	289,676	175%
Nigerian Content Development and Monitoring Board (NCDMB) Levy	66,683	77,475	-14%
NESS Fee	16,689	65,349	-74%
Pay as You Earn (States)	128,585	12	10714 41%
Subtotal (C)	**1,008,976**	**432,512**	**133%**
Grand Total (A)+(B)+ (C)	**23,046,088**	**20,430,387**	**13%**

The sum of US$23.046billion, which represents the total crude oil and gas revenue shown in the Table above, was expected to be remitted to the Federation for 2021. However, NLNG dividend of US$722.596million, miscellaneous revenue of US$859,583 and transportation revenue of US$24.332million which all form part of the total revenue reported were not remitted to the Federation Account.

In addition, a total sum of US$4.786million out of the sum of US$797.019million shown in the Table above as NDDC levy was reconciled with CBN, being payments made to the Economic and Financial Crimes Commission (EFCC) that carried out recovery on behalf of NDDC in 2021. Companies also confirmed that NDDC payments were made into the account of EFCC for subsequent periods from 2021.

There was no disclosure of volumes of transported commodities through the pipelines in accordance with EITI requirement. However, some information on crude handling charges and tariffs were provided but the information was inadequate for an independent computation of crude transportation fees. See Appendix 16 for details.

4.6. Ten-Year Trend of Total Financial Flows

The total amount of revenue received from the Oil and Gas Sector in 2021 was US$23.046billion, which is about 12.82% higher than that of 2020. Table 45 below shows the trend of total financial flows from 2012 to 2021.

Table 45 - Ten-year Aggregate Financial Flows

YEAR	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	TOTAL
	US$' B	US$' B	US$' B	US$' B	US$' B	US$' B	US$' B	US$' B	US$' B	US$' B	US$' B
Total	62.844	58.080	54.555	24.791	17.055	20.988	32.626	34.218	20.430	23.046	348.633
Change ($' billion)	(5.598)	(4.764)	(3.525)	(29.764)	(7.736)	3.933	11.638	1.592	(13.789)	2.616	-
% Change	-8.18%	-7.58%	-6.07%	-54.56%	-31.20%	23.06%	55.45%	4.88%	-40.29%	12.80%	

Source: 2012-2020 NEITI Reports and NEITI 2021 Templates

4.7. Distribution of Revenues from the Oil and Gas Sector

The total sum of US$23.046billion revenue from the Oil and Gas sector was inclusive of deductions made by NNPC from the sale of Federation crude oil and gas prior to remittance to the Federation Account, amount unremitted by NNPC as at year end and payments made directly to Sub-national entities. The analysis and distribution of total revenue collections is shown in the Table 46 below;

Table 46– Analysis of Total Revenue and Remittance to the Federation

ANALYSIS OF TOTAL REVENUE COLLECTION AND REMMITTANCE TO THE FEDERATION IN 2021				
	US$'000	US$'000	US$'000	%
TOTAL REVENUE			23,046,088	100%
DEDUCTIONS AT FAAC				
JV Cost Recovery	3,524,190			15.29%
Pipeline Maintenance and Holding Cost	75,505			0.33%
Crude Oil and Product Losses	42,404			0.18%
Product Subsidy/Value Loss	3,030,761			13.15%
Government Priority Projects	258,425			1.12%
TOTAL DEDUCTIONS AT FAAC (A)		6,931,285		30.08%
SUB NATIONAL PAYMENTS				
NDDC	797,019			3.46%
NCDMB	27,301.00			0.12%
NESS	10,724.00			0.05%
PAYE (STATES)	128,585			0.56%
TOTAL SUBNATIONAL PAYMENTS (B)		963,629		4.18%
AMOUNT UNREMMITTED BY NNPC '(C)		1,951,115		8.47%
TOTAL DEDUCTIONS (A+B+C)			9,846,029	42.72%
AMOUNT TRANSFERRED TO FEDERATION			13,200,059	57.27%
TOTAL REVENUE			23,044,126	100%

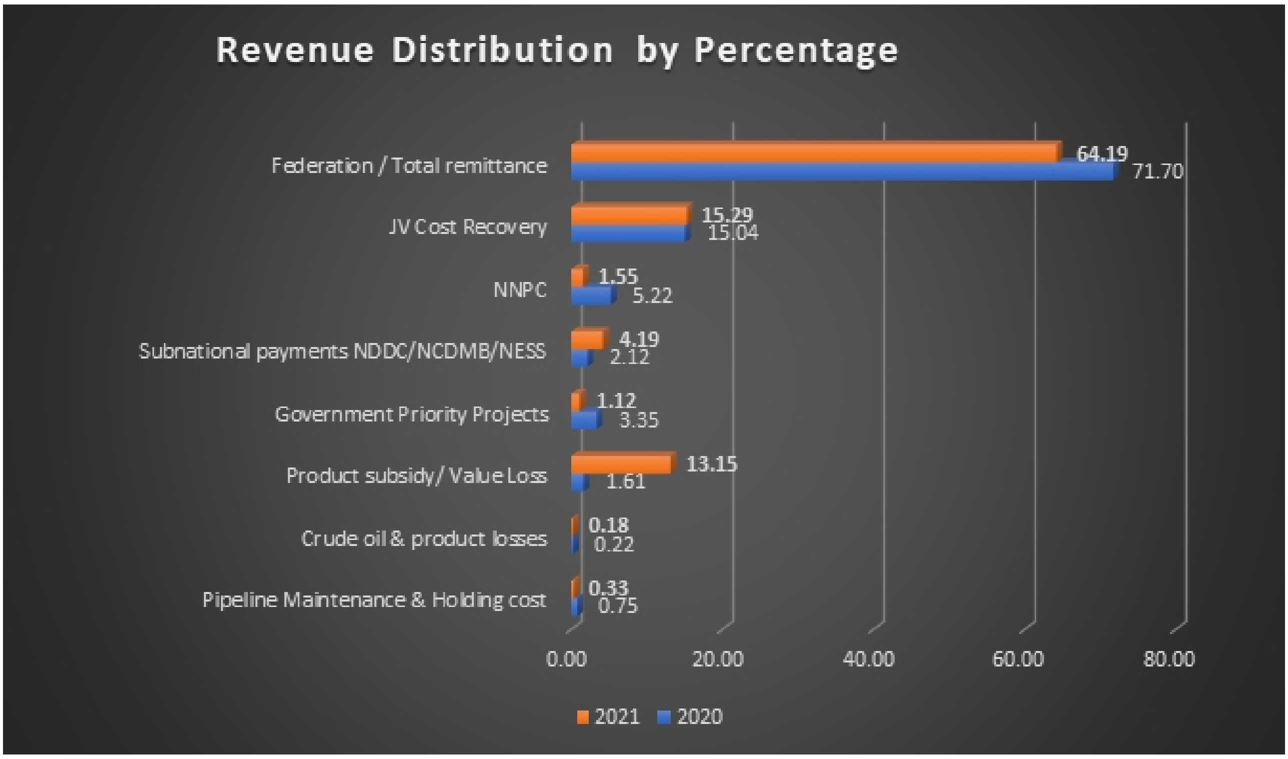
The Table above shows the total deductions made by NNPC and approved at FAAC as US$6.931billion. This amount includes PMS subsidy, which is described as "NNPC value loss" in NNPC's report to FAAC and this is in the sum of US$3.031billion (N1.16 trillion) which is about 13.15% of total revenue or approximately 40.42% of total deductions by NNPC at FAAC.

The total unremitted revenue in the accounts of NNPC which were mentioned earlier in Sections 4.2 and 4.5 of this report and shown in the Table above is in the total sum of US$1.951billion and made up of the following:

- US$286.423million unremitted export crude sales.
- US$871.145million unremitted domestic crude sales
- US$722.596million LNG dividend.
- US$859,583 miscellaneous revenue.
- US$24.332million transportation revenue.
- US$45.758million unremitted domestic gas proceeds.

The portion of total revenue that was eventually available for sharing by the Federation in accordance with the revenue allocation formula is in the sum of US$13.200billion representing 57.27% of total revenue collected compared to 71.70% in 2020. See figure 11 below for a pictorial representation and comparison of 2020 and 2021 revenue distributions.

Figure 13 - Revenue Distribution

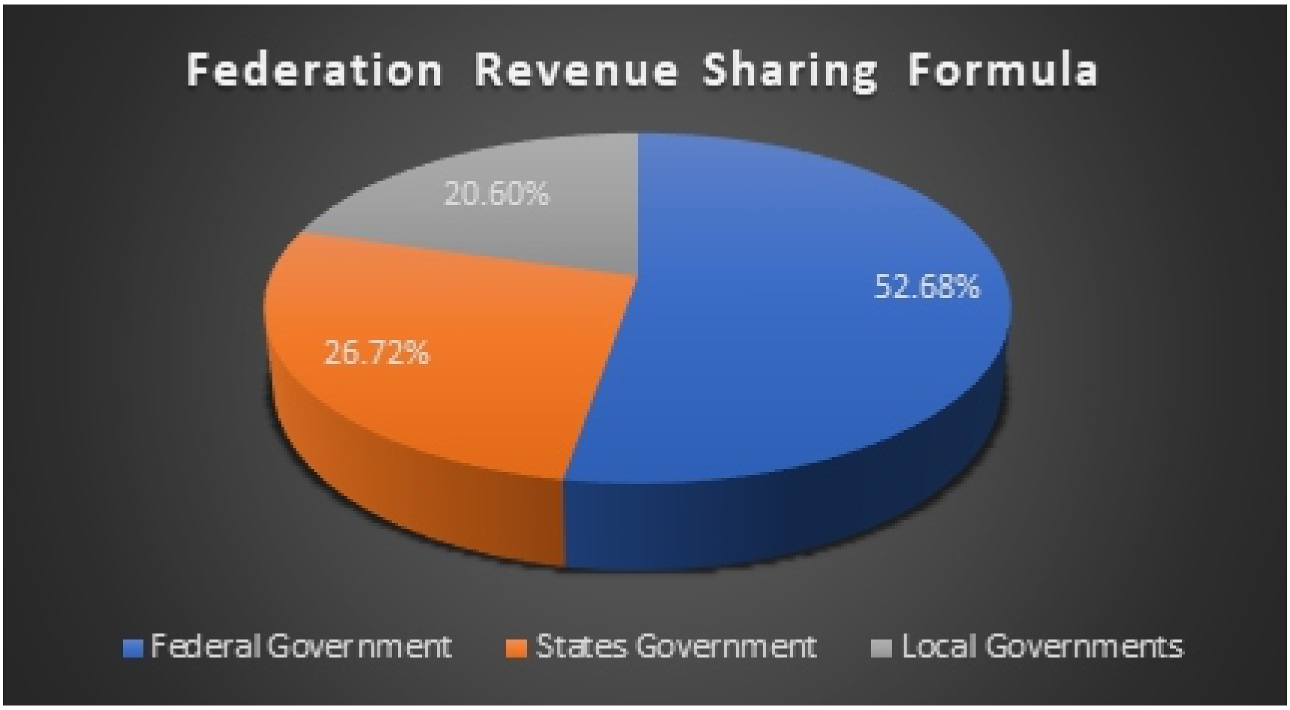


Sources: NEITI 2021 /Office of the Accountant General of the Federation / FAAC

The amount available for the Federation Account in 2021 was shared under the subsisting Revenue Sharing Formula in which the federal government takes 52.68%, the states, 26.72% and the local governments, 20.60 % while 13% derivation revenue goes to the oil producing states as a first line charge before revenue sharing amongst the three tiers of government. It is important to note that the 13 percent derivation is supposed to be a first line charge on total revenue in accordance with the Section 162 of Nigerian Constitution, prior to deductions and not on balance of revenue, after deductions. The oil-producing states are Abia, Akwa Ibom, Bayelsa, Delta, Edo, Imo, Lagos, Ondo and Rivers.

Further details on revenue allocation and disbursement can be found here[37].

Figure 14 - Federation Revenue Sharing Formula



4.8. Outstanding Liabilities Due to the NUPRC and FIRS

A compilation of outstanding financial liabilities due to the Federation from covered entities was carried out with respect to FIRS and NUPRC revenues. The total amount payable to FIRS as outstanding taxes as at 31st July, 2023 was US$13.591million while the total amount of outstanding Federation revenue payable to NUPRC as at 31st December, 2022 was US$8.251billion (See Appendix 17 for more details). Over 80% of these outstanding liabilities are owed by NNPCL. Table 47 below shows the summary of outstanding liabilities due to the NUPRC and FIRS.

[37] Revenue Allcation and Distribution - https://neiti.gov.ng/revenue-allocation

Table 47 - Summary of Outstanding Liabilities payable to the NUPRC and FIRS

Revenue streams	NUPRC	FIRS
	As at 31st December, 2022 (F'$)	As at 31st July, 2023 (F'$)
Oil Royalty	6,858,849,179	-
Gas Royalty	559,778,573	-
Gas Flare Payment	828,827,628	-
Concession Rental	3,050,702	-
PPT	-	9,445,912.29
CIT	-	532,508.59
Late Return Penalty	-	75,705.56
EDT	-	580,472.38
VAT	-	1,354,148.39
WHT	-	1,601,860.89
Total Liabilities	8,250,506,083	13,590,608.11

4.9. Observations, Findings and Recommendation

Observations and Findings

1. The total outstanding taxes payable to FIRS as at 31st July, 2023 was US$13.591million while the total amount of outstanding Federation revenue payable to NUPRC as at 31st December, 2022 was US$8.251billion. The non-payment of these funds as at when due is a constraint on revenue flow to the Federation.
2. There was a collaboration between the EFCC and NDDC in the recovery of outstanding NDDC levies. However, there will be a need for further reconciliations of payments made by companies to EFCC to determine amounts recovered and amount outstanding (if any) in the EFCC account because the NDDC could not provide independent records of such payments.
3. The sum of US$7.61million from OML 116 operated by NPDC and which forms part of the Federation export crude value was not remitted to the federation.
4. The practice of computing the 13% derivation on the balance of revenue after deductions from total collections is contrary to the provisions of Section 162 of Nigerian Constitution.

Recommendations

1. Companies should promptly pay outstanding liabilities while the respective government agencies are to intensify efforts to recover the debt.
2. NNPC Ltd. should transparently disclose and account for NLNG payments in the Corporation's Financial Statements.
3. All revenues collected by NNPC on behalf of the Federation should be promptly remitted into the Federation Account.
4. NNPC Ltd. and the Companies should transparently provide the basis of transportation revenue as required by the EITI and also remit the outstanding amount unpaid to the Federation Account.
5. NDDC should step up in its statutory role of prompt collection of NNDC levy, while EFCC should render accounts of all NDDC levy recoveries.
6. NNPC Group should remit outstanding amount due to the Federation.
7. The practice of computing the 13% derivation on the balance of revenue after deductions from total collections should be discontinued. Rather, the 13% derivation should be based on total collections for the relevant period.

CHAPTER **FIVE**

CASH CALLS

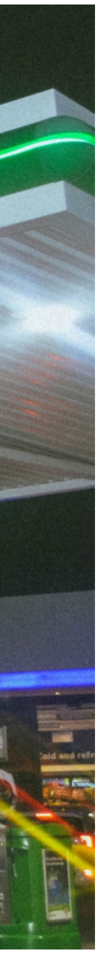
CHAPTER
FIVE

CASH CALLS

5.1. Cash-Call Management

Cash-Call is the amount paid to fund production operations in a joint venture arrangement. The amount paid by the partners in the JV is in proportion to the individual partner's equity holdings as stated in the Joint Operating Agreement. The amount is paid into a Joint Operating Account maintained by the Operator of the Joint venture. Federation's interests in a Joint Venture are administered by the NNPC through its upstream investment arm, the National Petroleum Investment Management Services (NAPIMS) that is now known as NNPC Upstream Investment Management Services (NUIMS) following the passage of Petroleum Industry Act (PIA).

5.2. Joint Venture (JV) Partners



NNPC operates joint venture relationships with some oil companies in the exploration and production of Nigeria's oil reserves. NUIMS is charged with the management of the Nigerian Federation's investment in the Oil and Gas Joint Venture Operations with the Oil Companies and the Nigerian oil companies.

NUIMS receive cash call funding from the government as participating interest contributions in the Joint Venture relationship with IOCs and NOCs for exploration and production activities.

There were 12 Joint Venture relationships with NNPC in 2021 and this is inclusive of the new Joint Venture operation with Heirs Holdings Oil and Gas Ltd., which was introduced in 2021 with equity sharing ratio of 60% to NNPC and 40% to Heirs Holdings. The 2020 NEITI audit reported 13 Joint Venture relationships with NNPC at the beginning of 2020 but 2 of the JVs (Panocean and Newcross JVs) were assigned to NPDC in the course of that year.

Further details of the JV partners and their equity holdings with NNPC can be found here.

5.3. Cash Call Process

Cash-calls are based on the Annual Work Programme of each Joint Venture Operation and covers diverse areas such as Exploration, Drilling, Production, Development, Construction, Engineering Facilities, Technical Materials, for both crude oil and gas, in addition to administrative overheads, referred to as OPEX.

The work programme, agreed in advance among the Joint Partners, is approved by their Operating Committees (OPCOM) as provided in the Joint Operating Agreement (JOA). The OPCOM is constituted in accordance with the JOA, which is the highest decision-making authority that is also charged with the overall supervision, control and direction of all matters pertaining to the Joint Operations. The Technical Committee (TECOM) reviews the work programme and budget presented by the Joint Venture Operator and makes recommendations to OPCOM for approval.

Cash Calls are initiated monthly by the JV Operator and served on NNPC Ltd and other Partners early enough to enable NNPC Ltd and all Partners including the Operators to lodge their equity portions of the Cash Calls into the JV Dollar and Naira Cash Call Bank Accounts on or before the 1st day of the Cash Call month.

Note, the custody and transactional authority over these Joint Operating Bank Accounts rests with the Operators and NNPC Limited has the responsibility to audit the accounts as the need arises.

The Key processes:

a. Budget Preparation and Approval
b. Payment Process and Mandate Approval

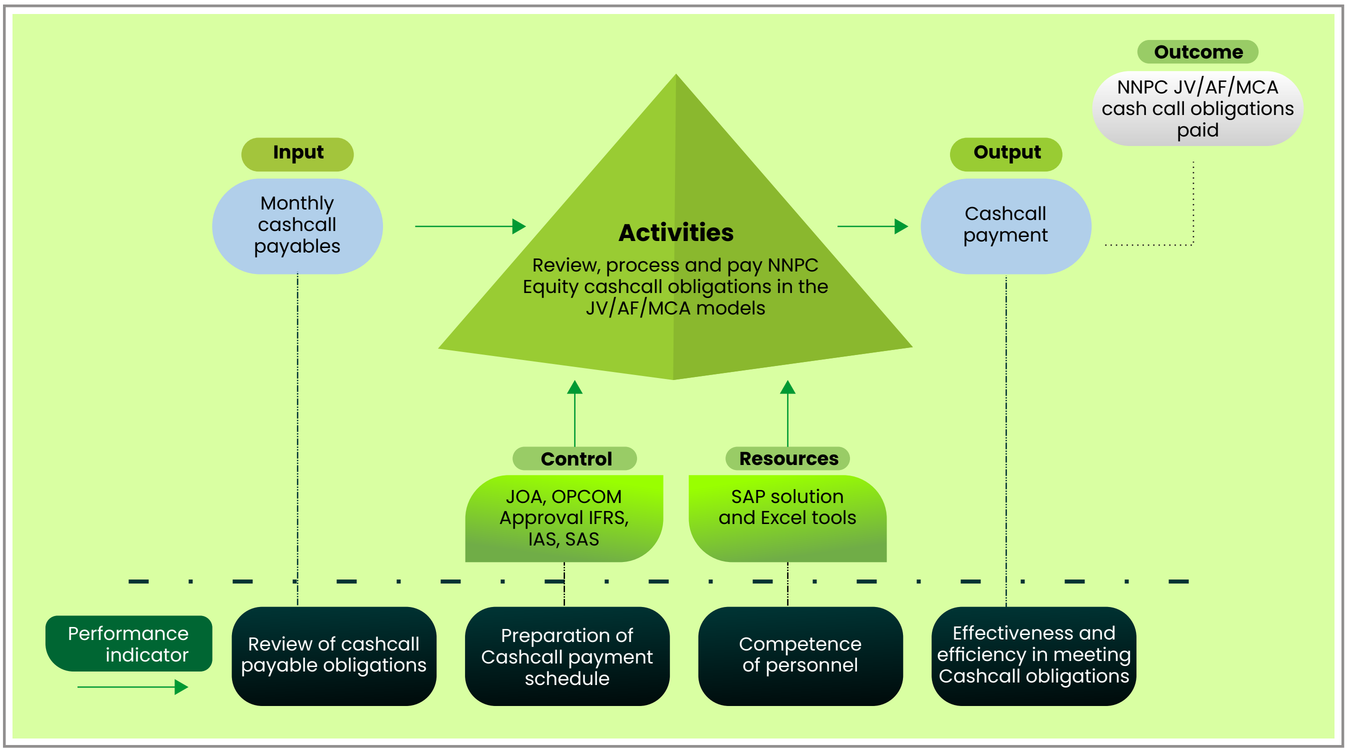
5.3.1. NAPIMS' Cash Call Payment Process

The NNPC cash call Payment Process as described by NUIMS are stated below:

1. Cash-Call Committee (CashCom) across various Divisions of NAPIMS and the JV Operators, reviews monthly cash-call payables as per Cash-Call Procedure, to ascertain each party's cash-call obligations for the funding of JV operations.
2. After the review, Cashcom members sign-off on the agreed figures of their various lines/Sub committees (Subcoms)
3. The JV Finance Unit collates signed figures in the cash-call summary sheet and processes signed figures.
4. The General Manager, Finance and Accounts Department of NAPIMS prepares a memo for the Group General Manager of NAPIMS for the endorsement of the Chief Operating Officer (Upstream) and subsequent approval for payment by the NNPC Group Managing Director.
5. Upon receipt of the approval of the GMD, JV Finance prepares payment Mandates to CBN for payment of NNPC's share of the various JV cash-call obligations.
6. CBN Pays NNPC share of the various JV cash-call obligations on receipt of NNPCs mandate.

AF/ MCA cash-calls are also paid by the carry partner based on authorized NNPC Mandate letter

Figure 15 - Cash-call payment process



Source: NUIMS

The figure above, describes the process by which disbursements are made from the NNPC Cash Call Naira and dollar accounts to the JV Operators' accounts.

5.3.2. Cash Call Budget for 2021

The total budget for Exploration and Production (E&P) approved by OPCOM based on Joint Venture (JV) work program presentations by the individual Operators was in the sum US$7.594billion as shown in the Table below.

Table 48 - OPCOM Approved Budget for Joint Venture Operation

S/N	Name of Company / Joint Venture	Total OPCOM Approved Budget		
		Source Naira	Source Dollar	Equivalent Dollar @ $1/N379
		₦'000	$'000	F$'000
1	**AITEO**			
	NNPC / AITEO OML 29 JV	130,772,462.16	282,723.18	627,769.25
2	**AMNI**			
	NNPC / AMNI OML 52 JV	828,004.14	1,650.18	3,834.89
3	**BELEMA**			
	NNPC / BELEMAOIL JV	19,644,258.35	23,661.64	75,493.45
4	**CHEVRON**			
	NNPC / CNL JV	254,461,150.00	563,510.00	1,234,911.00
5	**FIRST EP**			
	NNPC / FIRST EP OML 83 - 85 JV	45,665,796.22	141,772.65	262,262.87
6	**HEIRS HOLDINGS**			
	NNPC / HHOG OML 17 JV	35,237,016.91	108,631.54	201,605.19
7	**MOBIL**			
	NNPC / MPNU JV	254,140,333.00	724,399.00	1,394,954.00
8	**SHELL**			
	NNPC / SPDC / TEPNG / NAOC JV	425,016,564.77	1,041,194.39	2,162,933.44
	NNPC / SPDC / TEPNG / NAOC / BELEMA JV	1,659,168.92	878.32	5,256.07
	NNPC / SPDC / TEPNG / NAOC / SEPLAT JV	10,522,569.31	28,271.76	56,035.80
9	**SEPLAT**			
	NNPC / SEPLAT JV	15,099,344.49	37,300.12	77,139.56
10	**TEPNG**			
	NNPC / TEPNG / MPNU AMENA / KPONO UNIT	184,411,529.00	425,852.00	912,424.00
11	**WAEP**			
	NNPC / WAEP OML71 / OML72	73,273,962.10	218,239.20	411,574.20
12	**EROTON**			
	NNPC / EROTON / SAHARA / BILTON JV	35,479,811.00	73,231.00	167,391.00
	TOTAL (A)	**1,486,211,970.37**	**3,671,314.98**	**7,593,584.72**
	Non-Federation JV Budget			
	NPDC			
	NPDC - NNPC / CNL JV	2,436,175.23	4,460.72	10,888.62
	OGHAREKI / OKWEFE (OML 49/38)	2,186,361.64	4,704.14	10,472.91
	NNPC / SPDC / TEPNG / NAOC JV	5,393,321.98	13,065.18	27,295.58
	NNPC / SPDC / TEPNG / NAOC / NPDC / SNRL (UZERE EAST)	1,902,375.77	3,941.54	8,961.00
	NEWCROSS			
	NNPC / NEWCROSS EP JV	5,419,095.20	2,257.20	16,555.60
	TOTAL (B)	**17,337,329.82**	**28,428**	**74,173.71**
	TOTAL (A+B)	**1,503,549,300.19**	**3,699,743.76**	**7,667,758.43**

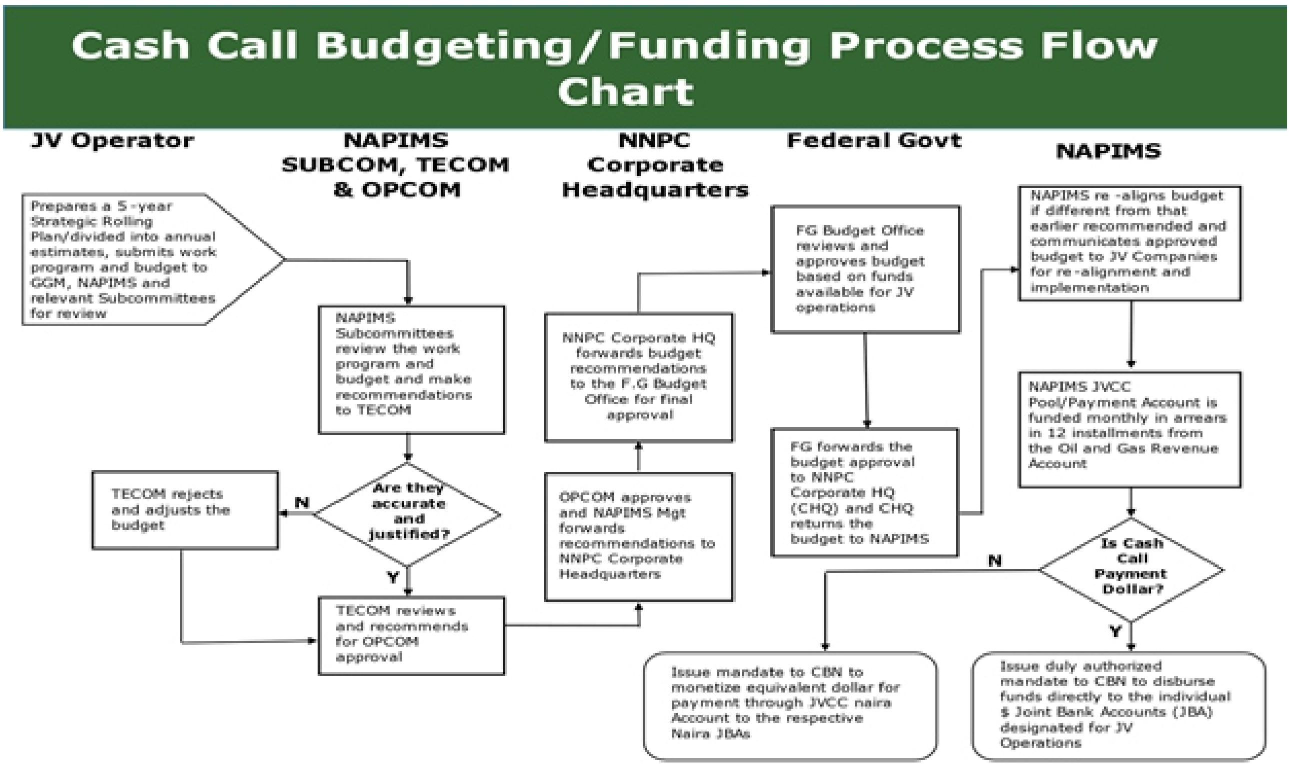
Source: NAPIMS/NEITI 2021 Template

Table 48 above shows the budgeted amounts for the individual operators. However, A total sum of US$74.173million was also budgeted for the OMLs that have already been taken over by NPDC, making a total budget of US$7.668billion as can be seen from the Table.

5.4. Cash–Call Funding

The basis of funding of Joint Venture cash-call is provided in the Joint Operating Agreement and contributed into the Joint Venture Account maintained by the JV operator. The Federation's contribution of the cash call is funded through Mandates raised by NAPIMS and approved by the NNPC Group Managing Director. The amount is paid from the JP Morgan Crude Oil and Gas Revenue account into the Joint Venture Naira Account maintained with CBN and CBN JV Cash Call Dollar Account maintained with Standard Chartered Bank. The funding process is outlined in figure 16 below:

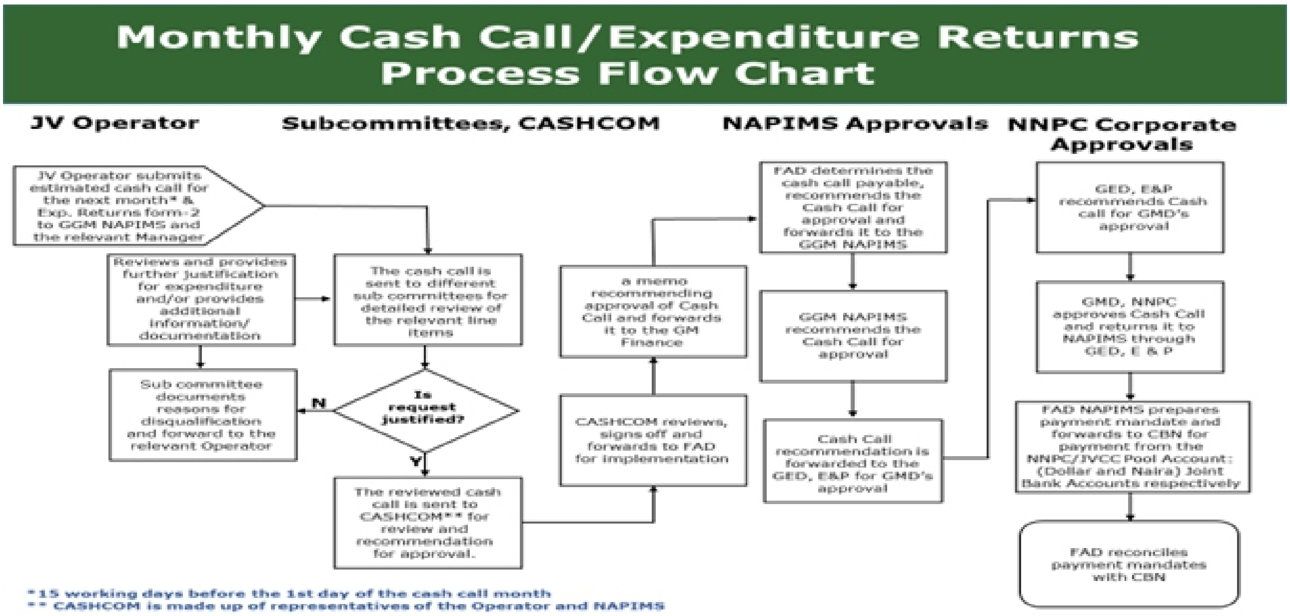
Figure 16 - Cash-call Budgeting/Funding Process Flow Chart



Source: NUIMS

Monthly cash call payment mandates raised from NAPIMS (now NUIMS) and approved by NNPC GMD are the source document for initiating the transfer of NNPC's cash call contribution from the CBN JVCC accounts into the Joint Venture Account. The monthly cash call process is stated below:

Figure 17- Monthly Cash-call/Expenditure Returns Process Flow Chart



Source: NUIMS

Table 49 below shows that the funds available for distribution in the Joint Venture Cash-Call Accounts in 2021 as US$3.868billion and this is made up of US$703million balance brought forward from 2020, Cash-Call funding by NNPC Group from Crude oil and domestic gas accounts in the sum of US$2.858billion of which US$1.531billion was paid into the Standard Chartered USD Account and US$1.326billion (N547.142billion) equivalent was paid into the CBN NNPC JVCC Naira Account.

The total NNPC cash call payments to the Joint Venture Partners in 2021 was $3.087billion of which $1.053billion was paid from the Standard Chartered USD Account and $2.034billion (N838.977billion) equivalent was paid from the CBN NNPC JVCC Naira Account.

Table 49 - Summary of Joint Venture cash-call bank accounts (2021)

Description	CBN NNPC Joint Venture Cash Call Account		Standard Chartered GBP Bulk Payment Account	Total
	₦'000	US$'000 Equivalent	US$'000	US$'000 Equivalent
	A	B	C	D = B + C
Opening Balance (a)	240,828,715.28	635,431.97	67,625.34	703,057.31
Inflow				-
2021 Cash Call Funding	547,142,233.11	1,326,437.57	1,531,211.48	2,857,649.05
Cash Call Monetization	93,278,150.00	226,134.33	-	226,134.33
FEP Carry Arrangement	-	-	78,771.56	78,771.56
Interest	-	-	43.09	43.09
Reversal	114,883.12	278.51	1,663.86	1,942.37
Subtotal- Inflow (b)	**640,535,266.23**	**1,552,850.41**	**1,611,690.00**	**3,164,540.41**
Total Funds available for distribution (c = a + b)	**881,363,981.51**	**2,188,282.38**	**1,679,315.34**	**3,867,597.72**
Outflow				
Cash Call Payments	838,977,324.55	2,033,933.73	1,053,286.43	3,087,220.16
Bank Charges	1,657.40	4.02	-	4.02
Gas Infrastructural Development	5,666,869.26	13,738.20	23,492.99	37,231.19
Renewable Energy Development (RED)	626,344.80	1,518.45	-	1,518.45
Frontier Exploration Services	19,866,691.09	48,162.84	15,980.00	64,142.84
NESS	3,275,603.52	7,941.05	-	7,941.05
VAT	573,796.89	1,391.06	1,321.04	2,712.10
WHT	485,499.09	1,177.00	1,042.57	2,219.57
NUIMS Operations	-	-	221,283.02	221,283.02
Cash Call Monetization	-	-	100,000.00	100,000.00
Cleared Balance	-	-	261,378.52	261,378.52
Reversals	114,883.12	278.51	1,525.65	1,804.16
Subtotal-Outflow(d)	**869,588,669.72**	**2,108,144.85**	**1,679,310.22**	**3,787,455.08**
Closing Balance (e = c-d)	**11,775,311.79**	**80,137.53**	**5.11**	**80,142.64**

Sources: CBN/NNPC Joint Venture cash call Naira account, 2021 Standard Chartered Bank JVCC Dollar Account statement, NNPC 2021 NUIMS Records. NEITI 2021 Audit Templates

Table 49 above shows the total NNPC cash call payments to the Joint Venture Partners in 2021 as US$3.087billion and of which US$1.053billion was paid from the Standard Chartered USD Account and US$2.034billion (N838.977billion) equivalent was paid from the CBN NNPC JVCC Naira Account.

NAPIMS overheads cost of US$221.283million shown in the Table above is considered high considering the position of the National Petroleum Policy gazette in December 2017.

5.5. Cash-Call to JV Operators

The total disbursements from the NNPC JVCC accounts in 2021 was US$3.087billion of which US$1.053billion was paid from the Standard Chartered USD Account and 838.977billion (US$2.034billion equivalent) equivalent was paid from the CBN NNPC JVCC Naira Account. However, not all payments relates to the funding of the 12 Federation JVs as can be seen from the analysis of dollar and Naira cash call payments in Table 50 below.

Table 50 - Cash-Call Payment (US$ and NGN Bank Statement)

S/N	Joint Venture	Standard Chartered JVCC Account	CBN JVCC Naira Account		Total
		$	₦	Dollar equivalent ($)	F'$
1	Shell	229,197,748.36	174,883,252,489.27	423,969,678.03	653,167,426.39
2	Mobil	230,091,700.00	191,744,088,106.96	464,845,421.97	694,937,121.97
3	First E & P	61,283,651.74	22,983,604,859.96	55,719,180.73	117,002,832.47
4	Seplat	17,195,470.00	5,852,838,800.45	14,189,044.10	31,384,514.10
5	AITEO	173,632,480.93	96,997,302,237.14	235,150,675.74	408,783,156.67
6	WAEP	6,255,961.27	1,856,904,099.15	4,501,694.83	10,757,656.10
7	Chevron	76,178,716.78	188,846,010,320.03	457,819,608.52	533,998,325.30
8	Eroton	20,084,639.05	13,615,091,956.91	33,007,083.70	53,091,722.75
9	Belema Oil	28,960,739.61	10,609,736,797.42	25,721,197.60	54,681,937.21
10	TEPNG	168,438,953.60	71,400,891,646.54	173,097,266.96	341,536,220.56
11	Heirs Holdings	5,099,496.21	13,775,730,606.67	33,396,520.17	38,496,016.38
12	AMNI	97,290.00	467,086,546.95	1,132,358.47	1,229,648.47
	Total Disbursement to JVS (A)	**1,016,516,847.55**	**793,032,538,467.45**	**1,922,549,730.82**	**2,939,066,578.37**
	Other Disbursements				
1	NPDC	7,551,229.09	3,829,264,459.85	9,283,290.41	16,834,519.50
2	OML 98 SEVERANCE (Panocean)	-	30,645,081,458.62	74,292,907.61	74,292,907.61
3	NPDC/Newcross	29,218,353.14	11,470,440,166.23	27,807,801.80	57,026,154.94
	Other Disbursements (B)	**36,769,582.23**	**45,944,786,084.70**	**111,383,999.82**	**148,153,582.05**
	Total Disbursements from JVCC Accounts (A + B)	**1,053,286,429.78**	**838,977,324,552.15**	**2,033,933,730.64**	**3,087,220,160.42**

Source: 2021 CBN/NNPC JVCC Naira, 2021 Standard Chartered Bank JVCC Dollar Account Statements

There are three (3) other payments from the JVCC accounts that are not related to current Federation JVs, two (2) of which are payments related to NPDC JVs that no longer yield equity proceeds to the Federation and the other payment is in the sum of N30.645billion described as Panocean severance payments.

The cash-call payments to Nigeria Petroleum Development Company (NPDC) comprises cash-call payments in respect of OMLs 20 (Shell JV), 49 and 51 (CNL JV) in which NPDC acts as operator for capacity building purposes and OML 24 formerly operated by Newcross as a Federation JV. The practice of providing cash call funding for Federation assets already assigned to NPDC has resulted in accumulated cash call refunds payable to the Federation.

5.6. Cash-Call Liabilities

The total outstanding cash-call liabilities payable by the Federation, as per NAPIMS schedule is in the sum of 120.439billion and US$507.949million. The breakdown is shown in Table 51 below compared with the total amount reported in the AFS.

Table 51 - Comparison of NUIMS Cash Call Schedule with 2021 NAPIMS AFS

NUIMS OUTSTANDING CASH-CALL FOR 2021						
S/N	Operators	NUIMS Schedule				NUIMS Annual Report and FS
		₦'000 (A)	$'000	₦'000 Equivalent (B)	Total ₦'000 (A + B)	₦'000
1	SHELL	14,746,189.76	179,343.87	73,977,554.60	88,723,744.37	1,070,374,266.00
2	MOBIL	20,511,273.67	101,925.35	42,043,188.44	62,554,462.11	
3	CHEVRON	41,655,153.65	69,634.10	28,723,370.17	70,378,523.82	
4	TOTAL	23,688,922.07	48,454.34	19,986,931.96	43,675,854.04	
5	NPDC	1,078,919.14	3,024.41	1,247,537.31	2,326,456.44	
6	NEWCROSS	1,265,316.39	5,991.55	2,471,452.61	3,736,769.00	
7	FIRST E&P	3,245,562.99	20,810.69	8,584,202.99	11,829,765.97	
8	EROTON	2,556,648.93	7,032.91	2,901,003.87	5,457,652.80	
9	AITEO	5,515,734.33	27,015.33	11,143,554.52	16,659,288.85	
10	BELEMA	2,866,650.91	2,475.22	1,021,003.88	3,887,654.79	
11	SEPLAT	2,156,622.72	5,396.39	2,225,957.56	4,382,580.28	
12	WAEP	1,078,207.73	2,454.48	1,012,448.67	2,090,656.40	
13	AMNI	118,379.74	737.54	304,227.30	422,607.04	
14	NUIMS OVERHEADS	-	33,652.32	13,881,245.48	13,881,245.48	
	Total	**120,483,582.03**	**507,948.51**	**209,523,679.34**	**330,007,261.37**	**1,070,374,266.00**

Source: NUIMS/NEITI 2021 templates and NUIMS Annual Report and Financial Statements.

* The CBN ruling rate as at the closing period (31st December 2021) was 412.5. Therefore, the exchange rate of 412 as at 31st December 2021 (cut-off) period was adopted to translate Cash-call liabilities as at 31st December 2021.

The audit was unable to reconcile the cash call liabilities in the templates submitted by NUIMS with the figures stated in the 2021 NAPIMS Annual report and financial statements.
Pre-2016 Cash Call Liability

NUIMS reported that the total arrears of pre-2016 cash call repayments as at 31st December 2021 was US$1.012billion as shown the Table 52 below.

Table 52 – Pre-2016 JV Cash Call repayment Arrears

PRE 2016 JV ARREARS REPAYMENT TO JV PARTNERS AS AT DECEMBER 2021					
Company	Funding Arrangement	Total Negotiated Debt EQ.$'M	Outstanding Balance in 2020 EQ.$'M	Total Arrears Repayment in 2021 EQ.$'M	Total Outstanding Arrears as 31st December 2021 EQ.$'M
SPDC	EF- SANTOLINA	1,372.51	917.21	322.1	595.11
MPNU	CASH CALL-FINANCED	833.75	-	-	-
CNL	EF- FALCON & CHEETAH	1,097.51	55.50	55.50	-
TEPNG	CASH CALL- FINANCED	610.97	246.29	81.68	164.61
NAOC	CASH CALL- FINANCED	774.66	360.34	108.29	252.05
TOTAL		4,689.40	1,579.34	567.57	1011.77

Sources: NUIMS/NEITI 2021 templates

5.6.1. Cash Call Receivables from NPDC

The practice of providing cash call funding for Federation assets already assigned to NPDC which has resulted in accumulated cash call refunds payable to the Federation remains an issue in 2021 as can be seen from Section 5.5 above. As at 31st December 2021, Cash Call Receivables from NPDC with respect to NPDC NAOC and NPDC Newcross assets are N287.55billion and N42.14billion respectively. This is as reported by NAPIMS 2021 AFS. No detailed breakdown was provided by NUIMS on these outstanding liabilities as at the time of this report.

5.7. Observations, Findings and Recommendations

Observations and Findings

The audit revealed that NAPIMS represented the Federation in 12 Joint Ventures with at least 50% equity interest in each Joint Venture. It was further observed that:

1. NAPIMS continues to pay cash calls to Newcross, despite the fact that Federation interest has been transferred to NPDC. Cash call payments to the tune of N11.40billion and US$29,218million were made by NAPIMS in 2021 with respect to asset already transferred to NPDC since 2019.
2. Cash Call payment to the tune of US$16.835million was made by the Federation with

respect to other NPDC managed assets from which revenue proceeds does not accrue to the Federation.

3. The sum of US$74.294 was paid as severance from cash call account for Panocean JV in 2021 that had been taken over by NPDC in 2020.
4. In addition to cash call, NAPIMS also incurred overheads cost to the tune of US$221.283million. This is considered high considering the position of the National Petroleum Policy gazette in December 2017.
    1. The implication of the above is that the Federation is funding assets that do not give corresponding returns.
    2. The high NAPIMS overhead cost reduces profitability of Federation equity investment in Jvs.

Recommendations

1. NNPC Ltd should stop the practice of funding assets transferred to NPDC from Federation cash call account.
2. There is the need to carry out independent reconciliation of outstanding amounts due to the Federation as part of a comprehensive reconciliation of debts outstanding between NNPC Group and the Federation, especially with the advent of PIA.
3. It is expected that whenever assets in a JV is taken over, it should also include liabilities. NNPC should provide the basis for TMC decision to place the entire liability (legacy & community contractors' payments and severance obligations to staff) on the federation alone.
4. There is need to carry out value for money audit and full implementation of the PIA is expected to address the issue.

CHAPTER **SIX**

DOWNSTREAM OPERATIONS

CHAPTER
SIX

DOWNSTREAM OPERATIONS

The downstream sector involves operations such as refining of crude into its various components, importation of refined products, storage, distribution and marketing. These activities are carried out after exploration and production. The Nigeria National Petroleum Company Limited (NNPCL) is the largest player in the downstream industry through its subsidiaries, the Petroleum Products Marketing Company (PPMC), the Nigerian Pipelines and Storage Company Limited (NPSC) and the refineries. The PPMC oversees the supply of crude to refineries while the NPSC facilitates the operation of pipelines, depots and product distribution in the country.

6.1. Domestic Crude Allocation and Utilization

Domestic crude allocations are deliveries to NNPCL for downstream operations. The crude oil is expected to be delivered to the local refineries. However, due to the lack of refinery capacity, the domestic crude is exported under a Direct Sales and Direct Purchase (DSDP) agreement. The total domestic crude allocation in 2021 was 94.225 million barrels.

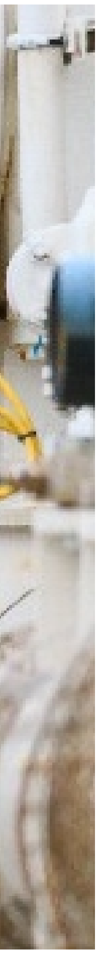


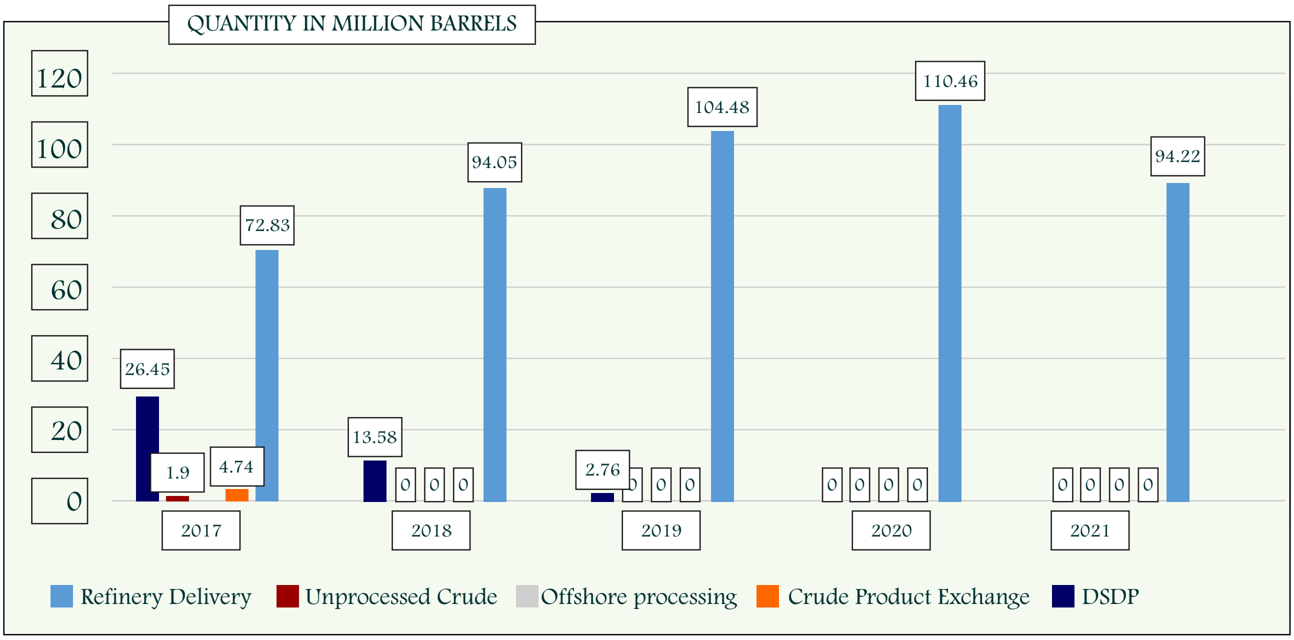
Table 53 - Monthly Domestic Crude Allocation

MONTH	REFINERY SUPPLY (BBLS)	DIRECT SALE DIRECT PURCHASE (BBLS)
JAN	0	5,742,087.00
FEB	0	7,540,744.00
MAR	0	7,553,150.00
APR	0	6,634,520.00
MAY	0	10,464,616.00
JUN	0	8,481,718.00
JUL	0	8,563,782.00
AUG	0	4,740,015.00
SEP	0	11,496,339.00
OCT	0	7,666,825.00
NOV	0	7,244,723.00
DEC	0	8,096,386.00
TOTAL	0	94,224,905.00

Source: NEITI 2021 Templates

Figure 18 shows the five (5) year trend of total domestic crude allocations.

Figure 18 - Five-Year Trend of Domestic Crude Allocation



6.1.1. Subsidy Regime for Premium Motor Spirit (PMS)

The PMS subsidy, also called under-recovery of imported PMS, is an arrangement where the government pays for the shortfall in the price of imported PMS petroleum products, making it possible for the NNPC to sell to the public at the government-regulated price(s). There is a subsidy because the Nigerian Government fixes the price of PMS for consumers far below cost recovery and uses government resources to pay for the difference.

NNPC, being the supplier of last resort of PMS, has over the years, adopted various products importation arrangements such as Direct Product Importation, Off-shore Processing Arrangements (OPA), and Exchange of Crude Oil for Products Arrangement (SWAP), and in the recent past, the Direct Sale, Direct Purchase (DSDP) Arrangement was introduced.

6.1.2. Direct Supply Direct Purchase (DSDP) Arrangement

NNPC delivers monthly crude oil lifting on Free on Board (FOB) basis to suppliers, who in return deliver petroleum products of Nigerian standard specification to NNPC on Delivered at Place (DAP) basis, at designated safe port(s) in Nigeria. The PMS to be delivered by the DSDP off-takers ought to be equivalent in value to the Crude Oil received from NNPC. Tables 54 and 55 analyse the dollar value of the "Direct Sales" or domestic crude export and then compares with the dollar value of the "Direct Purchase" or importation of finished products. The essence of this comparison is to confirm whether the values are the same.

Table 54 -2021 Monthly Analysis of DSDP Crude Oil Export (Volume and Value)

MONTH	VOLUME (BBLS)	VALUE (US$)
JAN	5,742,087	326,134,455
FEB	7,540,744	486,649,035
MAR	7,553,150	487,032,696
APR	6,634,520	434,846,520
MAY	10,464,616	715,674,801
JUN	8,481,718	625,026,379
JUL	8,563,782	630,070,443
AUG	4,740,015	338,725,824
SEP	11,496,339	871,145,012
OCT	7,666,825	644,159,185
NOV	7,244,723	588,067,437
DEC	8,096,386	639,049,003
TOTAL	94,224,905.00	6,786,580,791

Source: NNPC 2021 Crude Oil Sales Report

Table 55 -2021 DSDP Monthly Product Received (Volume and Value)

Month	Product	No. of Vessels	Outturn QT (MT)	Value (US$)
Jan	PMS	28	1,251,713	639,135,316
Feb	PMS	28	1,276,523	722,072,756
Mar	PMS	30	1,424,335	931,882,346
Apr	PMS	29	1,659,480	1,105,927,017
May	PMS	22	1,153,627	771,365,135
Jun	PMS	28	1,482,874	1,013,532,178
Jul	PMS	29	1,480,555	1,089,151,208
Aug	PMS	25	1,300,722	950,009,005
Sep	PMS	20	1,130,652	810,256,597
Oct	PMS	22	1,192,284	981,295,370
Nov	PMS	33	1,831,147	1,612,140,182
Dec	PMS	23	1,228,946	978,957,320
Total	PMS	317	16,412,859	11,605,724,430

Source: NEITI 2020 Templates

From Tables 54 and 55 above, the total dollar value of DSDP crude sales in 2021 was US$ 6,786,580,791 while the total dollar value of product received was US$ 11,605,724,430. This gives us a difference of US$ 4,819,143,639. NNPC did not give a reason for this variance.

6.1.2.1. PMS Subsidy and DSDP Under-Recovery in 2021

Under-recovery which is sometimes referred to as value loss by NNPC, is the difference between the cost of supplying the PMS and the price at which the product is transferred to the customers. This difference is paid by the government as a subsidy. NNPC typically makes deductions of subsidy from domestic crude sales, prior to remittance of funds to the Federation Account.

Table 56 -Total Subsidy for 2021

Month	Product	Under Recovery/ Value Loss/ Subsidy (Naira)
Mar	PMS	25,374,228,794.87
Apr	PMS	60,396,474,465.87
May	PMS	61,966,456,903.74
Jun	PMS	126,298,457,944.36
Jul	PMS	164,337,097,352.49
Aug	PMS	103,286,281,752.62
Sep	PMS	173,131,639,213.61
Oct	PMS	149,283,084,869.20
Nov	PMS	163,709,314,928.61
Dec	PMS	131,400,236,846.95
Total	PMS	1,159,183,273,072.32

Source: NEITI 2021 Templates

In 2021, total under recovery approved by the Federation Accounts Allocation Committee (FAAC) was NGN1.78 trillion however, the amount actually deducted at FAAC was for N1,159,183,273,072.32. The 2021 deductions was 767% higher than the amount charged in 2020 (N133,739,479,395.15). NAPIMS, in its 2021 AFS, claimed that the significant increase in cost of under recovery as compared to the last period was because, crude oil price fell significantly in 2020, leading to low landing cost in several months (April, May, July – December 2020).

NEITI oil and gas industry audits revealed that between 2006 and 2021, a total sum of N8.149trillion has so far been expended on petroleum subsidy, now referred to as under-recovery. See annual breakdown of the Table below.

Table 57 -Petroleum Subsidy Payment Trend (2006-2021)

YEAR	AMOUNT (N'Billion)
2006	219.72
2007	236.64
2008	360.18
2009	198.11
2010	416.45
2011	1,900.00
2012	690
2013	495
2014	482
2015	316.7
2016	99
2017	141.63
2018	722.3
2019	578.07
2020	133.74
2021	1,159.18
TOTAL	8,148.72

Source: NEITI 2021 Templates

6.2. Refinery Balances

Refinery product balance is the reconciliation of the various refined products at the three national refineries. The summaries of crude and product balances are contained in this Section.

6.2.1. Port Harcourt Refinery (PHRC)

Table 58 - PHRC Refinery Balance (Crude Material Balance) MBBLS

Crude Blend	Opening Stock	Fresh Crude Received	Total Volume in Refinery	Processed Volume	Transfer to COMD	Total Processed + Transferred to COMD	Closing Stock	Audit Closing Stock	Variance
Bonny	140,999.60	-	140,999.60		-	-	133,666.20	140,999.60	7,333.40

Source: NEITI 2021 Templates

The variance of 7,333.40 is unpumpable volume emptied from crude oil tank bottom to Waste Water Treatment (WWT) for handover of the tanks hydrocarbon - free for rehabilitation.

Table 59 - PHRC Refinery Balance (Finished Products) MT

Finished Products	Opening Stock	Receipt	Production	Evacuation	Closing Stock	Calculated Closing Stock	Variance
MIXED LPG	0				0.705	0.705	0
PMS	18.01			230	11	-211.99	222.99
HHK	10.09				9	10	-1
AGO	13.7				12	14	-2
LPFO	70.4				72	70	2
TOTAL	112.20	-	-	230.00	104.71	- 117.29	221.99

Source: NEITI 2021 Template

The observed variance of 222.99MT was explained as due to the omission of import PMS receipt of 224.73MT.

Table 60 - PHRC Refinery Balance (Unfinished Products) MT

Unfinished Products	Opening Stock	Receipt	Production	Internal Withdrawal	Closing Stock	Calculated Closing Stock	Variance
LIGHT NAPHTHA	(2.280)	30.000	-	-	13.000	27.720	(14.720)
NHU FEED (HEAVY NAPHTHA)	27.884	-	-	-	11.000	27.884	(16.884)
CRU FEED (TREATED NAPHTHA)	1.741	-	-	-	-	1.741	(1.741)
KEROSENE SLOP	0.963	-	-	-	1.000	0.963	0.037
LGO-1	5.706	-	-	-	4.000	5.706	(1.706)
HGO-1	0.466	-		22.000	1.000	(21.534)	22.534
CDU-1 RESIDUE	22.098	-	-	-	21.642	22.098	(0.456)
VDU-1 RESIDUE	3.003	-	-	-	3.000	3.003	(0.003)
VGO	70.214	-	-	-	71.000	70.214	0.786
LCO	0.940	-	-	-	-	0.940	(0.940)
DCO	2.177	-	-	-	-	-	-
FUELS SLOPS	43.112	-	-	-	18.000	43.112	(25.112)
TOTAL	**176.024**	**30.000**	**-**	**22.000**	**143.642**	**181.847**	**(38.205)**

Source: NEITI 2021 Templates
From the avove table, there is an established variance of 38.205MT (26.6%)

Table 61 - PHRC Refinery Balance (Consumption and Losses) MT

	Product	Opening Stock	Production	Internal	Closing Stock	Calculated Closing Stock	Variance
Consumption	FUEL OIL - LPFO	0	0.909	0.909	0	0	0
	LGO	0	1.780	1.780	0	0	0
	FUEL LPG	0	0	0	0	0	0
	OFF GAS	0	0	0	0	0	0
	SUB TOTAL	0	2.689	2.689	0	0	0
Losses	GAS/GASOLINE FLARED		0	0	0	0	0
	COKE BURNT	0	0	0	0	0	0
	LOSSES	0	0	0	0	0	0
	SUB TOTAL	0	0	0	0	0	0
	TOTAL	**0**	**2.689**	**2.689**	**0**	**0**	**0**

Source: NEITI 2021 Templates

There was no established variance for the closing stock of consumption and losses in PHRC.

6.2.2.Warri Refinery (WRPC)

Table 62 - WRPC Refinery Balance (Crude Material Balance) (BBLS)

Crude Blend	Opening Stock	Fresh Crude Received	Total Volume in Refinery	Processe d Volume	Transfer to COMD	Total Processed + Transfer to COMD	Closing Stock	Audit Closing Stock	Variance
BONNY									
ESCRAVOS	209,228	-	209,228				219,410	209,228	10,182.00
URALS	209,228	-	209,228				219,410	209,228	10,182.00
UGELLI BLEND									
SEPLAT CRUDE									
SLOP	32,598	-	32,598				34,869	32,598	2,271.00
TOTAL	241,826		241,826				254,279	241826	12,453.00

Source: NEITI 2021 Templates

The positive variances in ESC/L and slop crude are due to water ingress.

Table 63 - WRPC Refinery Balance (Finished Products) MT

Finished Products	Opening Stock	Receipt	Production	Evacuation	Closing Stock	Calculated Closing Stock	Variance
LPG	-				923	-	923
PMS	17,862	219,993		212,645	53,080	25,210	27,870
DPK	4,149				4,412	4,149	263
AGO	2,182			308	12,214	1,874	10,340
LPFO	10,142				58,478	10,142	48,336
CONSUMPTION	2,273				2,291	2,273	18
TOTAL	36,608	219,993	-	212,953	131,398	43,648	87,750

Source: NEITI 2021 Template

The variance in PMS closing stock is due to suspected water ingress/change of level in the tanks

Table 64 - WRPC Refinery Balance (Unfinished Products) MT

Unfinished Products	Opening Stock	Receipt	Production	Internal Withdrawal	Closing Stock	Calculated Closing Stock	Variance
BUTANE	-	-	-	-	923	-	-923
LIGHT NAPHTHA	4,104	-	-	-	4878	4104	-774
NHU FEED (HEAVY NAPHTHA)	12,956	-	-	-	14430	12956	-1474
CRU FEED (TREATED NAPHTHA)	7,069	-	-	-	7096	7069	-27
MIXED GASOLINE	2,371	-	-	-	-	2371	2371
REFORMATE	-	-	-	-	2800	-	-2800
LGO-1	10,461	-	-	-	10382	10461	79
VDU-1 RESIDUE	3,090	-	-	-	3099	3090	-9
VGO	28,257	-	-	-	40475	28257	-12218
LCO/DO	2,567	-	-	-	-	2567	2567
DCO		-	-	-	2583	-	-2583
FUELS SLOPS	2,203	-	-	-	2162	2203	41
TOTAL	**73,078**	**-**	**-**	**-**	**88,828**	**73,078**	**-15,750**

Source: NEITI 2021 Templates

There is an established negative variance of 15,750MT.

Table 65 - WRPC Refinery Balance (Consumption and Losses) MT

Product		Opening Stock	Production	Internal	Closing Stock	Calculated Closing Stock	Variance
Consumption	FUEL OIL - LPFO	2,273	18		2,291	2,291	0
	LGO	0			0	0	0
	FUEL LPG		0			0	0
	OFF GAS	0	0		0	0	0
	SUB TOTAL	2,273	18	0	2,291	2,291	0
Losses	GAS/GASOLINE FLARED		0		0	0	0
	COKE BURNT	0	0		0	0	0
	LOSSES	0	0		0	0	0
	SUB TOTAL	0	0		0	0	0
	TOTAL	2,273	18		2,291	2,291	0

Source: NEITI 2021 Templates

There was no established variance for consumption and losses from the Warri refinery.

Table 66 - KRPC Refinery Balance (Crude Material Balance) BBLS

Crude Blend	Opening Stock	Fresh Crude Received	Total Volume in Refinery	Processed Volume	Transfer to COMD	Total Processed + Transferred to COMD	Closing Stock	Audit Closing Stock	Variance
BONNY									
ESCRAVOS	166,382	-	166,382				165,964	166,382	418.00
UGELLI BLEND	87,760	-	87,760				87,594	87,760	166.00
URALS LIGHT	-	-	-				-	-	-
SEPLAT CRUDE	82,474	-	82,474				82,321	82,474	- 153.00
SLOP	125,761	-	125,761				125,796	125,761	35.00
TOTAL	462,377		462,377				461,675	462,377	702.00

Source: NEITI 2021 Templates

Variances are explained below:

- Final Escravos stock excludes 41 bbl due to change in parameters during end of year dip.
- Final Ughelli Blend stock excludes 166 bbl due to change in parameters during end of year dip.
- Final Seplat Crude stock excludes 153 bbl due to change in parameters during end of year dip.
- Final Slop stock includes 1,440 bbl due to change in parameters during end of year dip.

Table 67 - KRPC Refinery Balance (Finished Products) MT

Finished Products	Opening Stock	Receipt	Production	Evacuation	Closing Stock	Calculated Closing Stock	Variance
MIXED LPG	35		-	-	35	35	-
PMS	3250			237	5683	3013	2670
HHK	1670				1677	1670	7
AGO	1438			101	1324	1337	-13
60/70 ASPHALT	585				580	585	-5
KERO SOLVENT	53				52	53	-1
CONSUMPTION	7991				0	7991	-7991
TOTAL	**15,022**	**-**	**-**	**338**	**9,351**	**14,684**	**-5,333**

Source: NEITI 2021 Template

The variances were explained as follow;

- Final PMS stock includes 2670MT of KRPC blended PMS in NPSC decanted PMS tanks.
- Difference of 7MT in HHK is due to end of year dip.
- Difference of negative 13MT is due to end of year dip
- Difference of negative 5MT is due to end of year dip.
- Difference of negative 1MT is due to end of year dip.

Table 68 - KRPC Refinery Balance (Unfinished Products) MT

Unfinished Products	Opening Stock	Receipt	Production	Internal Withdrawal	Closing Stock	Calculated Closing Stock	Variance
LIGHT NAPHTHA	1127				1134	1127	-7
HEAVY NAPHTHA	37912			3239	34564	34673	109
TREATED NAPHTHA	3496				3493	3496	3
KEROSENE SLOP	185				183	185	2
LIGHT GAS OIL (LGO 1)	1929		-763		1137	1166	29
HEAVY GAS OIL (HGO -1)	252				261	252	-9
CDU-1 RESIDUE	2049				2028	2049	21
VDU-1 RESIDUE	1518		-431		1057	1087	30
VGO	3585		-2788		1129	797	-332
LCO	488		-466		18	22	4
60/70 ASPHALT	238				237	238	1
CDU-2 RESIDUE	417				410	417	7
VDU-2 RESIDUE	1609				1609	1609	0
WAXY DISTILATE + DAO	18765				18652	18765	113
EXTRACTS	96				96	96	0
PDA ASPHALT	1289		-846		515	443	-72
ABU BLEND CHARGE	6920				6919	6920	1
SLACK WAXES	1247				1247	1247	0
FUELS SLOPS	1813				1677	1813	136
MIXED INDUSTRIAL SOLVENT	404			336	32	68	36
TREATED KERO -LAB	1124				1098	1124	26
TOTAL	86,463	0	-5,294	3,575	77,496	77,594	98

Gain and loss across the products were as a result of the change in parameters during the annual stocktaking exercise. Final stock includes 109 MT due to water drained and change in parameters during annual stock take.

Table 69 - KRPC Refinery Balance (Consumption and Losses) MT

Product		Opening Stock	Production	Internal	Closing Stock	Calculated Closing Stock	Variance
Consumption	FUEL OIL - LPFO	7523	4531	9705	2498	2349	149
	AGO	0	763	763	0	0	0
	FUEL LPG	468	0		468	468	0
	OFF GAS	0	0		0	0	0
	SUB TOTAL	7991	5294	10468	2966	2817	149
Losses	GAS/GASOLINE FLARED		0		0	0	0
	COKE BURNT	0	0		0	0	0
	LOSSES	0	0		0	0	0
	SUB TOTAL	0	0		0	0	0
	TOTAL	0	5294		2966	2817	149

Source: NEITI 2021 Templates

Final Stock includes 149MT due to LFPO internal transfer.

6.3. Products Supplied (Imported)

Table 70 below shows the volume of products imported between NNPC and other marketers as provided by NMDPRA.

Table 70 - Products Supplied (Imported)

Marketers	2021 quantity (Litres '000)	2020 quantity (Litres '000)	Increase/Decrease in quantity (Litres '000)	%
Other Oil Marketing Companies (OMCs)				
PMS	19,090,532.01	15,780,854.68	3,309,677.33	21%
DPK	24,802.61	42,021.70	17,219.09	-41%
Sub-total	19,115,334.62	15,822,876.38	3,292,458.24	21%
NNPC				
PMS	3,444,531.55	4,229,261.85	784,730.30	-19%
DPK	-	10,781.89	10,781.89	-100%
Sub-total	3,444,531.55	4,240,043.74	795,512.19	-19%
Grand Total	22,559,866.17	20,062,920.12	2,496,946.05	12%

Source: NMDPRA 2021 PMS Supply

The volume of PMS imported in 2021 under the DSDP arrangement based on NNPC's records (16,412,859 MT) was significantly different from the volume of PMS imported as per NMDPRA records presented in Table 70 above.

6.4. Observations, Findings and Recommendation

Observations and Findings

The volume of PMS imported in 2021 under the DSDP arrangement based on NNPC's records was significantly different from the volume of PMS imported as per NMDPRA records.

Implication:

The implication of the discrepancy between NNPC and NMDPRA records indicates that there is no independent third-party confirmation of product importation volume and subsidy value.

Recommendation
The discrepancy in the volume of PMS imported and subsidy value should be investigated.

NNPC Response:
Work in progress

CHAPTER **SEVEN**

INFRASTRUCTURE PROVISIONS, BARTER ARRANGEMENT, SOCIAL AND ECONOMIC SPENDING

CHAPTER
SEVEN

INFRASTRUCTURE PROVISIONS, BARTER ARRANGEMENT, SOCIAL AND ECONOMIC SPENDING

This Section of the report presents the reviews carried out on relevant disclosures on oil and gas revenue management and expenditure relating to social and economic spending, environmental expenditures, infrastructure provisions and SOE quasi fiscal expenditures in 2021.

7.1. Infrastructure Provisions and Barter Arrangements

The EITI requires the disclosure of any material agreements or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities. In 2021, there were some such agreements and these were reported in the 2021 NNPC Group AFS (Appendix 20). Some of the agreements had been in operation prior to 2021 except for the Dangote Refinery agreement otherwise known as Project Bison. These agreements are briefly summarized below, and further details can be sourced from the 2021 NNPC Group AFS.

Infrastructure Provisions
There were no reported case of infrastructure works in 2021 as defined within the context of EITI Infrastructure provisions and barter arrangements.

Barter Arrangements
Direct Sale Direct Purchase (DSDP) Arrangement
The NNPC has over the years entered into agreements with crude off-takers as part of an arrangement to ensure availability of petroleum products. Under the DSDP arrangement, NNPC delivers monthly crude oil lifting on Free on Board (FOB) basis to suppliers, who in return deliver petroleum products of Nigerian standard specification to NNPC on Delivered at Place (DAP) basis and at designated safe port(s) in Nigeria. See here for further details of the DSDP arrangement in 2021.

Project Eagle
This is also a subsisting agreement prior to 2021 and reported in the 2020 NEITI report. It was initially a loan of US$3billion contracted in 2012 under an agreement termed Pre-Export Financing (PXF) and was meant to settle subsidy payments due to petroleum product marketers in full exchange for proceeds of crude oil sales from one of the NNPC's asset (NPDC's OML 119).

The PXF was in two tranches (PXF 1 & PXF 2) of US$1.5billion each. PXF 1 was reported as fully repaid in the 2020 NPDC AFS while the balance on PXF2 was refinanced under another agreement with Eagle Export Funding Ltd, an SPV incorporated in the Bahamas and hence the arrangement is called "Project Eagle". The new agreement also incorporates the settlement of NPDC's tax obligations to the Federal Inland Revenue Service (FIRS). The balance of this loan as provided in the notes to the 2021 NNPC Group AFS is N432.411billion.

Issues related to the PXF and NNPC's response are presented in chapter 8 of this report.

NLNG Project Financing
The 2021 NNPC Group AFS reported this as an agreement entered in 2019 by NNPC with NLNG on behalf of NPDC, through its equity holdings in NAOC, SPDC & TEPNG JVs, to provide incremental gas supply to NLNG T1 – 6 Feedstock and in return, NLNG being the buyer would provide an advance cash call payment (CAPEX portion) of some selected projects as identified in the agreement. NLNG is to recover its funding as provided in the agreement when gas supply is made to it by the seller. The agreed financing amount is US$2.469billion with duration of 12 years as contained in the external financing agreement. Of the US$2.469billion, US$501.6million is available to NPDC for the NAOC JV and projects while the balance is available for the other JVs. The balance of this financing arrangement as provided in the notes to the 2021 NNPC Group AFS is N48.969billion.

Project Bison
This is described as a Forward Sale Agreement (FSA) in the 2021 NNPC AFS. The agreement is between NNPC and Lekki Refinery Funding Limited for the sale of 35,000 barrels per day of NNPC's future crude oil for the settlement of US$1.036billion (N426.2billion) funding received to acquire 20% equity investment in Dangote Refinery and Petrochemicals Free Zone Enterprise (DPRP FZE). The delivery of crude oil to Lekki Refinery Funding Limited is scheduled to commence in August 2023. The balance on this financing arrangement as at the end of 2021 is the same as the value of the transaction.

7.2. Quasi-Fiscal Expenditures

These are expenditures incurred by the SOE and its subsidiaries (the NNPC Group) on behalf of the Federation but outside the national budget. Such expenditures as defined by EITI includes public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc.

In 2021, the total sum expended as quasi-fiscal expenditure and deducted at FAAC, amounted to US$6.931billion (equivalent N2.651trillion) and this is made up of the following;

- JV cost recovery of US$3.524billion (N1.347trillion)
- Total pipeline maintenance and management costs of US$75.505million (equivalent N28.874billion)
- Fuel subsidies (under-recovery and value loss) of US$3.030billion (equivalent N1.159trillion)
- Crude oil/product losses of US$42.404million (equivalent N16.216billion)
- Government priority projects US$258.425million (equivalent N98.824billion)

All figures are as reported at FAAC during the year and converted at the 2021 CBN closing rate of N382.41/US$

7.3. Social Expenditure

Social expenditure, in the context of EITI, can be voluntary or mandatory. Mandatory Social Expenditures are payments made to the NDDC and the NCDMB in line with their respective establishment Acts, while non-mandatory social expenditures are voluntary payments made by companies to communities or towards community development. The EITI standard requires these expenditures to be captured in the report.

The voluntary social expenditure consists of contributions made by Companies to promote development or fund community projects in the communities in which they operate, in accordance with EITI Requirement 6.1. These contributions are in forms of building of schools, construction of roads, disaster responses, electrification, drilling of boreholes, major donations, scholarships, provision of education materials, hospitality, agricultural support schemes (provisions of merchandised equipment, fertilizers, seedlings) etc.

The total social expenditures in 2021 amounted to US$898.18million. This includes mandatory contributions of US$863.70million (96.16%) and non-mandatory contributions of US$34.48million (3.84%). The mandatory contributions include NDDC's 3% levy of US$797.02million and NCDMB's 1% levy of US$66.68million. Tables 71 and 72 below show the total mandatory social contributions and non-mandatory social expenditure in 2021. Full details of Companies' Social Contributions can also be found in Appendix 18.

Table 71 - Summary of Mandatory Social Contributions

Arrangements	NDDC (3%)	NCDMB (1%)	TOTAL
	US$'(000)	US$'(000)	US$'(000)
Production Sharing Contract (PSC)	580,259	16,355	596,614
Marginal Field (MF) and Sole Risk (SR)	46,627	8,762	55,389
Joint Venture (JV)	142,474	41,460	183,934
Others / Service Contract (SC)	27,658	105	27,763
Total	769,018	66,682	863,700

Table 72 - Summary of Non-Mandatory Social Expenditure

S/N	Covered Entities	No. of Projects	2021 (A) NGR	2021 (B) US$	2021 (C) EURO	2021 Total US$ Equivalent (A) + (B) + (C) US$	2020 US$	Indicator % Δ
1	Addax Petroleum Development Nig. Ltd	4	171,612,619			429,375	533,347	-19%
2	Equinor Nig Energy Com Ltd	1	35,279,000			88,268		100.%
3	Green Energy Int'l Ltd	7	46,499,930			116,343		100%
4	Midwestern Oil and Gas	12		1,904,565		1,904,565		100%
5	Mobil Producing Oil	9	263,418,070			659,072	1,715,372	-62%
6	Network Exp and Prod Ltd	7	29,718,500			74,356		100.00%
7	Newcross E&P Ltd	5	522,056,975			1,306,187	1,381325	-6%
8	Nigeria Agip Exploration	1	20,000,000			50,040		100%
9	Nigeria Agip Oil Co Ltd	10	6,595,252,000			16,501,331		100%
10	Pillar Oil Limited	5	109,812,000			273,763	235,161	14%
11	Platform Petroleum Ltd	7	110,417,442			276,265	335,206	-21%
12	SNEPCO	31	116,500,000			291,483	525,318	-44%
13	SPDC	301	2,599,704,736			6,504,465		100%
14	South Atlantic Pet Ltd	1	27,500,000			68,805		100%
15	TotalEnergies EP Nigeria Limited	8	3,234,068,000	773,000		8,864,643	17,371,088	-49%
16	TotalEnergies Upstream Nigeria Limited	55	2,440,216,962	497,560	488,101	7,179,324		100%
17	Waltersmith Petroman	3	48,522,000			121,402	359,793	-196%
	Total	**444**	**16,370,578,234**	**3,175,125**	**488,101**	**34,482,962**	**22,456,610**	

7.4. Contribution of the Industry to the Economy

7.4.1. Contribution to the Economy

In 2021, the sector contributed 7.24% to Nigeria's total GDP of N173.5trillion (US$434.17 billion). This was a decrease of 11.27% compared the 2020 contribution of 8.16% of the N152.32trillion (US$381.11). The Nigerian oil and gas industry contributed 5.9% to the total real GDP recorded by the last quarter of 2021 and this was about 2.3% decline from the previous quarter.

SHARE OF GDP			
Quarter	2021	2020	2019
Q1	9.25%	9.50%	9.22%
Q2	7.42%	8.93%	8.98%
Q3	7.49%	8.73%	7.32%
Q4	5.19%	5.87%	9.77%
Annual Average	7.24%	8.16%	8.62%

Sources: NBS Nigerian Gross Domestic Report Q1 2022 & Nigeria: contribution oil sector to GDP 2018-2022 | Statista

7.4.2. Contribution to GDP and Exports

In relation to exports, crude oil contributed 14.40 trillion Naira (US$ 36.55 billion) of the total export of 18.91 trillion Naira (US$ 47.31 Billion) in 2021. This represented 76.22 % of the total exports in 2021 and a marginal increase of 0.8% compared to 2020 which was 75.42%[38]. See Table 73 below for contributions of crude oil and gas to total export.

Table 73 - Contribution of the Oil and Gas Sector to Export

YEAR	TOTAL EXPORT		CRUDE OIL & GAS EXPORTS		CRUDE OIL/ TOTAL EXPORTS %
	NGR' million	US$ million	NGR' million	US$ million	
2019	19,192,234.12	48,019.00	14,690,021.45	36,754.46	76.54%
2020	12,522,684.44	31,332.78	9,444,655.98	23,630.54	75.42
2021	18,907,788.71	47,307.32	14,410,769.08	36,055.77	76.22
TOTAL	**50,622,707.27**	**126,658.10**	**38,545,446.51**	**96,440.77**	

Source: National Bureau of Statistics/NEITI Audit

The relatively higher export value in 2021 compared to 2020 was due to an increase in crude oil price in 2021. The average equity crude price in 2021 is US$66.97/bbl compared to the average price of US$41.65/bbl in 2020.

7.4.3. Contribution to Government Revenues

The total government revenue generated in 2021 was 10.75 trillion Naira[39], to which the oil and gas sector contributed 4.358 trillion Naira. This represents about 40.55% of the total revenue compared to 51% in 2020.

[38] National Bureau of Statistics - Foreign Trade in Goods Statistics- Q4 2021.
[39] CBN 2021Annual Economic report – See here

7.4.4. Contribution to Employment

Employment data was requested from the 70 Companies (NLNG inclusive) and the SOE covered in the 2021 Audit. Of these, 11 companies did not provide the required information while four (4) companies are affiliated with three other companies and operating with the same sets of employees' details of the affiliated companies is contained in Appendix 19. The 56 respondents confirmed the engagement of 19,171 employees. The data revealed that 15,639 (82%) and 3,532 (18%) of the employees were male and female respectively.

The data also revealed that 2,325 (12%) were top or high-level positions, while 11,312 (59%) and 5,534 (29%) were middle level and the lower-level employment positions respectively. Eighty-three percent of the employees were recruited from the local/state/ host communities, 15% from other states, while 2% were expatriates. Tables 74 and 75 show summaries of employment data received from the entities that populated the templates.

Table 74– Summary of Employment by Companies/NNPC (occupational level)

Description	Top	Middle	Lower	Total
Number of Male Employees	1,855	9,267	4,517	15,639
Number of Female Employees	470	2,045	1,017	3,532
Total	2,325	11,312	5,534	19,171

Source: NEITI 2021 Audit Templates

Table 75 – Summary of Employment by Companies/NNPC (nationality/ origin)

Description	Local/ State/Host Communities	Non-Local/ Other States	Foreign (Expatriates)	Total
Number of Male Employees	12,934	2,269	436	15,639
Number of Female Employees	2,896	573	63	3,532
Total	15,830	2,842	499	19,171

Source: NEITI 2021 Audit Templates

7.5. Environmental Impact of the Industry's Activities

The Oil and Gas industry activities are monitored extensively to ensure the health and safety of the environment. This Section provides information on the monitoring of the environmental impact of the oil and gas industry. It includes legal provisions, administrative rules and actual practices relating to the environment.
Some of the legal provisions and regulations with regards to environmental health and safety include:

- Upstream Petroleum Environmental Regulation 2022[40]
- Environmental regulations for Midstream and Downstream Operations 2022[41]
- The Petroleum (Drilling and Production) Regulations 1969 Sections 21-25 and 36
- The Petroleum Regulations 1967, the Oil in Navigable Waters Decree No. 34 Regulations 1968

[40] Upstream-Petroleum-Environmental-Regulations.pdf (nuprc.gov.ng)
[41] Environmental-Regulations-for-Midstream-and-Downstream-Operations-draft-copy.pdf (nmdpra.gov.ng)

- The Petroleum Refining Regulations 1974 Section 27, 35, 38 & 434
- Environmental Guidelines & Standards for the Petroleum Industry in Nigeria (EGASPIN) 2018

7.5.1. Environment Regulatory Agencies

The two major government agencies concerned with the regulation of the environment in relation to the upstream oil and gas industry are the Federal Ministry of Environment including the agencies under it, and the Nigerian Upstream Petroleum Regulatory Commission (NUPRC).

7.5.1.1. Federal Ministry of Environment (FMoE)

The FMoE[42] is responsible for developing general policy guidelines for the protection of the environment, conserving natural resources, and sustaining development. It ensures that a quality environment conducive for good health and well-being of fauna and flora is maintained. It also promotes the sustainable use of natural resources for the benefit of all citizens.

The following are agencies under the FMoE that are most relevant to the oil and gas industry.

i. National Oil Spill Detection and Response Agency (NOSDRA)

The Ministry of Environment established NOSDRA and it was subsequently backed up by law through an act of the National Assembly in 2006 as part of the initiative to administer the National Oil Spill Contingency Plan (NOSCP) in compliance with the International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC90) to which Nigeria is a signatory.

NOSDRA seeks to create zero tolerance for oil spill incidents in Nigeria, as well as restore and preserve the environment by ensuring that good practices are maintained in oil exploration, storage and production, with the aim of achieving sustainable development. The organization is responsible for the co-ordination and implementation of the National Oil Spill Contingency Plan for Nigeria which includes, among others, the establishment of a viable national operational organization that ensures a safe, timely, effective and appropriate response to major or disastrous pollutions.

Section 19 1© and (g) of the NOSDRA Act gives the Agency the mandate to undertake post-spill impact assessment to determine any damage or the level and intensity of damage caused through oil spills as well as their possible long-term effects. See here[43].

Table 76 below gives a summary of oil spills in 2021 compared to 2020.

[42] Federal Ministry of Environment – Website - https://environment.gov.ng
[43] Oil Spill Monitor - https://nosdra.oilspillmonitor.ng

Table 76 - Oil Spill Data Summary 2021/2020 NOSDRA Oil spill monitor

S/N	DESCRIPTION	QUANTITY	
		2021	2020
1	Available records of oil spill cases	402	433
2	Case site not visited investigation staff	32	35
3	Total oil spilled in barrels	22,735.258	21,049.577
4	Total oil spilled in litres	3,592,170.81	3,363,294.375
5	Major oil spills: (over 250 barrels spilled into inland waters, or over 2,500 barrels spilled on land, swamp, shoreline and open sea)	2	0

Table 76 - Oil Spill Data Summary 2021/2020 NOSDRA Oil spill monitor

S/N	DESCRIPTION	QUANTITY	
		2021	2020
6	**Medium Oil spills:** (25-250 barrels spilled into inland waters, or 250-2,500 barrels spilled on land, swamp, shoreline and open sea).	5	22
7	**Minor oil spills:** (up to 25 barrels spilled into inland waters, or 250 barrels spilled on land, swamp, shoreline and open sea)	252	301
8	Uncategorized oil spills	138	106

Source: NOSDRA website as at 24th July 2023

In 2021, Nigeria lost 22,735 barrels or 3.72 million litres of crude oil in 2021 with 410 incidents NOSDRA. (Note the figure stated as incidences are reported or resolved). This is a 22 per cent rise in incidence when compared to 18,563 barrels or three million litres recorded in 2020 in 384 incidents. The data is limited as there were numerous pipeline vandalization in 2021 in the Niger Delta region. A ten-year analysis according to NOSDRA is shown below:

ii. National Environmental Standards and Regulations Enforcement Agency (NESREA)

NESREA was established through a National Assembly Act in 2007. The Agency has the primary responsibility for protecting and developing the environment, biodiversity conservation and sustainable development of Nigeria's natural resources and environmental technology including coordination and liaison with relevant stakeholders within and outside Nigeria on matters related to enforcement of environmental standards, regulations, rules, laws, policies and guidelines. The Federal Government, through NESREA, has developed about 33 Environmental Regulations, which are currently in force.

One of the functions of the Agency is to enforce compliance with laws, guidelines, policies and standards on environmental matters. Other functions of NESREA can be found here[44].

[44] Functions of NESREA - https://www.nesrea.gov.ng/our-functions/
[45] HYPREP Projects - https://hyprep.gov.ng/projects/

iii. Hydrocarbon Pollution Remediation Project (HYPREP)

HYPREP was established under the Federal Ministry of Environment as published in the Federal Government Gazette No. 176, Vol. 103 of December 2016 to achieve the objectives listed below in Ogoniland and other impacted communities:

- Determine the scope, means and modalities of remediation of soil and ground water contamination in impacted communities as may be recommended by HYPREP Governing Council and remedy them
- Enhance local capacity for better environmental management and promote awareness of sound environmental management as well as ensure livelihoods and sustainable development
- Ensure security and promote peace building efforts in impacted communities
- Strengthen governance, transparency and accountability in the region.

The functions of HYPREP and on-going remediation works can be found here[45]

7.5.1.2. Nigerian Upstream Petroleum Regulatory Commission (NUPRC)

NUPRC has the statutory responsibility of ensuring compliance with petroleum laws, environmental regulations and guidelines in the industry. The Commission ensures that operators in the industry do not degrade the environment during their activities (exploration, production, and processing operations). NUPRC develops the environmental guidelines and standards for the Petroleum Industry. The key roles involve:

a. Ensuring that all environmental concerns are integrated into major economic decision-making process through project peer reviews
b. Ensuring environmentally friendly decommissioning, environmental remediation, and restoration plans/costs that are built into major development projects
c. Ensuring that environmentally friendly processes and technologies are employed through technically and scientifically sound end to end environmental and engineering processes and reviews
d. Ensuring that Environmental Impact Assessment in mandatorily carried out before any major development project is embarked
e. The establishment of adequate environmental standards as well as the monitoring and evaluation of changes in the environment through tools like the environmental evaluation studies, environmental management plans, oil spill reporting process, oil spill contingency plan for spill response, activation, inspection and audits, environmental sensitivity index, environmental assessment following an environmental impact such as post impact assessment and development of remedial action plans
f. The publication of up-to-date environmental data and dissemination of relevant environmental information

7.5.2. NUPRC Environmental Monitoring Process

Environmental Monitoring is the series of processes, procedures and activities undertaken with a view to ascertaining the quality of the environment. It is usually carried out in preparation of environmental impact assessments and many other circumstances where human, chemical and or industrial involvements have or potentially implicate harmful

[45] HYPREP Projects - https://hyprep.gov.ng/projects/

consequences on the natural environment.

NUPRC performs its role by ensuring that impact study is performed prior to the start of a new project, during the project and when monitoring the project life cycle and the post impact assessment when there is an incidence. Monitoring is characterized by ascertainable strategies and programmes and it usually ends up with reports and outcomes intended to ascertain the existing condition or status of a particular environment or to establish trends in environmental parameters (physiochemical, life science/biological, radiological, microbiological, social science/human environment, etc) . The results of such monitoring are reviewed, analysed and reports produced.

At the start of the project, a risk assessment is performed. An environment risk register is prepared to understand and collate all risks posed by the proposed project to the people and environment, and for the approval of the project. The requirements are stated in the regulation[46]

The stages of this monitoring are illustrated below:

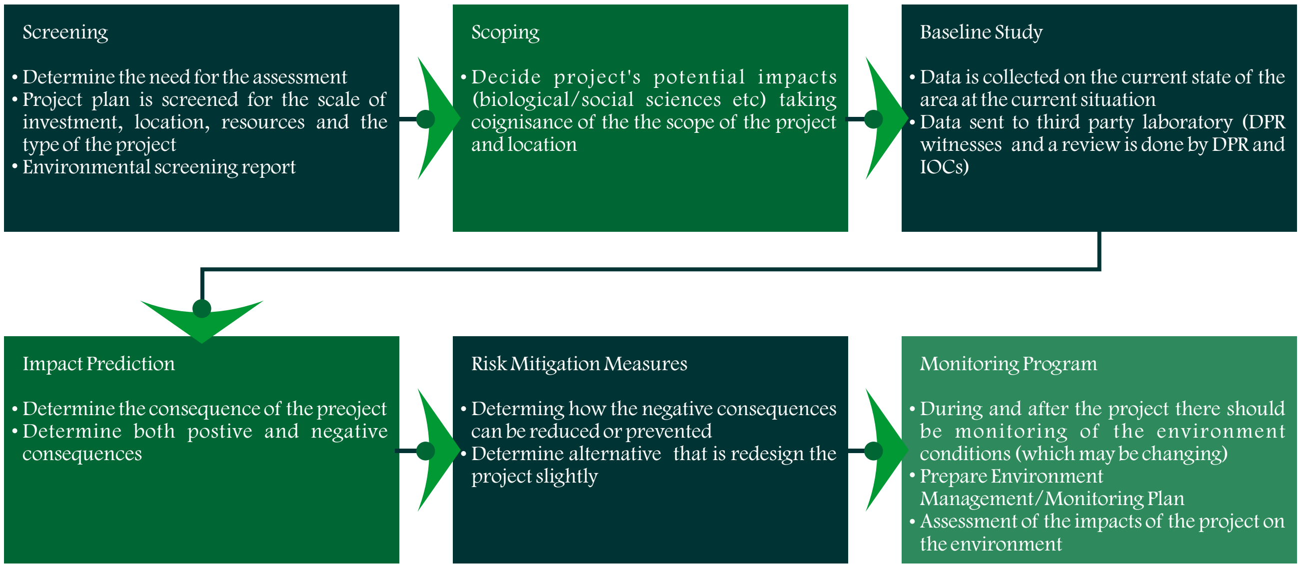
Figure 19: Stages of environmental monitoring

7.5.2.1. Environmental Impact Assessment Process

The process of determining an environmental impact assessment is shown in the diagram below:

[46] Upstream-Petroleum-Environmental-Regulations.pdf (nuprc.gov.ng)

Figure 13: Environmental impact assessment process



Screening: The concept for the project is screened or proofed. The concept must be environmentally screened.

Scoping: The scope of the project is determined and the impacts on the environment assessed

Baseline study: The study of the environment prior to the start of the project is documented. This involves the following area:

Environmental Components	Components/Environmental Samples	Requirements
Physio-chemical & Earth Science	Noise	• Levels of noise present • Strategies for reducing noise pollution
	Atmosphere	• Impact of the emission on the area • Effects on air for residents • Health implications • Quantity of emission likely from the project • Pollution control desires/air quality standards • Contributions to global warming
	Land	• Changes in land morphology
	Ground water	• Sustainability issues • Existing ground water resources, their quality and quantity within the area • Impact of project on water resources • Effects on local use
	Surface water	• Sustainability issues • Effects on local use (irrigation, drinking, fisheries etc.) • Health implications for users
Life Science/Biological	Habitat and communities	• Flora and fauna in the area • Potential/likely damage due to project, due to effluents, emissions, and landscaping
	Species & population	• Biological stress
Social Science/human Environment	Social & economic	• Employment opportunities • Community welfare
	Health & safety	• Gas flaring reduction Impact on community safety

Impact Prediction: The possible impact of the project is determined both positive and negative aspects. This will help determine what the next steps are if there is an occurrence.

Risk mitigation measures: All possible risks are discussed and alternatives provided. This is then featured in the environmental management monitoring plan. A detailed engineering design is provided by the OC. The impacts of the projects are determined. A payment of a financial contribution to the Environment Remediation Fund in accordance with the PIA Section 103(1) is required before the approval of the Environment Management Plan.

7.5.2.2. Frequency of NUPRC Monitoring of Companies

NUPRC monitors Companies at various stages of the project. Certified NUPRC third party consultants are involved in the monitoring and reporting process. Some of the reports and the frequency of reporting are as follows:

Environmental monitoring reports and frequency

Reports	Frequency
EIA/Environmental Monitoring Plan (EMP)	At the start of the project
Air quality from the exhaust	Weekly and report to NUPRC monthly quarterly
Discharges from process water etc., effluents discharged into the environment	Weekly and report to NUPRC monthly/ quarterly
Environmental evaluation study (EES) report	Every 3years (comparison of EIA/EES parameters)
Biological monitoring study - offshore	Every 3 years
Post impact assessment report	When an incidence occurs

Note: Approvals are issued after a successful completion of an EIA/EES, and the study indicates that the environment will not be adversely impacted from the proposed project activities after implementation of pre-determined mitigation measures and environmental monitoring plan during the project implementation and operations phases.

7.5.2.3. Post Impact Assessment

This stage occurs when an incidence occurs due to a breach, loss of containment, hydrocarbons, hazardous materials, spillages, are discharged into the environment. (Upstream Petroleum Environmental Regulations 2022 - Part 1 (9)). This means that intervention values have exceeded target values. The impact on the assets and environment are evaluated. Remedial action study is conducted to restore the environment back to its original state by cleaning up the spill, etc.

Note at the award of a license, NUPRC assumes that every operator has the capacity to manage spills.

NUPRC has categorized the spills based on volume into three tiers:

- Tier 1: Onshore 0 - 25 barrels, offshore 0 - 250 barrels
- Tier 2: Onshore 25 - 250 barrels, offshore 250 – 2500 barrels
- Tier 3: Onshore > 250 barrels, offshore > 2500 barrels

NUPRC expects all Operators to have the capacity to manage Tier 1 spills without assistance. To achieve this annual OSCPFI oil spill continuous planning facility inspection are done on Operator's facilities and equipment's and HSE issues. Scenarios of oil spillage are carried out to ensure companies are prepared to combat spills, security issues, etc. The staff strength, training, and staff deployment are analysed to ensure operators can combat a spill. This inspection takes three to five days. This is done for all operators. Tier 2 spills are managed by a cooperative association CLEAN Nigeria Associates. This is a collaboration of Operators to mutually assist themselves to manage Tier 2 spill. Every Operators subscribes and pays a sum to manage the association and respond to spill issues. Tier 3 spills require external foreign companies to assist to respond to the spill issues. This is normally performed by NOSDRA.

Clean Nigeria Associates Limited (CNA) was established in 1981 by oil companies operating in Nigeria as a non-profit second tier oil spill response organization. The primary objective was to provide a pool resource of oil spill response equipment, fast and effective second tier oil spill response capabilities, and expertise to aid members of the association in combating oil spills as a back up to any such capability kept by individual members. CNA Oil Spill Response equipment and materials are currently stocked in Nigeria in two main bases (Onne and Warri) and two satellite bases (Kaduna and Eket) in Nigeria.

7.5.2.4. Remedial action

When a spill occurs due to third party interference (sabotage), company negligence, etc., the law expects the operators to manage the spill. The Companies are expected to clean up the spill, clean up the environment and the regulators ensure this is done. The operators take samples for analysis to check intervention values have been exceeded. If the values have been exceeded, then remediation takes place. This is done by certified third party NUPRC consultants. The expectation is that the values should be reduced, and the environment returned to its original state, in which plants, animals, etc. can survive.

7.5.2.5. Remediation

Section 81 – 84 of the Upstream Petroleum Environmental Regulations describes the regulations of remediation and restoration of the impacted area. A project from the Federal Ministry of Environment known as Hydrocarbon Pollution Remediation Project (HYPREP) which is in charge of bringing the environment to its original state. This was created to achieve environmental remediation, sustainable livelihood, provision of potable water, Public health analysis in Ogoniland and other impacted communities.

7.5.2.6. NUPRC Implementation Machinery for Non-Compliance

Various tools are used for enforcement of these regulations namely:

- Sanctions/fines (this is stated in the regulation document)
- Compensation (of communities, etc.)
- Issuance of interim guidelines on waste discharges
- Revocation of licenses and leases

7.5.3. Environmental Reforms

- **Gas flaring management**

Gas flaring is one of the age-long ills that plague the Nigerian Oil and Gas sector. It has been attributed to unfavourable cost-benefit outcome to the operators in the sector that may choose to harness and monetise associated gas. The cost of processing gas for sale is generally higher than the benefits that would be derived from commercializing the processed gas. As such, associated gas is preferred to be flared or vented by operators. Considering the environmental impact of gas flaring, the PIA has upheld the prohibition of gas flaring, except for a few circumstances in which there is no other reasonable option than to flare gas. This is stated in the PIA Section 104 – 108. A licensee or lessee shall pay a penalty prescribed pursuant to regulation issued by the Commission. The only recognized few instances where gas flaring may be allowed by the PIA are as follows:

i. in the case of an emergency
ii. pursuant to an exemption granted by the Commission.
iii. as an acceptable safety practice under established regulations

In managing the flaring of gas and the impact on the environment, NUPRC requires upstream operators that produce natural gas to submit, within 12 months of the effective date of the PIA, a natural gas flare elimination and monetisation plan to the Commission. The monies received in respect of gas flaring penalties for upstream petroleum operations are to be utilized for environmental remediation and relief of the host communities impacted.

- **Other reforms**

Other industry reforms are currently on-going are stated below:

- Process automation/data collection, interpretation, and storage
- Oil and gas industry service permit
- Automated spill reporting platform and integrated GIS system
- Oil spill contingency plan/facility in asset integrity status
- Environmental data collection and storage
- Sustainability reporting system
- Developing guidelines for achieving methane reduction target
- Robust development/update of environmental guidelines and principles to reflect current global best practices
- Host communities' development trust fund (Section 235 of PIA) – this is for the host communities needs for social, environmental and economic perspectives. The oil

license holder (settlor) must make an annual contribution of an amount equal to 3 percent of its operating expenditure for the relevant operations from the previous year.

- Environmental remediation fund (1f Section 103 of the Act) – this is for remediation of oil-impacted sites. The regulation is awaiting official gazette.

7.6. Observations, Findings and Recommendations

Observations and Findings

1. In 2021, the total sum expended as quasi-fiscal expenditure amounted to US$6.931billion (equivalent N2.651trillion). These amounts were deducted from Federation's revenue before remittance without appropriation by National Assembly.
2. The circumstances for the loans taken in the past to settle Marketers under the Petroleum subsidy scheme, which are being recovered from the monthly Federation revenue proceeds under Pre-export financing and Project Eagle agreement remains unclear.
3. The agreement on cash call financing by NLNG involving Federation JVs requires further clarifications.

Recommendations

1. There is the need to ensure adequate oversight over the expenditures that are not captured in the National budget.
2. NNPC should transparently disclose details of the subsidy and the beneficiaries of the payments, in addition to rendering accounts on the loan transaction.
3. The pre-export financing arrangement and all other loan arrangements in exchange for crude oil and gas should be extensively reviewed / investigated.

Environment

4. Regulations - There is an overlapping of regulatory powers between the enforcement agencies on environmental issues that is NUPRC, NMDPRA, Oil and Gas Division of the Federal Ministry of Environment (FMOE). This could offer companies that pollute the environment to take advantage and choose the regulator to obey. The agency's process and or rules should be streamlined and not overlapping.
5. Gas flaring (Gas facilities set-up or gas flaring for testing or operational reasons) – There should be a specified limit in the contract that is allowable for facility set-up for gas flaring. This would reduce the harm to the environment.
6. Environmental Remediation Fund – The administration of the fund should be vested in NUPRC.
7. The procedure for assessing compensation for environmental damage should be clearly documented and put in a public repository.

CHAPTER **EIGHT**

OUTCOMES AND IMPACT

CHAPTER
EIGHT

OUTCOMES AND IMPACT

NEITI audit reports have over time provided critical information and data that have greatly assisted in deepening discussions on transparency, accountability and good governance in the Oil and Gas Industry. The findings and recommendations from the Report are utilized by an Inter-Ministerial Task Team, with members drawn from the critical agencies responsible for implementing the recommendations and remedial issues in the report.
Observations and recommendations on issues from the 2021 report are presented in the Table below:

8.1. Observations, Findings and Recommendations of the 2021 oil and gas report

The Table below sets out a summary of the observations/findings and recommendations of the 2021 NEITI report.

Table 77 - Observations and recommendations for 2021

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
1.	**Compliance with NEITI Report** Out of the 69 companies selected, Lekoil Limited did not submit any information to IA for reconciliation but made payments. The total payments by Lekoil amounted to US$7,756,000, representing 0.03365% of the total revenue.	Non-cooperation of Lekoil in this report indicates lack of commitment to the NEITI reconciliation process.	Companies and NEITI		NEITI should take measures to ensure full compliance of covered entities with the annual audit process, in view of revenue implications to the Government. It may also be necessary for NEITI to activate its sanctions mechanisms.
2.	**Beneficial Ownership** It was observed that majority of the oil and gas companies in Nigeria exhibit complex structures that shield the real identities of their owners.	The ultimate objective of beneficial ownership disclosure which is to disclose the natural persons behind the companies is still a challenge.	Companies, NUPRC and NEITI		NUPRC should implement the relevant Section of the PIA speedily.
3.	**Production from PSC Blocks** In 2021, the following were the observations: 1. Only 12 (34%) of the PSC blocks recorded production while 23 other blocks, representing 66% of total numbers of PSC blocks did not produce. 2. Total production from the PSCs, which was 242.96 million barrels represents 42.92% of total production of the 566.13million barrels. The PSC arrangements, which contributed highest to the total production volumes operated only 34% of the total allocated blocks.	The PSC arrangements which contributed highest to total production volumes operated only 34% of the total allocated blocks.	NUPRC and NNPC Ltd	NNPCL responded that the PSC blocks transit from exploration/appraisal phase to production overtime. Also note that some of the blocks are still at award status as some contractors may not have come forward for budget/work program due to various reasons from regulatory to business operations' considerations. We are hopeful that about 2-3 blocks will soon attain production status	We recommend that the NUPRC and NNPC Ltd. speedily review the technical, operational and other constraints limiting production from the idle PSC blocks with the view of optimizing production from the PSC arrangements. Where these issues cannot be resolved, consider revocation of licenses and subsequent allocation to other interested parties.
4.	**Nigeria-Sao Tome and Principe Joint Development Authority.** A bilateral treaty between Nigeria and Sao Tome & Principe has existed since 2001. In 2021, the report disclosed that there were no exploration, production or export activities in the JDZ. This lack of activity has been the reported situation in the past NEITI Audits.	Nigeria has not realised the objectives of the treaty for over a decade of the existence of the JDZ.	JDA, NUPRC		The Federal Government should review the activities of JDZ with the view of identifying possible challenges and proffer solutions that will enhance the realisation of the objectives for which the NSTPJDA was established.
5.	**Crude losses** The crude oil volume losses in 2021 due to measurement errors and theft/sabotage are 31.04million barrels and 37.57million barrels	Incessant crude oil losses in the industry as a result of theft, sabotage and metering		NNPC: We have noted NEITI's recommendation s. However, there are recent efforts by both the	The Federal Government should ensure proper pipeline security surveillance using satellite imagery and other sophisticated ICT tools to ensure real time monitoring and decisive actions on pipeline

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
	respectively. The combined losses was 11% of the actual metered production volume at flow station. The losses of crude flows into Bonny terminal amounted to 31% of production flow through Bonny terminal, the losses of crude flow into Forcados and Brass terminals were respectively 9% and 7% of production volume pumped through the Forcados and Brass terminals.	errors remains a major cause of revenue losses to the Federation.		Federal Government and NNPC in collaboration with Security Agents, in ensuring the safety of our pipelines, both Crude and White products pipelines. In addition, Operation White was carried out recently by NNPC to minimize losses for product theft and sabotage.	vandalism. The companies should also work with the Federal Government to ensure the implementation of fiscal provisions in the PIA for the welfare of Host Communities and thus strengthening responsibility for communal ownership of crude oil pipelines.
6.	**Quasi-Fiscal Expenditure** In 2021, the total sum expended as quasi-fiscal expenditure and deducted at FAAC, amounted to US$6.931billion (equivalent N2.651trillion). These are expenditures incurred by the SOE and its subsidiaries (the NNPC Group) on behalf of the Federation but outside the national budget.	These amounts were deducted from Federation revenue before remittance without appropriation by National Assembly.	National Assembly, Federal Ministry of Budget and National Planning and NNPC.		There is the need to ensure adequate oversight over the expenditures that are not captured in the National budget.
7.	**Outstanding Liabilities payable to FIRS and NUPRC** The total outstanding taxes payable to FIRS as at 31st July, 2023 was **$13.591million** while the total amount of outstanding Federation revenue payable to NUPRC as at 31st December, 2022 was **$8.251billion**. NNPC and NPDC outstanding liabilities accounted for over 70% of these liabilities. The non-payment of these funds as at when due is a constraint on revenue flow to the Federation. See Appendix 17 for more details.	The non-payment of these funds as at when due is a constraint on revenue flow to the Federation.	Companies, NNPC/NPDC, FIRS and NUPRC	**FIRS response:** It is important to note that debt is dynamic and will constantly change with time. FIRS has many debt collection mechanism including enforcement. Therefore, the Service is in the process of recovering all the outstanding liabilities. **NNPC Response:** A committee has been set-up by FG with the regulators and SOE to carry out a detailed reconciliation on this	NNPC and NPDC should be thoroughly investigated while other companies should promptly pay their outstanding liabilities and the respective government agencies are to intensify efforts to recover the debt.
8.	**NDDC levies** The audit observed a collaboration between the EFCC and NDDC in the recovery of outstanding NDDC levies. However, there will be a need for further reconciliations of payments made by companies to EFCC to determine amounts recovered and amount outstanding (if any) in the EFCC account	Improved revenue collections to the Federation	NDDC/EFCC/CBN		NDDC should step up in its statutory role of prompt collection of NDDC levy while EFCC should render accounts of all NDDC levy recoveries.

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
	because the NDDC could not provide independent records of such payments.				
9.	**Pre-export financing and Project Eagle** This is a subsisting agreement prior to 2021, which was initially a loan of $3billion contracted in 2012 under an agreement termed Pre-Export Financing (PXF) and was meant to settle subsidy payments due to petroleum product marketers in full exchange for proceeds of crude oil sales from one of the NNPC's asset (NPDC's OML 119). The circumstances for the loans taken in the past to settle Marketers under the Petroleum subsidy scheme, which are being recovered from the monthly Federation revenue proceeds under Pre-export financing and Project Eagle agreement remains unclear. **NLNG Project Financing** This is covered under an agreement entered in 2019 by NNPC with NLNG on behalf of NPDC, to provide incremental gas supply to NLNG and in return, NLNG would provide an advance cash call payment (CAPEX portion) of some selected projects as identified in the agreement. The agreed financing amount is US$2.469billion with duration of 12 years as contained in the external financing agreement See Section 7.1 of this report for further details.	The repayment of the loan constitutes a heavy burden on the Federation and a constraint on revenue flow to the Federation. The agreement on cash call financing by NLNG involving Federation JVs and NPDC requires further clarifications on the circumstances and amount contracted on behalf of the Federation.	NNPC and Federal Ministry of Finance		NNPC should transparently disclose details of the subsidy and the beneficiaries of the payments, in addition to rendering accounts on the loan transaction. The pre-export financing arrangement and all other loan arrangements in exchange for crude oil and gas should be extensively reviewed and investigated. Furthermore, the Government should commission a comprehensive audit of the PMS subsidy-related financial transactions between NNPC and the Federation, to determine all liabilities. This should include all relevant parties, including FAAC and post-mortem committee, to ensure accurate and verified data.
10.	**NLNG Payments** The sum of $722.60million was paid to NNPC by NLNG as dividend and interest earned by Federation in 2021. This amount was neither remitted to the Federation nor properly accounted for.	Potential loss of revenue to the Federation	NNPC, Federal Ministry of Finance, OAGF and FAAC	NLNG dividend is no longer under NNPC purview. The account is under CBN custody managed by Min of Finance/ OAGF. NLNG income is used solely as directed by the Presidency (For the development of Gas infrastructure in Nigeria) and this documented evidence was made available for sighting	NNPC has made clarification on the management of NLNG dividend, the onus is on the Ministry of Finance and OAGF to clarify whether the fund is for the Federation or Federal Government. However, NAPIMS confirmed that the fund came from the Federation's share of NLNG dividend (See note 18.3 of 2021 NAPIMS AFS)

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
				during the Audit exercise. The statement of status and utilization of funds from the account was also made available. Furthermore, the OAGF has also provided evidence to the Presidential Revenue Monitoring and Reconciliation Committee (PRM&RC) managed by the Budget Office that shows the funds initially utilized for the NLNG investment came from the Federal Government and not the Federation	
11	**Transportation revenue** The sum of $194.85million and N9.73billion were the pipeline transportation revenue earned from JV operations. While the dollar receipt was remitted to the Federation Account, the Naira receipt was neither remitted to the Federation nor was it properly accounted for. Furthermore, there was no adequate disclosure of tariff rate and volumes with respect to what was paid to NNPC by the JV operators.	Opaqueness in accounting for transportation revenue.	NNPC and Companies	The amount is still being reconciled.	We note NNPCL's comment and recommend that any reconciliation of discrepancies should be concluded in a timely manner to ensure the Federation receives revenues due to it as at when due. NNPCL to ensure payment of the amount due to the Federation Account NNPCL and companies to provide the basis of computation of transportation fee
12.	**Miscellaneous revenue** The sum of $702.19million and N343.56million were the miscellaneous revenue earned from JV operations. While the dollar receipt was remitted to the Federation Account, the Naira receipt was neither remitted to the Federation nor was it properly accounted for.	Potential loss of revenue to the Federation	NNPC	We have initiated the process of remitting the amount to Federation	We note NNPCL's comment and encourage NNPCL to conclude remittance to Federation as at when due.
13	**Revenue from trial marketing period** The sum of $278.813million was earned by the Federation from trial marketing period crude lifting in 2021, however, this amount was not swept to the Federation in 2021, though the JV Partner's (First E&P) share was transferred to the Partner as soon as the revenues were received into the TMP escrow account jointly operated by both parties.	Loss in time value of money as a result of delay in remittance	NNPC	The sum stated including interest accrued was swept to the Federation Account at the conclusion of TMP which traditionally is the practice in the event of over or under lift at the close out reconciliation. The proceeds were reported in the September	NNPC should ensure that revenues due to the Federation are remitted as soon as received. Record available shows that trial marketing period ended when each party commenced separate lifting in September 2021 and not September 2022 when the payment was made.

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
				2022 FAAC report	
14.	**Revenue from OML 116** The sum of $69.30million was realized from the sale of crude oil lifted from OML 116, currently operated by NPDC on behalf of the Federation, hitherto operated by AENR under service contract arrangement. However, NPDC claimed cost recovery of $61.68million, leaving a balance of $7.61million (N3.14billion as per 2021 NAPIMS AFS) unremitted to the Federation as at 31st December 2021.	Loss in time value of money as a result of delay in remittance	NNPC	The finding which established that NEPL unremitted balance to federation is to the tune of $7.61M is correct and NAPIMS is following up with NPDC to ensure payment of the profit oil to the Federation Account	NNPCL should be investigated to ensure recovery of this amount into the Federation Account.
15	**Cash call** NAPIMS continues to pay cash call to Newcross, despite the fact that Federation interest has been transferred to NPDC. Cash call payments to the tune of N11.470billion and US$29.218million were made by NAPIMS in 2021 with respect to asset already transferred to NPDC since 2019. Cash Call Receivables from NPDC with respect to NPDC NAOC and NPDC Newcross for which NAPIMS paid cash call on behalf of the Federation, despite the fact that NAPIMS has transferred Federation interest in the assets to NPDC are N287.55billion and N42.14billion respectively. In addition to cash call, NAPIMS also incurred overheads cost to the tune of US$221.283million. This is considered high considering the position of the National Petroleum Policy gazette in December 2017.	The high NAPIMS overhead cost reduces profitability of Federation equity investment in JVs.	federal ministry of finance, ministry of budget and national planning and NNPC	NAPIMS continued payment of cash call to Newcross during the transition of the transfer. This is to avoid disruption of the JV Operations due to lack of funds. NAPIMS has a reconciled position of the total cash call paid to Newcross on behalf of NPDC.	There is need to carry out value for money audit and independent reconciliation of outstanding amounts due to the Federation as part of a comprehensive reconciliation of debts outstanding between NNPC Group and the Federation, especially with the advent of PIA. Full implementation of the PIA is expected to address the issue. The explanation provided by NNPC though cogent does not extinguish the process gap identified by the report. Continued cash call payments to assets transferred to an NNPC subsidiary for whatever reason is a procedural weakness that needs to be addressed.
16.	**Update on Refineries Activities** The audit observed that none of the refineries was operational in 2021 despite spending about N200billion within 2020 and 2021 on refinery rehabilitation. This amount was deducted from the Federation sales proceeds. NNPC to provide clarifications on the status of the refineries.	Inefficiency in resource allocation, which has hindered progress and limit the potential for growth and development in the downstream sector of Nigeria oil and gas industry.	Ministry of petroleum, ministry of finance and NNPC	Rehabilitation of the old Port Harcourt Refinery (Area 5) at 60% Completion EPC: Technimont Project: Rehabilitation Quick fix project is on-going in WRPC. EPC: Daewoo E&C Nigeria Limited (DECN) Project: Quick fix	Special investigation should be instituted to establish the status of the refineries and carry out value for money assessment on the refineries

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
				Quick fix project is on-going in KRPC. EPC: DECN Project: Quick fix The quick-fix initiative on WRPC and KRPC is expected to restore both refinery plants to a minimum of 60 per cent of its nameplate capacity by Q4 2024. Also note that these projects (WRPC and KRPC) are been executed in three work packages as a Maintenance Services contract by Daewoo E&C Nigeria Limited, with a duration of Fifteen (15) and Twenty-One (21) months respectively.	
17	**Deductions from the Federation crude sales proceeds** The sum of N1.20trillion ($3.01billion) was deducted from domestic sales proceeds. Subsidy accounted for N1.16trillion, Crude & product losses accounted for N16.20billion, Pipeline repairs accounted for N22.05billion and Strategic stock holding accounted for N6.75billion.	These deductions remain a heavy cost to Federation Revenue remittance.	NNPC, RMFAF and FAAC	The submission is in line with our 2021 record. Kindly note that the deductions were as agreed at the FAAC and there were nothing hidden in the transactions	Previous NEITI audit reports have consistently highlighted transparency issues in the deductions from federation crude sales. Full implementation of PIA provisions will address the issues. However, subsidy has been terminated by the Federal Government in 2023. The practice of charging crude oil and product losses, Pipeline repairs and Strategic stock holding cost to Federation should no longer be acceptable under the PIA. The Federation should not be made to pay for pipeline maintenance, strategic holding cost and losses that the new commercially oriented NNPC has incurred on its own. The fact that the deductions were agreed at FAAC does not make such huge deduction without appropriation a non-issue.
18.	**Conversion of FIRS tax oil and NUPRC royalty oil to DSDP** About 90% and 46% of PSC FIRS-Tax oil and PSC NUPRC-Royalty oil Cargoes were respectively borrowed and converted to DSDP. The sales proceeds in dollars were originally meant to be remitted to the respective FIRS and NUPRC designated accounts within 30 days otherwise penalties will apply. However, NNPC applies a 90-day	Loss of revenue in the sum of $3.34million to the Federation as a result of remittance of the sales proceeds of PSC royalty in Naira without applying appropriate exchange rate advised by CBN	NNPC	NNPC response: Due to National Energy Security Demand, Federal Govt directed that in addition to traditional 445k barrels allocated for domestic consumption NNPC could utilize Royalty and Tax oil	Full implementation of PIA provisions will address these issues

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
	payment period (without payment of late penalty) and remits the sales proceeds in Naira as in the case of domestic crude to the respective agencies designated accounts. This practice resulted in revenue loss in the sum of $3.34million to the Federation as a result of remittance of the sales proceeds of PSC royalty in Naira without applying appropriate exchange rate advised by CBN.	and loss in time value of money as a result of delay in remittance.		volumes to Augment. Subsequently, the 90-day payment term in Naira for Federation domestic cargoes was also applied on the statutory obligation volumes. Furthermore, NNPC applied exchange rate as advised which relates to the month of lifting, however a reconciliation team as directed by the President is working to resolve all outstanding issues between FAAC and NNPC.	
19	**Outstanding liabilities on PSC Taxes and Royalty Oil** The outstanding liabilities on crude royalty/concession rental and taxes are in the sum of $26.36million and $5.63million respectively. Of these outstanding liabilities, the sum of $83,315 and $1.64million relate to prior year outstanding liabilities on concession rental and education tax respectively yet to be remitted to the respective agencies' accounts as at 2021. Similarly, the outstanding liabilities on gas royalty and taxes are in the sum of $547,955 and $3.74million. Of these outstanding liabilities, the sum of $69,633 and $882,958 relate to the prior year outstanding liabilities on gas royalty and taxes respectively yet to be remitted to the respective agencies' accounts as at 2021.	Loss in time value of money as a result of delay in remittance	NNPC, FIRS and NUPRC	work in progress and reconciliation team constituted.	NNPC should ensure that revenues due to the relevant agencies are remitted as at when due
20.	**Revenue from EGTL transactions** Included in export gas sales of $414,23million is the sum of $242.05million revenue earned from Escravos gas to liquid (EGTL). Of this amount, only the sum of $20.22million was received into the CNL proceed account and remitted in 2021, the balance of $221.82million was neither received nor properly accounted for.	Potential loss of revenue to the Federation	NNPC	The sum of $20.22million represents 8% of gross revenue which is payable as price balance per contract agreement noting that revenues are from an SPV project in partnership with Chevron.	NNPC should account for this revenue and the transactions should be investigated
21	**Non-cash call payment** The sum of US$74.294million was paid as severance from cash call account for Panocean	The Federation is funding assets that do not give	NNPC, RMFAC and NUPRC	TMC approval directing NAPIMS to pay the severance	NNPC Ltd should stop the practice of funding assets transferred to NPDC from Federation cash call account. It is expected that

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
	JV in 2021 that had been taken over by NPDC in 2020.	corresponding returns.		settlement to Pan Ocean Management staff amongst other obligations. At the time of revocation and asset transfer to NPDC, Pan Ocean had some outstanding liabilities, such as legacy and community contractors' payments and severance obligations to staff. Thus, TMC resolved that NAPIMS should pay the staff severance (Including Management staff) to avoid any unnecessary encumbrance from the community or former staff to the operations of the asset.	whenever assets in a JV is taken over, it should also include liabilities. NNPC should provide the basis for TMC decision to place the entire liability (legacy & community contractors' payments and severance obligations to staff) on the federation alone. As this issue relates to a license that was revoked due to the operator's inability to meet its obligations to government, we recommend that, when such decisions are taken, details (including liabilities, payables, etc.) of the terms of the revoked license should be shared with the RMAFC /NEITI/ and disclosed on NUPRC website as license revocation has potential impact on the revenue accruing to the federation. Finally, the upstream regulator must ensure that all operational and ancillary liabilities are adequately established and assigned to responsible partners during the process of revocation.
22.	NNPC records Vs NAPIMS AFS The sum of N107.47billion was validated as domestic gas revenue based on COMD record, however, NAPIMS reported the sum of N84.47billion as domestic gas revenue in 2021 NAPIMS AFS The sum of $1.57billion (N624.67billion) was validated as export gas revenue based on COMD record, however, NAPIMS reported the sum of N563.98billion as export gas revenue in 2021 NAPIMS AFS The sum of $1.64billion (N655.16billion) was validated as export crude oil sales revenue based on COMD record, however, NAPIMS reported the sum of N540.75billion as export crude revenue in 2021 NAPIMS AFS	Discrepancies in records raise concerns about the integrity and accuracy of the data. Discrepancies in records raise concerns about the integrity and accuracy of the data. Discrepancies in records raise concerns about the integrity and accuracy of the data		The COMD record being referenced is the actual cash received into the Gas revenue account based on FAAC report. However, NAPIMS AFS is based on the accrual concept of accounting in line with IFRS.	NNPC should improve data management processes and establish controls to prevent future discrepancies. Regular monitoring, data reconciliation, and cross-verification can help minimize the occurrence of such discrepancies and maintain data integrity.
23	13% derivation The practice of computing 13% derivation on the balance of revenue after deductions from the total collections is contrary	Violation of Section 162(2) of the Constitution of the Federal Republic of	RMFAC and OAGF		The practice of computing 13% derivation on the balance of revenue after deductions from the total collections should be discontinued. Rather, the 13% derivation should be based on total collections for the

S/N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
	to the intention of the derivation objective.	Nigeria which provides that the 13% derivation should be based on the revenue accruable to the Federation from oil and gas sector.			relevant period in accordance with Section 162(2) of the constitution of the Federal Republic of Nigeria.
24.	**Environment** Regulations - There is an overlapping of regulatory powers between the enforcement agencies on environmental issues that is NUPRC, NMDPRA, Oil and Gas Division of the Federal Ministry of Environment (FMOE). This could offer companies that pollute the environment to take advantage and choose the regulator to obey. The agency's process and or rules should be streamlined and not overlapping.				There should be clear delineation of roles to avoid potential conflicts between the regulatory agencies. Gas flaring (Gas facilities set-up or gas flaring for testing or operational reasons) – There should be a specified limit in the contract that is allowable for facility set-up for gas flaring. This would reduce the harm to the environment. Environmental Remediation Fund – The administration of the fund should be vested in NUPRC. The procedure for assessing compensation for environmental damage should be clearly documented and put in a public repository.
25	**NEITI Audit remediation** The major issues raised in previous NEITI audits have largely remained the same and unresolved, whereas the remediation mechanism has become weaker over time.	The objective of NEITI Audit is undermined	NEITI/NNPC/all Regulatory agencies in the oil and gas sector		There is the need to strengthen remediation mechanisms and involve independent third parties to conduct detailed investigations when necessary.
26.	**Issues related to PIA.** I. The provision in Section 64 (m) of the PIA that makes NNPC the supplier of last resort and that all associated costs to be borne by the Federation is capable of being misinterpreted as it was in the old practice of deducting from revenue source. II. Section 64 (C) and 9 (4) of the PIA provides for 30% deduction from profit oil and profit gas by NNPCL for frontier exploration fund and NNPCL management fee but does not provide clarification as to what percentage goes for frontier exploration fund and NNPCL management fee.	It empowers NNPCL to deduct cost from revenue prior to revenue remittance. The amount due to the frontier exploration fund from PSC operations is not clear. Potential source of conflict between NNPCL and the commission The equity crude proceeds, which constitute major source of revenue to the	NNPC/NASS/NUPRC	NUPRC: The Commission is currently collating items on the PIA 2021 that require amendment	There is the need to review PIA to: Clarify Terminology and Deductions: To address the ambiguity surrounding the allocation of 30% for both the management fee and the FEF, the PIA should provide clear and precise definitions of terms like "profit oil" and the "management fee." This will eliminate confusion and ensure consistent application across relevant Sections of the law. Review and Streamline Deductions: The federal government should consider reviewing the deductions from profit oil to ensure they are clearly delineated. If the intention is to have one 30% retention that covers both the management fee and the FEF, the wording should be rephrased to reflect this clearly. Alternatively, if separate 30% retentions are required, the language should be revised accordingly. The Minister of Petroleum and Minister of Finance should determine the assets, interests and

S/ N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
	III. The provision of Section 54(1) of the PIA, 2021 provides that the Minister of Petroleum and the Minister of Finance shall within 18 months of the effective date of the PIA identify and transfer assets, interests and liabilities of NNPC to NNPCL. However, this provision of the PIA has not been affected, but NNPCL has taken over all the Federation assets in the JVs and operate as a business entity.	Federation prior to PIA, will no longer flow to the Federation.			liabilities to be transferred to NNPCL and what remains with NNPC in accordance with Section 54 (1) of the PIA.
27	**Award of Marginal field** According to the Commission's regulation, all successful applicants whose names are in the Notice of Preferred Bidder Status ought to have made payment of signature bonus, prior to award, however, the list of awardees contained names of companies that had not made payment of signature bonus.	Award of marginal fields prior to payment of signature bonus as well as payment of signature bonus by companies that did not participate in the process by NUPRC indicates that the Commission did not adhere to its own regulations. Recommendations	NUPRC		The NUPRC should adhere strictly to all its regulations.
28.	**Discrepancy in PMS importation between NNPC and NMDPRA** The volume of PMS imported in 2021 under the DSDP arrangement based on NNPC's records was significantly different from the volume of PMS imported as per NMDPRA records.	The implication of the discrepancy between NNPC and NMDPRA records indicates that there is no independent third-party confirmation of product importation volume and subsidy value.	NNPCL, NMDPRA		The discrepancy in the volume of PMS imported and subsidy value should be investigated.
29	**Potential loss of revenue to the Federation upon the Implementation of PIA** Gas flare penalty Pofit oil Revenue from JV Assets Royalty and tax oil management fee by NNPC				We recommend that the Government should through the Ministry of Budget and National Planning/Budget Office of the Federation and others: Enhance Revenue Forecasting activities:

S/ N	Observations/ Findings	Implication	Responsibility	Entity's Response	Comments/ Recommendations
	Gas flare penalty which hitherto was paid to the federation will now be utilised for a fund managed by the NMDPRA for environmental remediation. Pofit oil which hitherto was paid to the federation in full will now only receive about 40% of the total collection. Revenue from JV Assets which hitherto was paid to the Federation Account appears now to accrue to NNPCL. Royalty and tax oil management fee by NNPC.				Establish a comprehensive revenue forecasting mechanism that considers the potential impacts of policy changes, such as the reduction in the state's share of profit oil from Production Sharing Contracts (PSCs). Review Policy Trade-offs: The Government should evaluate the trade-offs between short-term revenue optimization and long-term sustainable development objectives of the Nation before a policy/law or regulation is deployed as balancing the immediate financial needs of the Federation with the potential impacts on future revenue streams is crucial for informed decision-making. Regular Review and Adjustment: The Government should establish a periodic review process for extractive sector policies to assess their impact on government revenue and other socio-economic factors. This iterative approach allows for timely adjustments based on evolving circumstances. We also recommend that the Government prioritizes the development of an Optimization of Environmental Fund Allocation strategy, incorporating a robust oversight mechanism and a Transparent Fund Management mechanism of all funds intended for environmental remediation through the NMDPRA in collaboration with relevant stakeholders. These steps will enhance transparency, foster community trust, encourage efficient fund utilization, and ensure environmental objectives are met. We recommend a revisiting of the functions of the Niger Delta Development Commission (NDDC) and aligning them with the host community development funds created by the PIA. Ensuring that each institution has clearly defined roles and responsibilities which will reduce operational costs and increase effectiveness. Finally, we recommend that the focus of the next EITI Report should be on the impact of the PIA on domestic resource mobilisation.


NEITI

NEITI Nigeria Extractive Industries Transparency Initiative

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