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NEITI Nigeria
Extractive
Industries
Transparency
Initiative

Key Highlights of 2021 Oil & Gas Industry Report



Focus of the Report



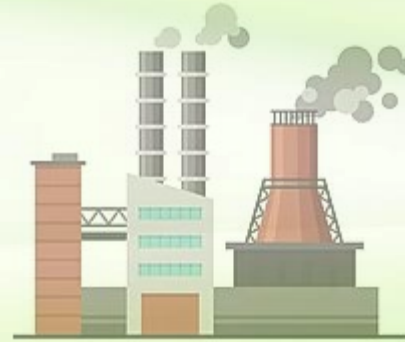
“Public disclosure, revenue generation and impact.”





No of Oil and Gas Companies & Government Agencies Covered by the Report

69
plus NLNG



Extractive Companies



12

plus (1) SOE

Government Agencies



A total of 69 companies were covered out of which 22 fell within the criteria for reconciliation and their payments represented 95.65% of total payment by companies which amounted to US\$11,332,792.48

Material Companies Covered

S/N	ENTITIES	PAYMENTS BY COMPANIES	% CONTRIBUTION TO TOTAL PAYMENT				
1	SHELL NIG. EXP. & PROD.CO LTD (SNEPCO)	1,460,056.00	12.32	11	STERLING OIL EXPLORATION & ENERGY PRODUCTION CO. LTD	613,434.00	5.18
2	EQUINOR NIGERIA ENERGY COMPANY LIMITED	1,155,453.00	9.75	12	NIGERIA AGIP OIL CO LTD	227,965.00	1.92
3	SHELL PETROLEUM DEVELOPMENT COMPANY	1,063,175.00	8.97	13	ESSO E&P (OFFSHORE EAST) NIGERIA LTD	211,887.00	1.79
4	MOBIL PRODUCING NIG UNLIMITED	1,044,536.00	8.82	14	ADDAX PETROLEUM DEVELOPMENT NIGERIA LIMITED	195,890.00	1.65
5	TOTAL ENERGIES UPSTREAM NIGERIA LIMITED	986,484.00	8.33	15	SEPLAT PETROLEUM DEVELOPMENT COMPANY	177,589.00	1.50
6	STAR DEEP WATER PETROLEUM LIMITED	932,798.00	7.87	16	NECONDE ENERGY LIMITED	133,763.00	1.13
7	CHEVRON NIGERIA LTD	739,736.00	6.24	17	FIRST EXPLORATION & PRODUCTION LIMITED	105,700.00	0.89
8	TOTAL ENERGIES EP NIGERIA LIMITED	675,312.00	5.70	18	CONTINENTAL OIL AND GAS COMPANY	92,259.00	0.78
9	ESSO E&P NIGERIA LTD	629,234.00	5.31	19	ND WESTERN LIMITED	89,209.00	0.75
10	NIGERIA PETROLEUM DEVELOPMENT COMPANY LIMITED	617,313.00	5.21	20	NIGERIA AGIP EXOLORATION(NAE)	66,515.00	0.56
				21	CONOIL PRODUCING LTD	63,511.00	0.54
				22	EROTON E&P COMPANY LIMITED	50,974.00	0.43

Revenue Streams (Sources of Revenue Under Reconciliation)

- Sales of Federation Crude Oil and Gas
- Taxes (Excluding PAYE)
- Royalty
- Concession rental
- Gas flare penalty
- Signature Bonus and License Fees
- Transportation Fees
- Dividend from NNLG
- NDDC levy
- NCDMB levy
- Ness Fee
- Miscellaneous Income



Revenues contributing 1.5% to total revenue in the year were considered material.

Revenue Payments by Companies and Received by Government Agencies

Revenue Streams	2021 US\$'000
• Sales of Federation Export Crude Oil and Gas (Less NNPC In-Kind, Taxes and Royalty)	8,097,842
• Taxes (Excluding PAYE)	5,654,225
• Royalty	5,478,190
• Concession rental	8,935
• Gas flare penalty	249,159
• Signature Bonus and License Fees	490,616
• Transportation Fees	219,181
• Dividend from NLNG	722,596
• NDDC levy	797,019
• NCDMB levy	66,683
• Ness Fee	16,689
• Miscellaneous Income	1,244,952
• Total	23,046,088

Breakdown of Revenue Receipts

	2021	
	US \$' 000	
Revenue not remitted by the SOE	1,951,115	(8.47%)
Quasi-fiscal expenditure by SOE	6,931,285	(30.08%)
Sub-national payments (payments to NDDC and NCDMB)	963,629	(4.18%)
Remittances to the Federation	13,200,059	(57.27%)
Total Revenue	23,046,088	(100%)



Breakdown of Total Revenue Received and Remittance to the Federation

ANALYSIS OF TOTAL REVENUE COLLECTION AND REMITTANCE 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	<u>258,425</u>			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)	<u>128,585</u>			0.56%
TOTAL SUBNATIONAL PAYMENTS (B)		963,629		4.18%
AMOUNT UNREMITTED BY NNPC '(C)		<u>1,951,115</u>		8.47%
TOTAL DEDUCTIONS (A+B+C)			<u>9,846,029</u>	42.72%
AMOUNT TRANSFERRED TO FEDERATION			13,200,059	57.27%
TOTAL REVENUE			23,044,126	100%

Licences and Leases granted in 2021

NUPRC granted two(2) licences in the year

Damas Petrochemicals & Refinery

- Asset Type: OML 110
- Date: February 5, 2021

Cadence Capital Limited & General Hydrocarbons Limited

- Asset Type: OML 120 & OML 121
- Date: N/A



Crude Oil Production

PRODUCTION ARRANGEMENT	VOLUME(MMBBL)	
Joint Ventures (JVs)	225,230	(39.78%)
Production Sharing Contracts (PSCs)	242.956	(42.92%)
Service Contracts (SCs)	0.978	(0.17%)
Sole Risk (SRs)	80.293	(14.18%)
Marginal Fields (MFs)	16.670	(2.94%)
Total Crude Oil Production	566.129	(100.00%)



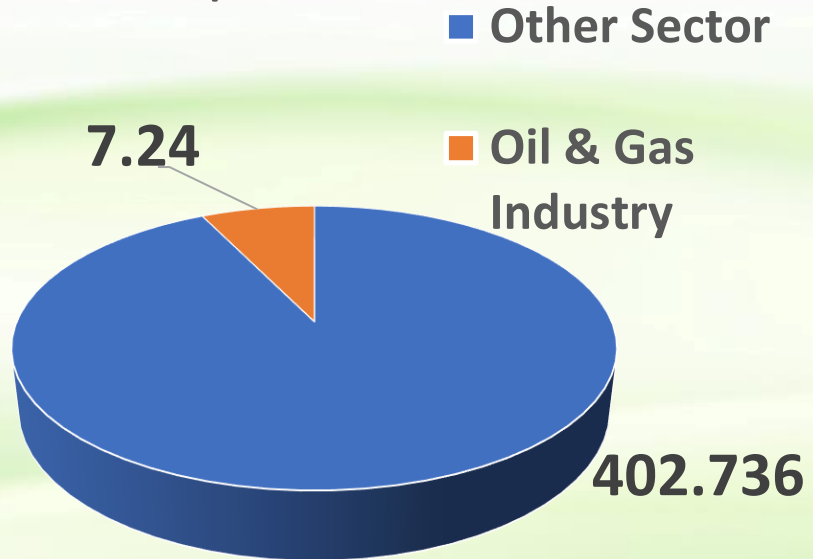
Gas Production

PRODUCTION ARRANGEMENT	VOLUME (MMSCF)	
Joint Ventures (JVs)	1,490,096.85	(54%)
Production Sharing Contracts (PSCs)	609,589.49	(22%)
Service Contracts (SCs)	~	
Sole Risk (SRs)	561,288.67	(21%)
Marginal Fields (MFs)	82,725.31	(3%)
Total Gas production	2,743,700.32	(100%)



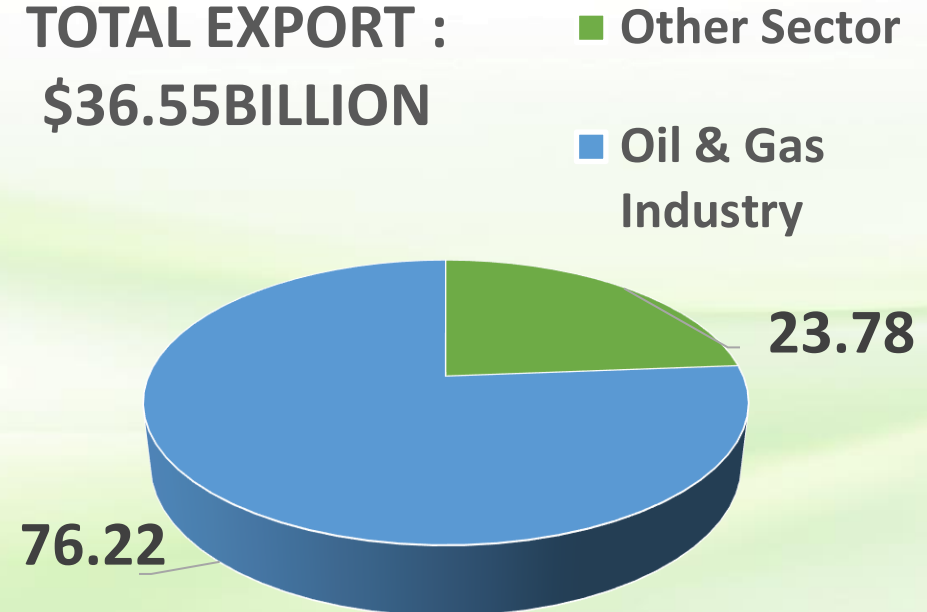
Contribution of Oil & Gas to the Economy, 2021

TOTAL GDP: \$434.17BILLION



Contributed 7.24% to GDP

TOTAL EXPORT : \$36.55BILLION



Contributed 76.22% to Total Export

Total number of employees from Companies and NNPC: 19,171

Cash-Call payments to JV Operators



Government participated in 12 JV operations



Government paid US\$3.087billion in cash call as equity contribution



The report disclosed 2 other JV Assets held by NPDC for which cash call was also paid. Our report examined this issue and raised a query.

Cash~Call liabilities to JV Operators



The outstanding cash~call liabilities payable by the Federation is in the sum of ₦120.439billion and US\$507.949million (₦209.524billion), totaling ₦330.007billion.

Deductions made by NNPC from Domestic Crude Account before Remittance to the Federation

- N751.11b (\$1.94b) was not due for payment as at December 2021
- N334.87b (\$871.15m) was outstanding liability as at December 2021
- N1.20t (\$3.15b) was deducted against the domestic sales proceeds as subsidy.
- Crude & product losses was N16.20b
- Pipeline repairs & maintenance was N22.05b
- Strategic stock holding was N6.15b

Company information and data on Beneficial Owners of the Assets

- All companies covered in the report have disclosed some BO information either through NEITI BO portal or CAC portal except 4 companies.

Collectible Revenues due to NUPRC and FIRS arising from NNPC and Companies

Revenue streams	NUPRC	FIRS
	As at 31 st December, 2022	As at 31st July, 2023
	(F'₦)	(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

Collectible Revenues due to NUPRC and FIRS arising from NNPC and Companies

- ❑ **47 companies - US\$1.342billion**
- ❑ **NNPC Limited - US\$6.923billion**

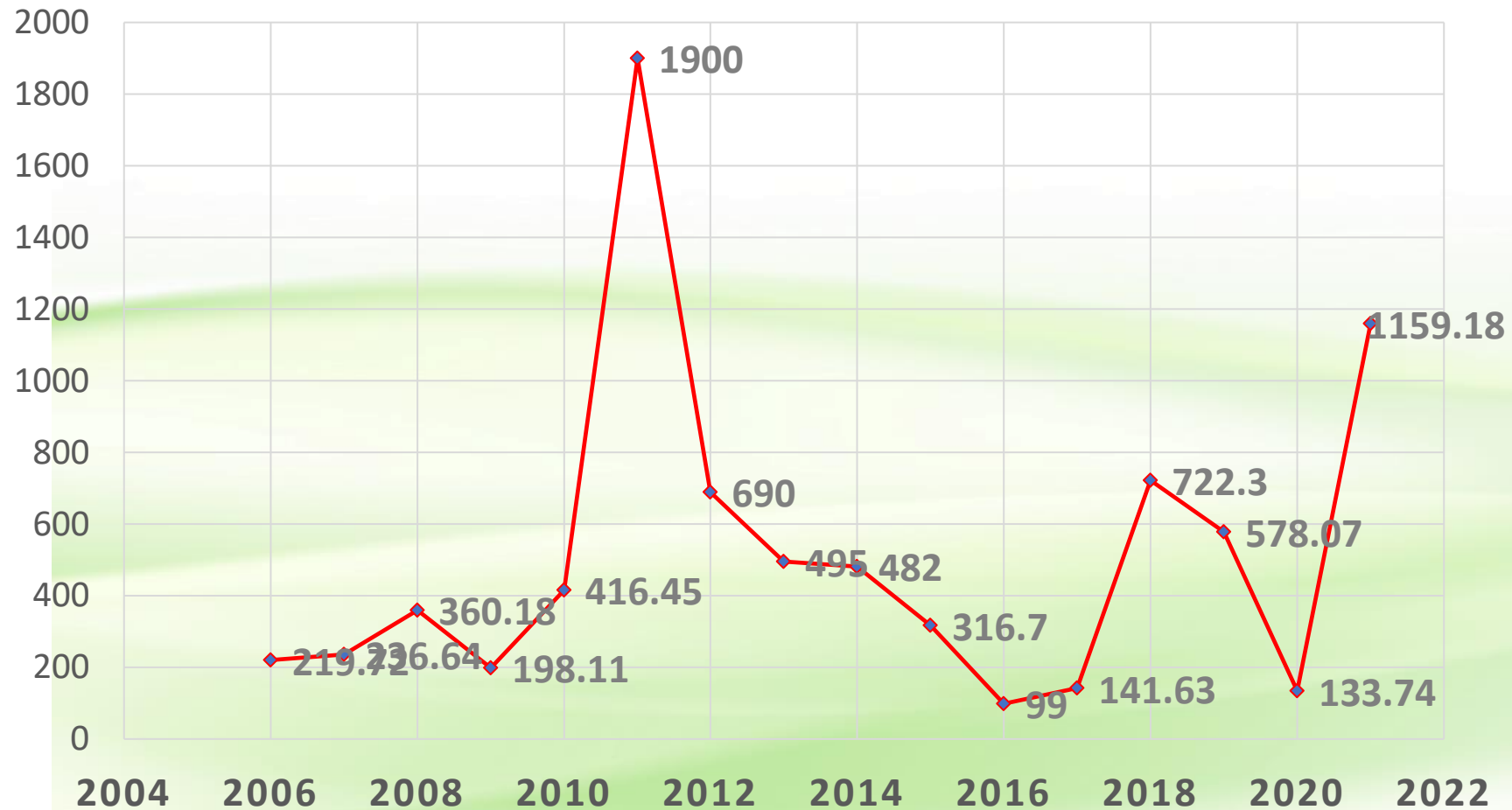
PMS Subsidy in 2021

Month	Product	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

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.

Petroleum Subsidy Payment Trend (2006~2021)

AMOUNT (N' BILLION)



NEITI Oil & 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

Barter Arrangements

In 2021, Barter agreements were reported in the 2021 NNPC Group AFS.

DSDP ARRANGEMENT

(Crude for products exchange)

- Transaction value: **US\$7.108Billion**
- Balance: ~

PROJECT EAGLE. (Subsidy refinancing)

- Transaction value: **US\$1.5B**
- Balance: **N1.048Billion**

NLNG PROJECT FINANCING

- Transaction value: **US\$2.469B**
- Balance: **N118.713Million**

PROJECT BISON (Equity in Dangote Refinery)

- Transaction value: **US\$1.036 Billion**
- Balance: **US\$1.036Billion**

Observations/Findings and Recommendations of the 2021 Audit

29 Findings & Recommendations from Page 156 -166 of the report covering the following areas:

Observation/findings

Compliance with NEITI Audit

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.

Recommendations

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



Observations/Findings and Recommendations of the 2021 Audit

29 Findings & Recommendations from Page 156 -166 of the report covering the following areas:

Observation/findings

Production from PSC Blocks

In 2021, the following were the observations. Only **12 (34%)** of the PSC blocks recorded production while **23** other blocks, representing **66%** of total numbers of PSC blocks did not produce. Total production from the PSCs, which was **242.96 mmbbls** represents **42.92%** of total production of the **566.13mmbbls**.

The PSC arrangements, which contributed highest to the total production volumes operated only **34%** of the total allocated blocks.

Recommendations

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.



Observations/Findings and Recommendations of the 2021 Audit

29 Findings & Recommendations from Page 156 -166 of the report covering the following areas:

Observation/findings	Recommendations
<p>Outstanding Liabilities payable to FIRS and NUPRC</p> <p>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.</p>	<p>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.</p>



Observations/Findings and Recommendations of the 2021 Audit

29 Findings & Recommendations from Page 156 -166 of the report covering the following areas:

Observation/findings	Recommendations
<p>Update on Refineries Activities</p> <p>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.</p>	<p>Special investigation should be instituted to establish the status of the refineries and carry out value for money assessment on the refineries</p>



Observations/Findings and Recommendations of the 2021 Audit

Observation/findings

13% derivation

The practice of computing **13% derivation** on the balance of revenue after deductions from the total collections is contrary to the intention of the derivation objective.

Recommendations

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 relevant period in accordance with **section 162(2)** of the constitution of the Federal Republic of Nigeria..



Observations/Findings and Recommendations of the 2021 Audit

Observation/findings

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.

Recommendations

There is the need to strengthen remediation mechanisms and involve independent third parties to conduct detailed investigations when necessary.



Observations/Findings and Recommendations of the 2021 Audit

Observation/findings	Recommendations
<p>Issues related to PIA</p> <p>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.</p> <p>II. section 64 (C) and 9 (4) of the PIA provides for 30% deduction from profit oil and profit gas by NNPC for frontier exploration fund and NNPC management fee, but does not provide clarification as to what percentage goes for frontier exploration fund and NNPC management fee.</p> <p>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 NNPC. However, this provision of the PIA has not been effected, but NNPC has taken over all the Federation assets in the JVs and operate as a business entity.</p>	<p>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.</p> <p>The Minister of Petroleum and Minister of Finance should determine the assets, interests and liabilities to be transferred to NNPC and transferred to NNPC and what remains with NNPC in accordance with section 54 (1) of the PIA.</p>



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Thank
you