

FULL REPORT

OIL AND GAS INDUSTRY AUDIT REPORT 2018



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Abbreviations and Acronyms

Abbreviation	Description
AENR	Agip Energy and Natural Resources (Nigeria) Limited
AF	Alternative Funding
AFS	Audited Financial Statements
AG	Associated Gas
AGO	Automotive Gas Oil
AMNI	Amni International Petroleum Development Company Limited
AOCNL	Amalgamated Oil Company Nigeria Limited
APDNL	Addax Production Development Nigeria Limited
APENL	Addax Production and Exploration Nigeria Limited
APF	Appropriate Pricing Framework
BBL	Barrels
Bbl/d	Barrels Per Day
BIS	Bank for International Settlements
BO	Beneficial Ownership
BOE	Barrels of Oil Equivalent
Bscf	Billion Standard Cubic Feet
BSW	Basic Sediments and Water
BTU	British Thermal Unit
CAC	Corporate Affairs Commission
CAMAC	Camac Nigeria Limited
CAPEX	Capital Expenditure
CBN	Central Bank of Nigeria
CE	Covered Entity
CESL	Century Energy Resources Limited
CGT	Capital Gains Tax
CIT	Company Income Tax
CITA	Company Income Tax Act
CNL	Chevron Nigeria Limited
COMD	Crude Oil Marketing Division (NNPC)
CPNL	Chevron Petroleum Nigeria Limited
DCA	Domestic Crude Allocation
DPK	Dual Purpose Kerosene
DPR	Department of Petroleum Resources
DSDP	Direct Sale Direct Purchase
DSPL	Dell Sigma Petroleum Ltd
E&P	Exploration and Production
ECM	Environmental Compliance Monitoring
EDT	Education Tax

Abbreviation	Description
EEP(OE)L	Esso Exploration and Production Nigeria (Offshore East) Limited
EEPNL	Esso Exploration and Production Nigeria Limited
EER	Environmental Evaluation Reviews
EERL	Emerald Energy Resources Limited
EGASPIN	Environmental Guidelines and Standards for the Petroleum Industry in Nigeria
EGP	Escravos Gas Plant
EGTL	Escravos Gas-to-Liquids
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EMP	Environment Management Plans
EMS	Environmental Management Systems
EMSM	Environmental Management Systems Manual
FAAC	Federation Accounts Allocation Committee
FASL	Folawiyo Aje Services Limited
FDP	Field Development Plan
FEPA	Federal Environment Protection Agency
FEPDC	First E & P Development Company
FHN	First Hydrocarbon Nigeria Limited
FIRS	Federal Inland Revenue Service
FME	Federal Ministry of Environment
FMF	Federal Ministry of Finance
FPSO	Floating Production, Storage and Offloading
GDP	Gross Domestic Product
GHG	Green House Gas
GSA	Gas Supply Agreement
GVC	Good and Valuable Consideration
IA	Independent Administrator
IMM	Impact Mitigation Monitoring
IOC	International Oil Company
ISA	International Standards on Auditing
ISRS	International Standards on Related Services
JDZ	Joint Development Zone
JOA	Joint Operating Agreement
JV	Joint Venture
JVCC	Joint Venture Cash-call
KRPC	Kaduna Refining and Petrochemical Company Limited
LFN	Law of Federation of Nigeria
LNG	Liquefied Natural Gas
LPFO	Low Pour Fuel Oil
LPG	Liquefied Petroleum Gas
MBBLS	Thousand Barrels
MBTU	Thousand British Thermal Unit

Abbreviation	Description
MCA	Modified Carry Agreement
MF	Marginal Field
MMBBLs	Million Barrels
MMBTU	Million British Thermal Unit
MMSCF	Million Standard Cubic Feet
MMSCFD	Million Standard Cubic Feet per Day
MMSTB	Million Stock Tank Barrels
MOF	Ministry of Finance
MOP	Mx Oil Plc
MOU	Memorandum of Understanding
MPNU	Mobil Producing Nigeria Unlimited
MSCF	Thousand Standard Cubic Feet
MT	Metric Tons
MTPA	Million Tonnes Per Annum
NAE	Nigerian Agip Exploration Limited
NAG	Non-Associated Gas
NAOC	Nigerian Agip Oil Company Limited
NAPIMS	National Petroleum Investment Management Service
NBET	Nigeria Bulk Electricity Trading
NBS	National Bureau of Statistics
NCDMB	Nigerian Content Development and Monitoring Board
NDDC	Niger Delta Development Commission
NDEP	Niger Delta Exploration and Production Plc
NDPR	Niger Delta Petroleum Resources
NEITI	Nigeria Extractive Industries Transparency Initiative
NESREA	National Environmental Standards and Regulations Enforcement Agency
NESS	Nigerian Export Supervision Scheme
NGFCP	Nigerian Gas Flare Commercialization Programme
NGL	Natural Gas Liquids
NGMC	Nigeria Gas Marketing Company Limited
NLNG	Nigeria Liquefied Natural Gas
NNPC	Nigerian National Petroleum Corporation
NOSDRA	National Oil Spill Detection and Response Agency
NPDC	Nigerian Petroleum Development Company
NPSC	Nigerian Pipelines and Storage Company Ltd
NSWG	National Stakeholders Working Group
OAGF	Office of the Accountant General of the Federation
OML	Oil Mining Lease
OPCOM	Operating Committees
OPL	Oil Prospecting License
OSP	Official Selling Price

Abbreviation	Description
PAYE	Pay as You Earn
PHRC	Port Harcourt Refining Company
PLATFORM	Platform Petroleum Limited
PMS	Premium Motor Spirit
PNL	Polarcus Nigeria Limited
PPMC	Petroleum Products Marketing Company
PPPRA	Petroleum Products Pricing Regulatory Agency
PPT	Petroleum Profits Tax
PSC	Production Sharing Contract
QIT	Qua Iboe Terminal
RDP	Reserves Development Project
RLI	Reserves Life Index
SC	Service Contract
SEEPCO	Sterling Oil Exploration and Energy Production Company Limited
SEIL	Seven Energy International Limited
SEPCOL	Shebah Exploration and Production Company Limited
SEPLAT	Seplat Petroleum Development Company Limited
SGORL	Sterling Global Oil Resources Limited
SIRL	Sterling International Resources Limited
SNEPCO	Shell Nigeria Exploration and Production Company Limited
SOE	State-owned Enterprise
SPDC	Shell Petroleum Development Company
SQ.KM	Square Kilometer
SRG	Straight-run Gasoline
STARDEEP	Star Deepwater Petroleum Limited
TCF	Trillion Cubic Feet
TEPNG	Total Exploration and Production Nigeria Limited
TOR	Terms of Reference
TUPNI	Total Upstream Nigeria Limited
USD	United States Dollar
VAT	Value Added Tax
WHT	Withholding Tax
WRPC	Warri Refining and Petrochemical Company Limited

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Computed Average Exchange Rate for 2015-2018

	(\$) Dollars	USD/Naira (₦)	USD/Euro (€)	USD/British Pound (£)
2015	1.00	196.4301	0.90090	0.65416
2016	1.00	259.6600	0.90400	0.74045
2017	1.00	305.5500	0.83410	0.73976
2018	1.00	305.5000	1.18150	1.33540

Data above shows historical average exchange rate for period 2015 – 2018 (2018 as obtained from: <https://www.cbn.gov.ng/rates/ExchangeArchives.asp> while 2015 to 2017 was extracted from the 2017 NEITI oil and gas industry audit report.

CHAPTER 1

1. Background

This Report, “Financial, Physical and Process Audit: An independent report assessing and reconciling physical and financial flows within Nigeria’s oil and gas industry – 2018,” is the eleventh (11th) oil and gas industry report published by the Nigeria Extractive Industries Transparency Initiative (NEITI).

The Report, prepared in line with the Extractive Industries Transparency Initiative (EITI) Standard 2019 and the NEITI Act 2007, is made up of eight (8) sections covering exploration, production and export, revenue collection and allocation, social expenditure, outcomes and impacts. In addition, it covers new areas such as, project level reporting, environmental and gender reporting. This should be read in conjunction with the contextual information contained [here](#).

The Firm of Adeshile Adedeji & Co. (Chartered Accountants) was engaged as the Independent Administrator (IA) to conduct the 2018 oil and gas industry audit in line with the Terms of Reference provided by the National Stakeholders Working Group (NSWG).

1.1. EITI Implementation in Nigeria

The EITI is a global initiative that promotes transparency and accountability in the extractive sector of the implementing countries all over the world. The initiative operates a set of principles based on the belief that prudent use of natural resources contributes to economic growth, sustainable development and reduction of poverty in resource-rich countries.

Nigeria joined the EITI in 2003 but started the implementation in 2004 and backed this up with the enactment of NEITI Act 2007. The Act mandates NEITI to promote transparency and accountability in the management of Nigeria's oil, gas and mining revenues.

See further details on [EITI](#) and [NEITI](#).

1.2. Objective of the Report

The objectives of the Report include the following:

- 01 To report on the revenue flows, amongst the Covered Entities and any investment by the Federation in the oil and gas industry.
- 02 To undertake special verification work on certain transactions as described in the Terms of Reference (ToR).
- 03 To report on balances payable/receivable at the end of the audit period, for certain financial flows as described by the NSWG and contained in the Materiality Decision document.
- 04 To reconcile the physical/financial transactions reported by payers and recipients as appropriate, as per the scope set out in the ToR and the NSWG Material Decision document.
- 05 To make observations and provide recommendations that will aid policymaking. This includes considering recommendations from past Reports.

See appendix 1- Terms of Reference for further details.

1.3. Data Collection, Sources and Basis of Accounting

This covers the method of data collection, sources of data and the accounting basis for determining the revenue generated in the industry.

1.3.1. Data Collection

Data collection templates were sent out to CEs with instructions on how to populate them. In addition, the IA's project secretariat provided support services to aid population of the templates.

1.3.2. Data Sources

The main sources of data used by the IA include populated templates by the Covered Entities (CE), 2018 audited financial statements of CE and source documents such as DPR signed-off production and lifting Reports and evidence of payments. Other sources of data include NEITI previous Reports, and Reports from government agencies such as Nigerian National Petroleum Corporation (NNPC), Department of Petroleum Resources (DPR), Revenue Mobilization Allocation and Fiscal Commission (RMAFC), Nigeria Bureau of Statistics (NBS) and covered entity specific publications.

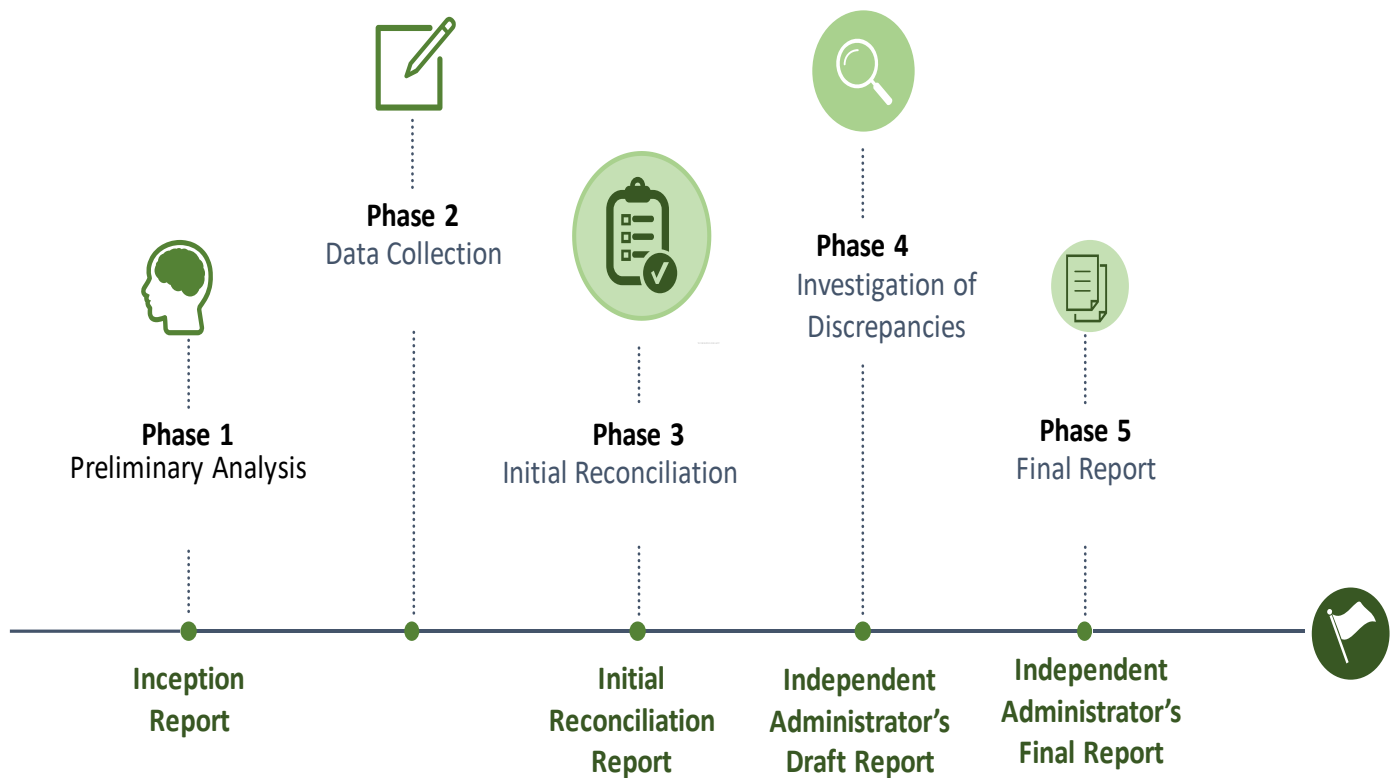
1.3.3. Basis of Accounting

The Report is in line with the International Standards on Auditing (ISA)—both for the audit planning and for obtaining audit evidence. Principally, International Standard on Related Services (ISRS) 4400 relating to the engagement to perform agreed-upon procedures regarding financial information was applied.

1.4. Scope of work

The work was structured into five (5) conceptual phases in line with the EITI reporting process as described below:

FIGURE 1. 1: SCOPE OF WORK



Source: NEITI Oil and Gas 2018 Terms of Reference

See the inception Report for the Schematics Demonstrating EITI Reporting Process

1.5. Data Completeness and Accuracy

Data completeness and accuracy comprises the basis and assessment of materiality, overview of covered entities, data quality and assurance procedures, and limitation to the reconciliation.

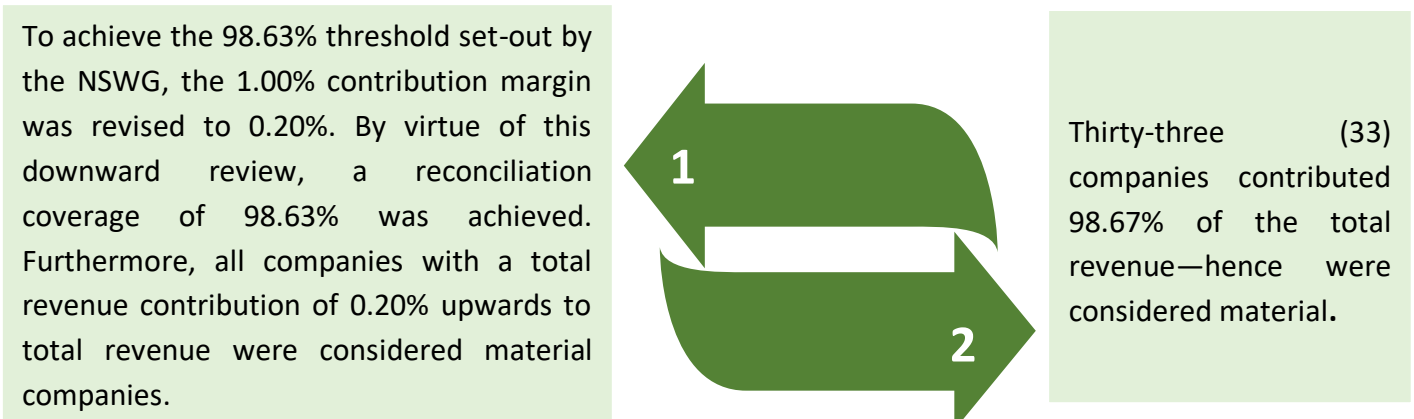
1.5.1. Materiality of the Report

NSWG	<p>Approved the materiality for this Report. This was after considering the various revenue streams accruing to the Federation from the sector. The percentage contribution of each revenue stream to the total revenue formed the basis for the decisions made.</p>
	<p>Identified a total of twenty-three (23) revenue streams from the sector. They approved those revenue streams that contributed 1% and above to total revenue for reconciliation. At this threshold, 98.63% of the total revenue will be reconciled.</p>
	<p>Mandated the IA to ensure disaggregation of data by project. It defined a “project” in the context of EITI reporting to mean any operational activity(s) that 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 Lease (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.</p>

See appendix 2 - NEITI NSWG Materiality Decision for further details.

1.5.2. Assessment of Materiality by the IA

IA assessed the materiality decision of the NSWG and asserts that:



See appendix 3 – IA Assessment on materiality for further details on basis of computation.

1.5.3. Revenue Streams

Revenue streams are payments made by Exploration and Production (E&P) companies to the government. It also includes revenues earned by the government from the sales of Federation oil and gas. Table 1.1 shows the twenty-three (23) revenue streams covered in this Report.

TABLE 1. 1: REVENUE STREAMS RECONCILED AND UNILATERALLY DISCLOSED

S/N	Reconciled Streams	S/N	Unilaterally Disclosed Streams
1	Proceeds from the sale of Federation equity crude oil	1	NESS Fees
2	Proceeds from the sale of domestic crude	2	Withholding Tax
3	Proceeds from the sale of profit oil	3	Pay as You Earn (PAYE)
4	Proceeds from the sale of Federation equity gas	4	Miscellaneous Income
5	Proceeds from the sale of feedstock		
6	Petroleum Profit Tax (PPT)		
7	Royalty (Oil)		
8	Royalty (Gas)		
9	Company Income Tax (CIT)		
10	Education Tax		
11	Concession Rental		
12	NDDC Levy		
13	NCDMB Payments		
14	Gas Flare Penalty		
15	Dividends from NLNG		
16	Capital Gain Tax		
17	Value Added Tax		
18	Signature Bonus		
19	Transportation Fees		

1.5.4. Covered Companies

The Report reconciled seventy-one (71) companies and the NLNG. In addition, twelve (12) companies whose payments were established from government records were identified. Table 1.2. shows the companies covered in this Report.

TABLE 1. 2: COMPANIES COVERED BY THE REPORT

S/N	Company Name
1	Addax Petroleum Development Nigeria Limited
2	Addax Petroleum Exploration Nigeria Limited
3	Agip Energy and Natural Resources (AENR)
4	Aiteo Eastern E&P Co. Limited
5	Amni International Petroleum Limited
6	Atlas Petroleum Nigeria Limited

S/N	Company Name
7	Bayelsa Oil Company Limited
8	Belema Oil Producing Limited
9	Brasoil Oil Services Company Nigeria Limited
10	Brittania U-Nigeria
11	Chevron Nigeria Limited
12	Chevron Petroleum Nigeria Limited
13	China National Oil Development Co.
14	Chorus Energy Limited
15	Conoil Producing Ltd
16	Continental Oil and Gas Company (CONOG)
17	Dubri Oil Company Limited
18	Elcrest Exploration and Production Nigeria Limited (Elcrest)
19	Enageed Resources Limited
20	Energia Limited
21	Equinor Nigeria Energy Company Limited
22	Eroton E&P Company Limited
23	Esso E&P (Offshore East) Nigeria Limited
24	Esso E&P Nigeria Limited
25	Excel Exploration & Production Limited
26	Express Petroleum & Gas Co. Limited
27	Famfa Oil Limited
28	First Hydrocarbon Nigeria
29	Frontier Oil Limited
30	Green Energy International Limited
31	Lekoil Limited
32	Midwestern Oil & Gas
33	Millennium Oil & Gas Limited
34	Mobil Producing Nigeria Unlimited
35	Moni Pulo Limited
36	Nd Western Limited
37	Neconde Energy Limited
38	Network Exploration & Production Limited
39	Newcross E&P Limited
40	Newcross Limited
41	Nexen Petroleum Nigeria Limited (Subsidiary of CNOOC)
42	Niger Delta Petroleum Resources Limited

S/N	Company Name
43	Nigeria Agip Exploration (NAE)
44	Nigeria Agip Oil Co Limited (NAOC)
45	Nigeria Petroleum Development Company Limited
46	Oando Hydrocarbon Limited (Now Oando Oil Limited)
47	Oando OML 125 & 134 Limited
48	Oando Petroleum Development Co. Limited
49	Oando Qua-Ibo Limited
50	Oriental Energy Resources Limited
51	Pan Ocean Oil Corporation
52	Petrobras Oil & Gas
53	Pillar Oil Limited
54	Platform Petroleum Limited
55	Seplat Petroleum Development Company
56	Sheba Exploration & Production Company Limited
57	Shell Nig. Exp. & Production Co Limited (SNEPCO)
58	Shell Petroleum Development Company
59	Shoreline Natural Resources Limited
60	South Atlantic Petroleum Limited
61	Star Deep Water Petroleum Limited
62	Sterling Global Oil Resources Limited
63	Sterling Oil E&P Production Co Limited
64	Summit Oil International Limited
65	Suntrust Oil Company Nigeria Limited
66	Texaco Nigeria Outer Shelf Limited
67	Total Exploration & Production Nigeria Limited
68	Total Upstream
69	Universal Energy Limited
70	Waltersmith Petroman
71	Yinka Folawiyo Petroleum
72	Nigeria Liquefied Natural Gas Company (NLNG)

Source: Inception Report

1.5.5. Government Entities

Government entities comprise of Ministries, Departments and Agencies (MDA) that directly participate in the industry. Table 1.3 shows the government entities and the revenue streams they collect.

TABLE 1. 3: COVERED GOVERNMENT ENTITIES

S/N	Government Entity	Revenue Streams
1	Federal Inland Revenue Service (FIRS)	Capital Gains Tax (CGT)
		Company Income Tax (CIT)
		Education Tax (EDT)
		Pay as You Earn (PAYE)
		Petroleum Profit Tax (PPT)
		Value Added Tax (VAT)
		Withholding Tax (WHT)
2	Federal Ministry of Finance	NESS Fees
3	Department of Petroleum Resources (DPR)	Concession Rentals
		Gas Flare Penalty (GFP)
		Royalty (gas)
		Royalty (oil)
		Signature bonus
4	Nigerian Content Development and Monitoring Board (NCDMB)	NCDMB 1% levy
5	Niger Delta Development Commission (NDDC)	NDDC 3% levy
6	Nigerian National Petroleum Corporation (NNPC)	Dividends from NLNG
		Transportation fees
		Proceeds from the sale of domestic crude allocation
		Proceeds from the sale of Federation equity crude oil
		Proceeds from the sale of Federation equity gas
		Proceeds from sale of profit oil
		Proceeds from the sale of feedstock
Miscellaneous Income		
7	Central bank of Nigeria	All revenue accruing to the Federation
8	Office of the Accountant General of the Federation	All revenue accruing to the Federation

Source: Inception Report

1.5.6. Data Quality and Assurance

There are existing legal frameworks for data quality and assurance in Nigeria. These include, the Nigerian Constitution, the Companies and Allied Matters Act and the Financial Reporting Council Act. These in conjunction with other laws, regulations and policies support the provision of quality assured (financial) data from audits in Nigeria. The IA adopted the data quality and confidentiality assessment procedure and documentation set-out in the Inception Report. In addition, data and source documents were collected electronically.

1.5.7. Limitation to the Reconciliation

Limitation refers to challenges that might impact the adequacy, reliability and relevance of the data collected from the covered entities during reconciliation process. Two (2) material companies (Continental Oil and Gas Company and Midwestern Oil & Gas) did not submit Audited Financial Statements (AFS) and/or Management Accounts (MA). These companies made contributions of 0.54% (US\$87.511million) to total revenue collected from companies. In the opinion of the IA, this is immaterial and does not affect the quality of data in this Report.

1.6. Beneficial Ownership

In the year under review, templates were sent out to companies to obtain information on Beneficial Ownership (BO). For a detailed aggregate of BO data collected from companies, see Appendix 12- aggregation of beneficial ownership information.

In addition, Nigeria launched a BO portal for E&P companies covered by its Reports on December 12, 2019 in compliance with the EITI requirement 2.6. The data utilized for the portal is drawn from NEITI BO templates filled by companies since 2014. See portal [here](#). NEITI and the DPR are also in advanced stages of the implementation of a comprehensive register that will be hosted and managed by the Department.

1.7. Revenue Collected in the Sector

Federation achieved a 55.45% revenue increase from US\$ 20.988billion in 2017 to US \$ 32.626billion in 2018. Table 3.2 shows the trend of aggregate financial flows from 2014 to 2018.

TABLE 1. 4: REVENUE COLLECTION IN THE SECTOR

Description	2017 (US \$'000)	2018 (US \$'000)	% Change
Revenue	20,988,436	32,626,034	55.45%

Source: NEITI 2017 Report and NEITI 2018 Templates

See [Chapter 3](#) for further details on revenues collected in the sector.

CHAPTER 2

2. Exploration, Production and Export

2.1. Exploration

Nigeria commenced oil exploration and field development in 1937 and has made significant progress over the years. While exploration is the process of searching for hydrocarbon deposits beneath the earth surface using technical processes, field development is the process of drilling crude oil wells and installation of infrastructure for crude oil and gas production. Table 2.1 is a summary of exploration and field development activities carried out in 2018.

TABLE 2. 1: SUMMARY OF EXPLORATION AND FIELD DEVELOPMENT ACTIVITIES

S/N	Description	Remarks
1	Seismic data acquisition	<ul style="list-style-type: none"> 1,004.01 sq.km in all Terrains -- comprising 64.6% land, 17.5% shallow offshore and 17.9% Deep offshore.
2	Field Development Plans (FDPs)	<ul style="list-style-type: none"> Twenty-six (26) FDPs were approved, with expected reserves addition of over 3 billion barrels
3	Well activities	<ul style="list-style-type: none"> 87 Wells were drilled from all terrains. These comprised of 44 Land/Swamp, 23 Shallow Offshore and 20 Deep Offshore. Out of the 87 Wells, 49 were completed (24 land / swamp, 14 offshore and 11 Deep Offshore).
4	Gas development plans	<ul style="list-style-type: none"> Six (6) Non-Associated Gas (NAG) and eighteen (18) Associate Gas (AG) development plans were approved by DPR. The approved six (6) NAG development plans had a total gas reserves of 6,296.46 Bscf, total condensate of 449.09 mmstb and gas off-take rate of 1,015.37 mmscfd. These were undertaken by NPDC, SPDC and NAOC. Approved eighteen (18) AG development plans have a total AG reserve of 4,130.06 Bscf and total of Off-take rate of 418.27 mmscfd
5	Rig activities	<ul style="list-style-type: none"> Twenty-three (23) rigs were licensed: four (4) rigs in Deep Offshore, fourteen (14) in Onshore (Land and Swamp) and five (5) in the Shallow Offshore terrains.

Source: DPR 2018 Nigerian Oil and Gas Industry Annual Report

2.2. Production

Production is the process of extracting hydrocarbon from the subsurface with an established quantity of recoverable reserve which is of commercial quantity. Crude oil production in Nigeria is domiciled in the upstream petroleum segment of the value chain. The federation gets a share of the crude produced from all the production arrangements that it is a party to.

2.2.1. Crude Oil Production

Total fiscalised crude oil production in the country was 701.101million barrels in 2018. Table 2.2 shows summary of crude oil production based on production arrangements.

TABLE 2. 2: 2018 TOTAL FISCALISED CRUDE OIL PRODUCTION

S/N	Production Arrangements	2018	2017	Percentage Change
		mbbls	mbbls	(%)
1	Joint Venture (JV)	314,895.42	305,373.00	3.12
2	Production Sharing Contracts (PSC)	270,610.38	303,714.00	(10.90)
3	Service Contracts (SC)	1,337.89	1,491.00	(10.27)
4	Sole Risks (SR)	92,207.26	58,094.00	58.72
5	Marginal Fields (MF)	22,050.46	21,793.00	1.18
	Total Production	701,101.41	690,465.00	1.54

Source: NEITI 2017 Audit Report and NNPC Annual Production and Lifting profile

From the table above, JV companies' production increased by 3.12% in 2018 compared to 2017, while PSC operators' production decreased by 10.90%. Similarly, SR operators' production increased by 58.72% in 2018 compared to 2017. Production from the SC decreased by 10.27% while MF operators increased marginally by 1.18%.

Table 2.3 shows the monthly summary of crude oil production, based on production arrangements.

TABLE 2. 3: 2018 TOTAL MONTHLY CRUDE OIL PRODUCTION BY PRODUCTION ARRANGEMENT

Month	Total Production	Average Production Per Day	JV	Alternative Financing (MCA)	PSC	SC	SR	MF
	mbbls	mbbls	mbbls	mbbls	Mbbls	mbbls	mbbls	mbbls
January	61,299.658	1,977.408	21,629.771	5,995.314	23,084.157	117.357	8,735.739	1,737.320
February	56,133.549	2,004.770	19,592.854	5,548.665	21,274.147	102.839	7,968.937	1,646.107
March	59,802.346	1,929.108	21,059.655	6,081.920	23,161.689	113.227	7,546.084	1,839.772
April	58,555.132	1,951.838	19,129.523	6,714.178	22,794.348	113.352	7,865.895	1,937.836
May	55,298.039	1,783.808	17,629.903	7,263.427	22,978.058	114.834	5,466.543	1,845.275
June	54,068.945	1,802.298	15,298.571	7,577.412	22,944.337	92.519	6,447.057	1,709.049
July	58,412.851	1,884.286	18,664.678	7,613.336	23,197.980	90.139	7,136.449	1,710.270
August	62,630.079	2,020.325	20,006.206	8,091.171	24,178.253	113.023	8,318.215	1,923.211
September	59,837.112	1,994.570	18,902.671	7,817.183	22,665.645	116.849	8,404.551	1,930.213
October	61,191.340	1,973.914	19,170.117	8,420.600	22,873.920	124.168	8,584.895	2,017.640
November	54,683.538	1,822.785	18,255.095	7,245.290	19,617.676	116.798	7,658.285	1,790.394
December	59,188.819	1,909.317	19,397.304	7,790.576	21,840.169	122.789	8,074.612	1,963.369
Total	701,101.408		228,736.345	86,159.071	270,610.379	1,337.894	92,207.262	22,050.456

Source: NNPC Annual Production and Lifting profile

Table 2.3 shows that Nigeria produced the highest monthly crude oil in August 2018 (62.630million barrels for the month and 2.020million barrels/day). This was followed by January 2018 (61.300million barrels for the month). The lowest production per month was in May 2018 (54.069million barrels).

Table 2.4 presents a detailed summary of fiscalised crude oil production based on crude streams.

TABLE 2. 4: 2018 FISCALISED CRUDE PRODUCTION BY STREAMS (CRUDE TYPE)

S/N	Terminal	Streams (Crude Type)	Annual Total	Contribution
			mbbls	%
1	ABO	ABO	4,107.59	0.59%
2	AGBAMI	AGBAMI	77,732.88	11.09%
3	AKPO	AKPO	37,684.93	5.38%
4	ANTAN	ANTAN BLEND	6,563.63	0.94%
5	AJA	AJA BLEND	87.41	0.01%
6	AJE	AJE	1,057.19	0.15%
7	ASARAMATORU	ASARAMATORU	84.81	0.01%
8	BONGA	BONGA	57,584.01	8.21%
9	BONNY	BONNY LIGHT	74,192.00	10.58%
10	BRASS	BRASS BLEND	30,719.96	4.38%
11	EA	EA	9,236.03	1.32%
12	EBOOK	EBOOK	6,246.24	0.89%
13	EGINA	EGINA	26.40	0.00%
14	ERHA	ERHA	41,840.71	5.97%
15	ESCRAVOS	ESCRAVOS BLEND	60,919.91	8.69%
16	FORCADOS	FORCADOS BLEND	82,753.71	11.80%
17	IMA	IMA	253.90	0.04%
18	ODUDU	AMENAM BLEND	43,209.93	6.16%
19	OKORO	OKORO	5,074.60	0.72%
20	OKONO	OKONO	5,972.79	0.85%
21	OKWORI	OKWORI BLEND	2,939.58	0.42%
22	OTAKIKPO	OTAKIKPO	1,895.08	0.27%
23	OYO	OYO BLEND	287.01	0.04%
24	PENNINGTON	PENNINGTON LIGHT	8,458.51	1.21%
25	QIT	QUA IBO LIGHT	83,470.04	11.91%
26	TULJA	OKWIBOME	12,796.00	1.83%
27	UGO	UGO	5,544.27	0.79%
28	UKPOKITI	UKPOKITI	90.45	0.01%
29	USAN	USAN	27,712.27	3.95%
30	YOHO	YOHO	12,559.57	1.79%
	TOTAL		701,101.41	100.00%

Source: NEITI 2018 Templates and NNPC Annual Production and Lifting Profile

2.2.1.1. Federation Entitlement to Crude Oil Production

The Federation is entitled to crude oil from its JV and AF arrangement and its SC with AENR. Its entitlement from SC was 1.338 million barrels. This represents 100% SC production in 2018 while table 2.5. shows Federation's entitlement to production from JV and AF arrangements in same year.

TABLE 2. 5: FEDERATION ENTITLEMENT FROM JV AND AF PRODUCTION ARRANGEMENT

S/N	JV	Total Production (mmbbls)		NNPC Equity (%)	NNPC Share (mmbbls)		Company Equity (%)	Company Share (mmbbls)	
		2018	2017		2018	2017		2018	2017
1	SPDC	62,070.18	53,675.52	55	34,138.60	29,521.54	45	27,931.58	24,153.99
2	AITEO	15,135.16	13,153.96	55	8,324.34	7,234.68	45	6,810.82	5,919.28
3	EROTON	10,948.12	9,752.53	55	6,021.47	5,363.89	45	4,926.65	4,388.64
4	NEWCROSS E&P	6,193.13	5,151.56	55	3,406.22	2,833.36	45	2,786.91	2,318.20
5	CHEVRON (CNL)	62,813.82	63,066.09	60	37,688.29	37,839.66	40	25,125.53	25,226.44
6	NAOC	6,478.63	23,967.09	60	3,887.17	14,380.25	40	2,591.45	9,586.83
7	MPNU	97,092.49	92,439.50	60	58,255.50	55,463.69	40	38,837.00	36,975.79
8	TEPNG	49,987.90	40,295.69	60	29,992.74	24,177.41	40	19,995.16	16,118.28
9	BELEMA OIL	2,779.14	2,250.96	60	1,667.48	1,350.57	40	1,111.66	900.38
10	SEPLAT	831.43	927.95	60	498.86	556.77	40	332.57	371.18
11	POOC	565.42	692.44	60	339.25	415.47	40	226.17	276.98
	Grand Total	314,895.42	305,373.29		184,219.92	179,137.29		130,675.50	126,235.99

Source: NEITI 2018 Templates and NNPC Annual Production and Lifting Profile

2.2.1.2. Crude Oil Losses and Deferment

Crude oil losses arise from either sabotage or theft. Crude theft is the illegal siphoning of crude oil from pipelines or well heads for economic gains while sabotage is the willful destruction of oil facilities by agitated individual or groups. On the other hand, deferment is the shutdown of production arising from either scheduled or unscheduled repairs and maintenance of production facilities. Deferment due to scheduled maintenance should not be considered a loss, as it can be produced in future. However, deferment due to unscheduled maintenance – such as pipeline breaks/leaks and sabotage may not be fully recovered.

TEPNG and SPDC declared force majeure due to pipeline leaks and fire outbreaks which led to crude losses in 2018. Highlights of some of the force majeure due to pipeline breaks in 2018 are stated below:

- a) Shutdown of Trans Ramos Pipeline (TRP) in May 2018. This is a 24” Crude Oil Pipeline that transports crude oil to Forcados Export Terminal in Delta State and transverses between Aghoro community, Bayelsa State, and Odimodi community. The TRP has a delivery capacity of 100 barrels per day to Trans Forcados Pipeline. The shut-in was in the month of May 2018 due to leakages at different points. By implication, the company deployed containment booms and mobilized its oil spill response teams to clean the sites.
- b) Shutdown of Trans-Forcados pipeline for about 5 days. This pipeline is the major trunk line in the Forcados Pipeline System with an export capacity of 400,000bpd. It is also the second largest network in the Niger Delta after the Bonny Oil Pipeline System in the eastern Niger Delta. Fire incident occurred at the crude oil spill site at the Yeye community around 11pm on Sunday, May 6, 2018. The fire was due to excessive heat from a pumping machine used to transfer crude oil from the spill site into a barge¹.
- c) Shutdown of the Nembe Creek Trunk Line (NCTL) for 40 days – this prompted a force majeure on May 17, 2018 on exports of Bonny Light crude, one of the country’s major sources of oil revenue. NCTL is a 97 kilometre pipeline, operated by Aiteo Eastern Exploration and Production Company, and it feeds the Bonny export terminal in Rivers State. The facility starts from the Nembe Creek field in Oil Mining Lease (OML) 29 and ends at a manifold at the Cawthorne Channel field on OML 18. NNPC 2018 crude oil production profile shows that Aiteo produced an average of 41,466 barrels per day, one of the highest by an independent in Nigeria, and is operating company of oil mining license (OML) 29. Eroton, operating OML 18, produced 29,995 per day, while Newcross, operator of OML 24, pumped an average of 16,967 barrels per day².

Total crude oil losses due to theft and sabotage in the year was 53.281million barrels valued at US\$3.837billion (applying an average price of US\$72.01). This is an increase of 46.15% when compared to

¹ <https://nipc.gov.ng/2018/05/24/trans-forcados-oil-pipeline-resumes-operation/>
<https://www.thisdaylive.com/index.php/2018/05/15/fg-oil-firms-lose-250000bpd-of-crude-oil-to-closure-of-trans-forcados-pipeline/>
² <https://nipc.gov.ng/2018/05/24/trans-forcados-oil-pipeline-resumes-operation/>
<https://punchng.com/govt-oil-firms-lose-674m-to-pipeline-shutdowns/>

2017 volumes of 36.457million barrels. Table 2.6 shows crude oil losses due to theft and sabotage for the year per company and compares the losses to fiscalised production by the same companies.

TABLE 2. 6: CRUDE OIL LOSSES DUE TO THEFT AND SABOTAGE

S/N	Company	Fiscalised Production (mmbbls) ³	Crude losses (mmbbls)	% of Crude Losses to fiscalised production
1	AENR	1,337.89	42.33	3.16%
2	AITEO	15,135.16	2,753.26	18.19%
3	ADDAX	1,187.21	41.38	3.49%
4	ADDAX CLUSTER	9,503.21	66.97	0.70%
5	BELEMA OIL	2,779.14	441.05	15.87%
6	CHEVRON	62,813.15	2,689.51	4.28%
7	ELCREST	2,590.80	344.66	13.30%
8	ENERGIA (FORCADOS BLEND)	239.43	98.8	41.26%
9	ENERGIA CLUSTER (BRASS BLEND)	1,133.62	6.48	0.57%
10	EROTON	10,948.12	1,983.14	18.11%
11	EXCEL	54.39	4.18	7.69%
12	FHN	798.33	199.22	24.95%
13	GREEN ENERGY	1,895.08	28.71	1.51%
14	MIDWESTERN CLUSTER (BRASS & FORCADOS BLEND)	1,268.40	33.79	2.66%
15	MIDWESTERN	4,352.57	672.43	15.45%
16	MILLENIUM OIL	63.51	10.08	15.87%
17	NAE	4,107.59	3.85	0.09%
18	NAOC	6,478.61	779.23	12.03%
19	ND WESTERN	1,458.72	277.54	19.03%
20	NDPR	1,302.67	164.14	12.60%
21	NECONDE	6,234.22	336.57	5.40%
22	NEWCROSS	6,193.13	1,113.91	17.99%
23	NPDC	52,558.92	129.74	0.25%
24	PANOCEAN	565.42	118.09	20.89%
25	PILLAR	885.76	65.1	7.35%
26	PLATFORM CLUSTER (BRASS AND FORCADOS)	1,006.42	120.82	12.00%
27	SEPLAT	8,795.89	1,707.00	19.41%
28	SHORELINE	4,226.84	905.06	21.41%
29	SPDC	62,070.18	37,058.72	59.70%
30	TEPNG	49,987.90	904.76	1.81%
31	WALTER SMITH	1,517.41	180.83	11.92%
	TOTAL	323,489.69	53,281.35	16.47%

³ Fiscalised production (mmbbls) represents quantities from all production arrangement.

Source: NEIIT 2018 Templates and DPR Signed-off Reports

A total of 12 companies populated the deferred crude template—out of which, SPDC recorded the highest volume (i.e. 55.173million barrels) of deferred crude production in 2018. This represents 70.26% of the total deferred crude production. Table 2.7 presents details of crude oil deferment for 2018.

TABLE 2. 7.: 2018 CRUDE OIL PRODUCTION DEFERMENT

S/N	Company	Deferred Production		Total
		Schedule	Unscheduled	
		mmbbls	mmbbls	mmbbls
1	AENR	89.98	-	89.98
2	AITEO	-	3,936.12	3936.12
3	ADDAX_APDNL	1,064.47	1,276.77	2341.24
4	ADDAX_APENL	-	257.23	257.23
5	BELEMA OIL	382.98	-	382.98
6	CHEVRON	-	3,433.10	3433.1
7	EROTON	3,252.81	-	3252.81
8	NAE	3,851.00	-	3851
9	PILLAR	-	266.17	266.17
10	SEPLAT	5,016.52	-	5016.52
11	SPDC	-	55,173.10	55173.1
12	WALTER SMITH	-	522.05	522.05
	Total	13,657.76	64,864.54	78,522.30

Source: NEIIT 2017 Report and NEITI 2018 Templates

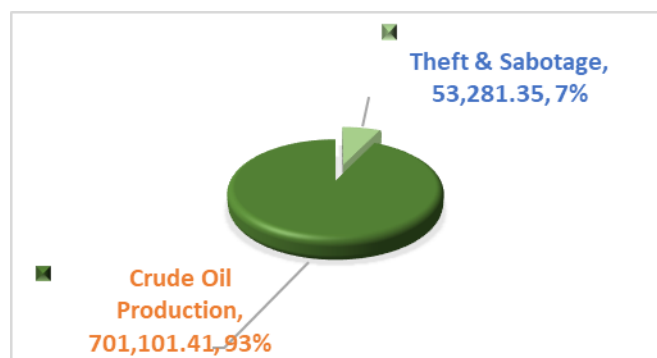
Table 2.8 and Figure 2 show summary of crude losses (due to theft and sabotage) to total fiscalised production in 2018.

TABLE 2. 8: 2018 CRUDE LOSSES VS CRUDE PRODUCED

Description	Quantity (mmbbls)
Total Theft & Sabotage	53,281.35
Total Crude Oil Production	701,101.41

Source: NEITI 2018 Templates

FIGURE 2. 1 2018 PERCENTAGE OF CRUDE LOSSES TO TOTAL PRODUCTION



2.2.2. Gas Production

The national gas reserve stood at 200.79 tcf as at end of 2018. This is made up of 101.98 tcf of Associated Gas (AG) and 98.81 tcf of Non-Associated Gas (NAG). With the 2018 annual gas production quantity, the gas Reserves Life Index (RLI) was estimated at 92 years⁴. Gas production could either be in form of AG or NAG. AG refers to the natural gas found in association with crude oil in the reservoirs. While NAG refers to natural gas with non-oil components.

Total gas production in 2018 was 2,909,143.69mmscf. Table 2.9 shows total gas production per arrangement.

TABLE 2. 9: TOTAL GAS PRODUCTION PER ARRANGEMENT

S/N	Production Arrangement	2018 mmscf	(%) of Contribution
1	Joint Venture (JV)	2,167,238.84	74.50%
2	Production Sharing Contract (PSC)	599,471.67	20.61%
3	Service Contract (SC)	1,462.33	0.05%
4	Sole Risk (SR)	78,008.79	2.68%
5	Marginal Fields (MF)	62,961.93	2.16%
	Total Production	2,909,143.55	100.00%

Source: NEITI 2018 Templates and DPR 2018 Signed off Reports

Nigeria produced the highest monthly gas in August 2018 (260,427.55 mmscf). This was followed by January 2018 (258,713.33 mmscf). The lowest production per month was in June 2018 (210,929.31 mmscf). Table 2.10 shows the monthly summary of gas production.

TABLE 2. 10: MONTHLY SUMMARY OF GAS PRODUCTION

Month	Total	JV	PSC	SC	SR	MF
	mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
January	258,713.33	190,449.26	54,519.99	125.59	7,176.14	6,442.34
February	243,857.12	181,357.70	49,448.30	103.04	6,811.54	6,136.55
March	257,089.89	194,764.90	49,210.43	113.28	5,694.41	7,306.87
April	242,158.65	181,678.32	48,325.13	117.04	5,899.09	6,139.07
May	240,375.57	183,108.37	48,636.93	119.17	3,907.16	4,603.95
June	210,929.31	149,652.53	51,299.09	96.36	5,691.53	4,189.79
July	238,626.18	174,922.47	53,901.00	97.20	5,369.79	4,335.72

⁴ 2018 Nigerian Oil and Gas Industry Annual Report

Month	Total	JV	PSC	SC	SR	MF
	mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
August	260,427.55	194,112.14	55,623.54	129.82	6,445.76	4,116.30
September	242,006.41	179,238.21	51,620.21	136.11	6,540.36	4,471.52
October	248,366.84	180,100.83	54,667.99	142.85	8,473.57	4,981.59
November	215,399.97	167,096.30	36,174.17	137.83	7,371.83	4,619.84
December	251,192.74	190,757.81	46,044.88	144.05	8,627.60	5,618.40
Total	2,909,143.55	2,167,238.84	599,471.67	1,462.33	78,008.79	62,961.93

Source: NEITI 2018 Templates and DPR 2018 Signed off Reports

Table 2.11 shows Federation's entitlement to gas production from JV.

TABLE 2. 11: FEDERATION'S ENTITLEMENT TO GAS PRODUCTION FROM JV ARRANGEMENT

Company	OML	Gas Production (mmscf)	NNPC Share (mmscf)	Company Share (mmscf)
SPDC	11	333,709.22	183,540.07	150,169.15
	17	15,029.80	8,266.39	6,763.41
	20	577.90	317.85	260.06
	21	575.88	316.74	259.15
	22	242.72	133.50	109.23
	23	2,426.69	1,334.68	1,092.01
	25	-	-	-
	27	827.20	454.96	372.24
	28	5,679.56	3,123.76	2,555.80
	32	229,843.87	126,414.13	103,429.74
	35	1,128.48	620.66	507.81
	46	4,773.32	2,625.32	2,147.99
	40	-	-	-
	43	77,526.84	42,639.76	34,887.08
	45	4,337.61	2,385.68	1,951.92
74/77	8,952.62	4,923.94	4,028.68	
AITEO	29	17,273.08	9,500.19	7,772.88
EROTON	18	26,789.48	14,734.21	12,055.27
NEWCROSS E&P	24	6,486.72	3,567.70	2,919.02
CHEVRON	49	35,372.25	21,223.35	14,148.90
	91	74,258.25	44,554.95	29,703.30
	95	31,801.77	19,081.06	12,720.71
	90	114,954.90	68,972.94	45,981.96
	49/95	2,204.87	1,322.92	881.95
	49/90	2,388.76	1,433.26	955.51
	86	2,482.44	1,489.47	992.98
NAOC	60	56,069.58	33,641.75	22,427.83

Company	OML	Gas Production (mmscf)	NNPC Share (mmscf)	Company Share (mmscf)
	61	163,273.92	97,964.35	65,309.57
	62	-	-	-
	63	54,257.66	32,554.59	21,703.06
MPNU	104	430,292.65	-	-
	67		258,175.59	172,117.06
	68		-	-
	70		-	-
TEPNG	99	145,771.28	87,462.77	58,308.51
	100	6,484.29	3,890.57	2,593.72
	102	38,896.65	23,337.99	15,558.66
	58	136,091.43	81,654.86	54,436.57
BELEMA OIL	55	4,024.57	2,414.74	1,609.83
SEPLAT	4	115,952.20	63,773.71	52,178.49
	38	409.36	225.15	184.21
	41	8,134.14	4,473.78	3,660.36
	53	1,923.58	1,057.97	865.61
POOC	98	6,013.30	3,607.98	2,405.32
TOTAL		2,167,238.84	1,257,213.29	910,025.55

Source: NEITI 2018 Templates and DPR 2018 Signed off Reports

See appendix 6 (Production) for disaggregated data on gas per company and per project.

2.3. Crude Lifting and Sales

Lifting is the process of taking crude oil and gas from total production based on production entitlement at various crude oil terminals. While sales are transfer of crude from owners to buyers at a commercial value.

2.3.1. Crude Oil Lifting

Total crude oil lifted for both export and domestic sales in 2018 was 701.090million barrels. Of these volume, 255.546 million barrels was lifted by NNPC on behalf of the Federation while 445.544million barrels represent companies' lifting. Details of total crude oil lifting for 2018 and 2017, based on productions arrangements, are contained in table 2.12.

TABLE 2. 12: 2018 TOTAL CRUDE OIL LIFTING

S/N	Description	2018 mbbls	2017 mbbls	Percentage of Change
1	FEDERATION EXPORT AND DOMESTIC			
A	Export Lifting:			
	Joint Venture (JV)	92,362.19	68,282.00	35.27%
	Production Sharing Contracts (PSC)	54,618.00	66,621.00	-18.02%

S/N	Description	2018 mbbls	2017 mbbls	Percentage of Change
	Sole Risk (SR)	-	-	
	Marginal Field (MF)	300.00	-	100.00%
	Service Contract (SC)	640.00	145.00	341.38%
	Sub-Total Federation Export	147,920.19	135,048.00	9.53%
B	Domestic Lifting (Refinery and Export)			
	Joint Venture (JV)	91,808.66	105,763.00	-13.19%
	Production Sharing Contracts (PSC)	15,591.09	-	100.00%
	Service Contract (SC)	-	-	
	Marginal Field (MF)	226.51	162.00	39.82%
	PPMC Domestic crude Supply (Refining/Export)	107,626.26	105,925.00	1.61%
	Sub-Total (Federation +Domestic Lifting)- (A +B)	255,546.45	240,973.00	6.05%
2	COMPANY LIFTING			
	Joint Venture (JV)	128,211.69	129,624.00	-1.09%
	Production Sharing Contracts (PSC)	199,127.81	222,770.00	-10.61%
	Sole Risk (SR)	97,529.71	78,707.00	23.91%
	Marginal Field (MF)	20,174.63	15,129.00	33.35%
	Service Contract (SC)	500.00	1,088.00	-54.04%
	Sub-total other Operators	445,543.83	447,318.00	-0.40%
	Total lifting	701,090.28	688,291.00	1.86%
	Balance closing stock	17,126.12	17,115.00	0.06%

Source: NEITI 2017 Report and NNPC Annual Production and Lifting Profile

Out of the total crude oil lifting of 701.090million barrels, JV and AF represents 44.56% (312.383 million barrels), PSC -38.42% (269.337million barrels), SC- 0.16% (1.140million barrels), SR- 13.91% (97.530million barrels) and MF represents 2.95% (20.701million barrels). Table 2.13 shows monthly summary of crude oil lifting based on production arrangements.

TABLE 2. 13: 2018 TOTAL MONTHLY CRUDE OIL LIFTING BY PRODUCTION ARRANGEMENT

Month	TOTAL	Joint Venture (JV)		AF (MCA)		Production Sharing Contract (PSC)		Service Contract (SC)		Sole Risk (SR)	Marginal Fields (MF)	
		NNPC	Companies	NNPC	Companies	NNPC	Companies	NNPC	Companies	Companies	NNPC	Companies
	mbbls	mbbls	mbbls	mbbls	mbbls	Mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls
January	62,061.71	14,446.35	9,128.99	2,852.78	1,865.19	4,318.96	17,216.55	120.00	-	10,773.71	-	1,339.20
February	57,928.24	14,205.31	8,159.49	2,743.23	1,644.82	4,964.21	17,106.14	-	100.00	6,901.79	126.51	1,976.74
March	59,360.34	14,240.69	6,948.60	2,783.85	1,855.90	7,187.76	17,975.10	120.00	-	6,481.66	140.00	1,626.79
April	55,699.32	10,996.59	8,953.29	3,417.39	1,228.28	6,127.00	13,953.61	100.00	-	10,125.98	-	797.19
May	55,654.79	11,006.18	8,427.52	3,622.89	1,876.33	5,104.39	18,206.23	-	100.00	5,934.65	-	1,376.61
June	55,533.78	10,842.83	6,818.44	2,967.74	1,978.50	7,260.07	16,818.18	-	-	6,508.62	-	2,339.39
July	58,409.95	12,721.59	12,571.44	276.00	-	7,581.74	16,177.82	-	100.00	7,018.63	-	1,962.74
August	60,811.04	12,853.13	9,108.42	3,908.54	3,057.48	6,029.00	17,733.91	100.00	-	7,266.46	100.00	654.11
September	61,210.99	13,027.72	9,590.02	3,497.81	2,141.00	5,063.60	17,826.59	100.00	100.00	7,415.03	120.00	2,329.22
October	60,904.72	12,501.41	7,838.68	5,001.25	2,764.10	4,933.21	16,837.57	-	-	8,639.48	20.00	2,369.02
November	55,239.47	12,287.51	11,068.67	-	-	5,896.41	13,891.93	100.00	-	9,740.88	-	2,254.08
December	58,275.95	10,466.47	8,542.94	3,503.63	2,643.58	5,742.77	15,384.18	-	100.00	10,722.84	20.00	1,149.56
Total	701,090.284	149,595.75	107,156.51	34,575.10	21,055.17	70,209.09	199,127.81	640.00	500.00	97,529.71	526.51	20,174.63

Source: NEITI 2018 Templates and NNPC Annual Production and Lifting profile

Table 2.14 shows summary of crude oil lifting based on crude stream.

TABLE 2. 14: 2018 CRUDE LIFTING BY STREAM

S/N	Terminal	Terminal Operators	Crude Type	Quantity (Mbbls)	Lifting (%)
1	ABO	NAE	ABO	4,124.29	0.59%
2	AGBAMI	STAR DEEP	AGBAMI	77,011.45	10.98%
3	AKPO	TUPNI	AKPO	38,067.22	5.43%
4	ANTAN	ADDAX	ANTAN BLEND	7,732.45	1.10%
5	AJAPA	BRITANIA-U	AJAPA	-	0.00%
6	AJA	BAYELSA OIL		304.81	0.04%
7	AJE	YINKA FOLAWIYO	AJE	1,051.06	0.15%
8	ASARAMATORU	PRIME	ASARAMATORU	59.24	0.01%
9	BONGA	SNEPCO	BONGA	57,012.08	8.13%
10	BONNY	SPDC	BONNY LIGHT	74,120.88	10.57%
11	BRASS	NAOC	BRASS BLEND	30,728.47	4.38%
12	EA	SPDC	EA	8,789.46	1.25%
13	EBOK	ORIENTAL ENERGY	EBOK	5,910.39	0.84%
14	EGINA	TUPNI	EGINA	-	0.00%
15	ERHA	MOBIL	ERHA	42,769.78	6.10%
16	ESCRAVOS	CHEVRON	ESCRAVOS BLEND	60,869.92	8.68%
17	FORCADOS	SPDC	FORCADOS BLEND	85,106.90	12.14%
18	IMA	AMNI	IMA	55.02	0.01%
19	ODUDU	TEPNG	AMENAM BLEND	43,409.65	6.19%
20	OKORO	AMNI	OKORO	5,878.70	0.84%
21	OKONO	NPDC	OKONO	5,392.83	0.77%
22	OKWORI	ADDAX	OKWORI BLEND	3,098.40	0.44%
23	OTAKIKPO	GREEN ENERGY INT		2,474.95	0.35%
24	OYO	ALLIED/CAMAC	OYO BLEND	-	0.00%
25	PENNINGTON	CHEVRON	PENNINGTON LIGHT	8,484.27	1.21%
26	QIT	MOBIL/FUN	QUA IBO LIGHT	84,989.07	12.12%
27	TULJA	SEEPCO	TULJA	11,272.71	1.61%
28	UGO	NECONDE	UGO	-	0.00%
29	UKPOKITI	EXPRESS/SHEBA	UKPOKITI	-	0.00%
30	USAN	MOBIL	USAN	27,892.45	3.98%
31	YOHO	MOBIL	YOHO	12,671.85	1.81%
32	OSO	MOBIL		1,811.98	0.26%
33	ZAFIRO	TEPNG	EKANGA	-	0.00%
	TOTAL			701,090.28	100.00%

Source: NEITI 2018 Templates and NNPC Annual Production and Lifting profile

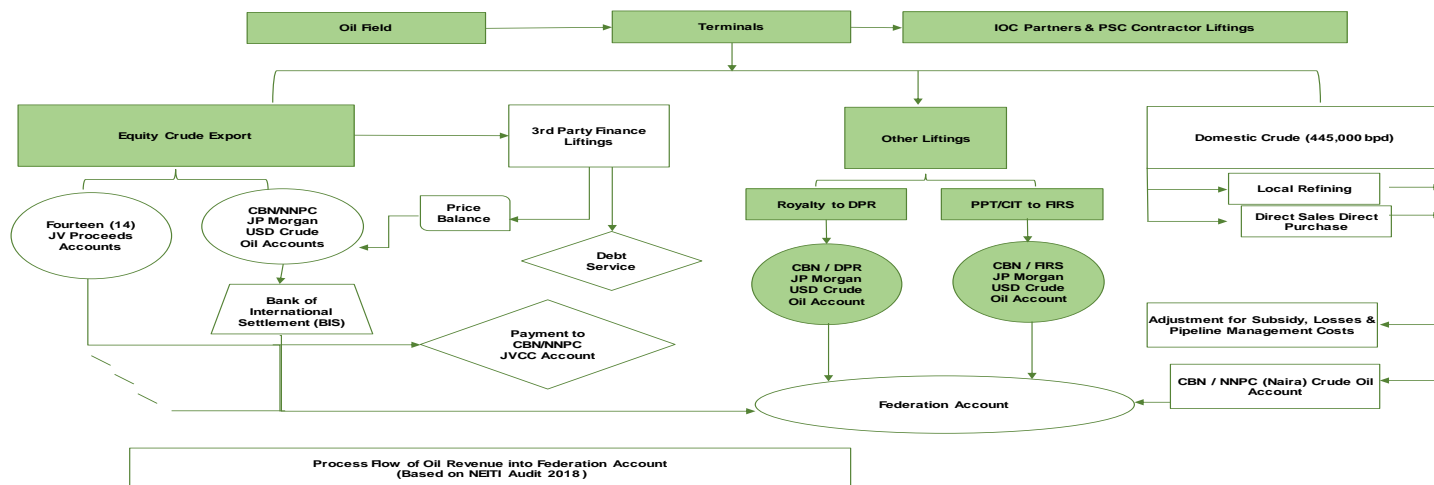
2.3.2. Sales of Crude Oil

The NNPC is the State-owned Enterprise (SOE) that manages the Federation share of the crude oil and gas from the sector. Federation crude oil and gas is broadly classified into export and domestic, which are lifted and marketed by the NNPC. The proceeds from export crude oil and gas are lodged into JP Morgan Chase dollar accounts and are automatically transferred to the Bank for International Settlement (BIS). Subsequently, these are transferred to either the Federation account or the Cash-call accounts. On the other hand, sales proceeds from domestic crude oil and gas are lodged into the CBN/NNPC Naira account and subsequently transferred to either the Federation account or the Cash-call accounts.

Furthermore, NNPC lifts crude oil and gas on behalf of DPR and FIRS. These liftings are termed non-financial transactions. The proceeds from these liftings are lodged into the respective agency’s designated bank accounts and subsequently transferred to Federation account. The non-financial transactions are regarded as in-kind payments. These are transactions carried out under the Alternative Funding (AF) arrangements and PSCs. Revenue such as taxes, levies etc, earned by the federation are paid with commodity from concessions under these types of arrangement.

Figure 2.2 shows a detailed process of NNPC operation as it relates to crude oil lifting and management of sales proceeds.

FIGURE 2. 2: FLOW OF CRUDE OIL LIFTING AND MANAGEMENT OF SALES PROCEEDS



Source: NNPC Publication (As modified)

See appendix 5 for details of NNPC lifting per Bill of lading and vessel (Federation, FIRS, DPR and Third Parties)

2.3.2.1. Tendering Process

Buyers of Federation crude oil were selected through NNPC tendering process in line with its policy and procedures enshrined in its enabling Act (LFN Cap.320) and in compliance with the Public Procurement Act 2007.

Generally, NNPC published adverts in national and international print media inviting companies to participate in the process. Subsequently, successful bidders were selected based on the evaluated technical and financial bids. Usually, tendering process for buyers in a particular year is carried-out in the preceding year.

The summary of the tendering outcome and actual buyers in 2018 are highlighted below:

- a) Sales of Federation equity crude: The tendering process that occurred in 2018 was for 2018/2020 (24 months) contract. The 2018 tendering process led to the selection of 50 international and indigenous companies (out of the 254 companies that showed interest). From interaction with NNPC, crude allocations for the 2018/2020 contracts are for 30,000 barrels per day except Duke Oil Limited with a term contract for 90,000 barrels per day.

Buyers of federation export crude oil were forty-one (41) entities in 2018 when compared to twenty-nine (29) entities in 2017. 63% of the total sales were made to eleven (11) of the forty-one (41) entities which include; Duke Oil, 15%; Bono Energy, 12%; Sahara Energy Resource Limited, 6%; Calson (Bermuda) Limited, 5%; Oando PLC, 4%; and 3% each to Totsa Total Oil Trading, M.R.S. Oil & Gas, Glencore Energy, Moch S.A., Eterna PLC, Hyde Energy Ltd respectively, and 2% to Octogone Trading. In addition, 37% of the total sales were made to thirty (30) companies.

See appendix 11- Buyers of Federation Crude.

b) Sales under the DSDP arrangement

The DSDP scheme was introduced in 2016. The contract tender process comprised technical and commercial bid submission respectively, followed by the evaluation and shortlisting of the bidders, then commercial negotiations with prequalified companies and engagement of the successful consortia/companies by NNPC. Buyers of federation domestic crude oil under the DSDP arrangement were eleven (11) entities in 2018. See appendix 11- Buyers of Federation crude.

See appendix 11- Buyers of Federation Crude.

2.3.2.2. Crude Oil Sales Proceeds

From the total crude oil volume of 255.546 million barrels lifted by NNPC in 2018, actual sales were 255.313million barrels valued at US\$18.184 billion. The difference of 233 thousand barrels between volume lifted and actual quantities sold has been explained as sales accounted for in 2019.

Furthermore, DSDP accounted for the highest, contributing 36.03% to the total value. This was followed by Federation equity crude export from JV production arrangement contributing 21.00%, DSDP- PPT 10.59%, refinery deliveries were 5.34% and others contributed 27.16% in aggregate.

Table 2.15. is the summary of crude oil sales proceeds and respective destination bank accounts.

TABLE 2. 15: SUMMARY OF CRUDE OIL SALES PROCEEDS AND DESTINATION BANK ACCOUNTS

S/N	NNPC Lifting on Behalf of:	2018		Analysis of Collections				Federation Account through JP Morgan Chase \$'000	CBN NNPC Naira Account (USD Equivalent) \$'000	JV Proceeds Accounts \$'000	FIRS Account \$'000	Beneficiary Accounts				
		Crude Oil Quantity	Crude Oil Value	Cash Received	Others	Sales Receivable	DPR Account					Escrow Account	JV Partners Cash-call Arrears Account	Project Cheetah Account	Project Santolina Account	Sinking Fund Account
		Mbbbs	\$'000	\$'000	\$'000	\$'000	\$'000					\$'000	\$'000	\$'000	\$'000	\$'000
1	Federation Export Crude Oil:															
	Joint Venture Equity Oil	52,816	3,818,877	3,608,441	4,744	205,692	31,017		3,577,423							
	Production Sharing Contract- Profit Oil	2,731	180,588	120,494	1,193	58,901	120,494									
	Marginal Field	300	21,929	21,916	13	-	21,916									
	Service Contract	11	783	747	36		747									
2	Federation Domestic Crude Oil:															
	Direct Sales Direct Purchase	94,045	6,551,400	2,714,679	2,921,285	1,886,913		4,245,048								
	Refinery Deliveries	13,581	971,477													
3	FIRS- Crude Oil:															
	Production Sharing Contract- Tax Oil	18,688	1,352,320	1,317,789		34,531				1,317,789						
	Service Contract- Tax Oil	360	25,811	25,811						25,811						
	DSDP- PPT ⁵	26,743	1,926,224	1,621,323		304,902				1,621,323						
4	DPR- Crude Oil:															
	Joint Venture	820	61,578	61,578		-					61,578					
	Production Sharing Contract	6,455	464,840	448,852		15,988					448,852					
	Service Contract	252	17,963	17,963		-					17,963					
	Alternative Funding	450	30,385	30,385		-					30,385					
	Concession Rentals	1	95	95							95					

⁵ DSDP-PPT: this means FIRS crude lifted by NNPC used for the DSDP arrangement.

S/N	NNPC Lifting on Behalf of:	2018		Analysis of Collections					Beneficiary Accounts							
		Crude Oil Quantity	Crude Oil Value	Cash Received	Others	Sales Receivable	Federation Account through JP Morgan Chase	CBN NNPC Naira Account (USD Equivalent)	JV Proceeds Accounts	FIRS Account	DPR Account	Escrow Account	JV Partners Cash-call Arrears Account	Project Cheetah Account	Project Santolina Account	Sinking Fund Account
		Mbbls	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Repayment Agreement ⁶ /Project Liftings	1,659	121,813	121,813						121,813						
5	Third Party Project Financing															
a	MCA Oil:										-					
	FIRS- Petroleum Profit Tax	11,879	863,989	863,989					863,989							
	DPR- Royalty	3,187	231,759	231,759						231,759						
	FIRS- Education tax	134	9,455	9,455					9,455							
	Carry Oil	1,399	103,715	103,715							103,715					
	Share Oil	563	39,299	39,299							39,299					
b	JV Cash-call Arrears - RA Account	10,414	748,461	748,461								748,461				
c	NNPC/CHEVRON - PROJECT CHEETAH	5,663	403,809	403,809									403,809			
d	NNPC/SPDC PROJECT SANTOLINA	3,066	230,426	230,426										230,426		
e	PAN OCEAN EQUITY	15	1,069	1,069			1,069									
f	SINKING FUND ACCOUNT	81	6,261	6,261											6,261	
	Total	255,312	18,184,327	12,750,128	2,927,271	2,506,927	175,244	4,245,048	3,577,423	3,838,366	912,445	143,014	748,461	403,809	230,426	6,261

Source: NEITI 2018 Templates
NNPC Sales Profile
Bank Statements

⁶ Repayment Agreement (RA): These are crude oil lifted by companies for the purpose of offsetting Cash-call liabilities.

2.3.2.3. Federation Export Sales of Crude Oil

Federation export sales of crude oil includes JV equity oil, PSC profit oil, MF and SC oil. Table 2.16 is the quarterly analysis of federation export crude oil sales value and quantity.

TABLE 2. 16: 2018 QUARTERLY FEDERATION EXPORT CRUDE OIL SALES VALUE AND QUANTITY

	Quantity	Value
	Mbbls	US\$'000
1st Quarter	14,464	988,351
2nd Quarter	10,580	803,101
3rd Quarter	16,777	1,270,048
4th Quarter	14,037	960,676
Total	55,858	4,022,177

Source: NEITI 2018 Templates and NNPC Sales Profile

Table 2.17 shows the monthly analysis of federation export crude sales proceeds and destination accounts in 2018.

TABLE 2. 17: 2018 MONTHLY EXPORT CRUDE SALES PROCEEDS AND DESTINATION ACCOUNTS

Month of Lifting	Quantity	Monthly Reconciliation				Reasons for monthly variances		
		NNPC/COMD Sales Value	JV Proceeds Accounts	JP Morgan Bank Receipts	Variance	Credit Note	Sales Receivable	Total
		mbbls	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
January	7,721	535,505	446,223	18,205	71,078	51	-	51
February	2,661	175,603	240,873	3,417	(68,687)	2,340	-	2,340
March	4,081	277,243	260,195	-	17,048	21	-	21
April	3,269	244,722	237,410	17,027	(9,716)	14	-	14
May	3,566	274,946	238,949	16,166	19,832	786	-	786
June	3,745	283,433	263,606	-	19,827	496	-	496
July	4,567	337,621	268,938	19,331	49,352	1,193	-	1,193
August	6,967	507,424	497,294	79,489	(69,360)	117	-	117
September	5,243	425,004	411,578	1,998	11,428	36	-	36
October	7,665	574,948	608,314	11,749	(45,114)	454	-	454
November	2,287	145,500	104,044	5,236	36,219	479	29,418	29,897
December	4,085	240,228		1,556	238,672	-	235,176	235,176
Total	55,858	4,022,177	3,577,423	174,175	270,580	5,986	264,593	270,579

Source: NNPC Sales Profile, JV Proceeds Bank Statement and JP Morgan Bank Statements

In 2018, US\$4.022billion (2017: US2.721billion) was realized from the sales of federation export crude oil of 55.858million barrels (2017: 50.246million barrels). The revenue increased by 47.82% in 2018 when compared to 2017 values due to the increase in average crude oil selling price. In addition, the exported quantity increased by 11.17% in 2018 when compared with 2017.

From the total export sales proceeds of US\$3.752billion received in 2018, 95.36% (US\$3.577billion) went to various JV Proceeds accounts for the funding of Cash-call. The balance of 4.6% (US\$174.175million) paid into JP Morgan Chase crude oil revenue (dollar) account which was eventually swept to the BIS for onward transfer to the Federation account. In addition to the sales' proceeds, US\$217.813million was earned in the year as shown below.

Interest and Other Classified Lodgments*:

Description	2018
	\$'000
Interest	13.94
Insurance Claims	533.68
SPDC/ NNPC JV-Ullage Revenue	213,166.16
Over Riding Royalty Interest	1,583.87
Others	2,514.99
Total	217,812.63

Source: NEITI 2018 Templates and JP Morgan Chase Crude Oil Revenue Account

2.3.2.4. Federation Domestic Sales of Crude Oil

Federation domestic sales of crude oil include DSDP and refinery deliveries. The NNPC is responsible for the sales of Federation domestic crude oil. Proceeds are expected to be remitted into the CBN/ NNPC crude oil revenue Naira account for onward transfer to either the Federation account or/and the JV Cash-call accounts. Other deductions made by NNPC were first-line deductions for pipeline repairs and maintenance and managing the landing cost of petroleum products importation and distribution (termed downstream deductions).

From the total of 107.626million barrels (2017: 105.925million barrels) received in 2018, 87% (94.045million barrels) was utilized for DSDP while the balance of 13% (13.581million barrels) was delivered to the refineries. Table 2.18 shows the sales profile for the Federation domestic sales of crude oil.

TABLE 2. 18: DOMESTIC CRUDE OIL SALES QUANTITY AND VALUES (SALES RECEIVABLE)

2018	Direct Sales Direct Purchases			Refinery Deliveries			Total Sales		
	Quantity	Value	Value	Quantity	Value	Value	Quantity	Value	Value
	Mbbbls	US\$'000	N'000	Bbl'000	US\$'000	N'000	Bbl'000	US\$'000	N'000
1st Quarter	31,347	2,101,194	640,540,348	4,483	305,682	93,194,185	35,830	2,406,876	733,734,533
2nd Quarter	14,239	1,054,992	321,439,429	6,255	471,603	143,691,821	20,494	1,526,595	465,131,250
3rd Quarter	20,912	1,589,580	484,724,531	1,524	112,913	34,411,672	22,436	1,702,493	519,136,203
4th Quarter	27,547	1,805,634	551,750,306	1,320	81,279	24,845,984	28,867	1,886,913	576,596,290
Total	94,045	6,551,400	1,998,454,614	13,581	971,477	296,143,662	107,626	7,522,877	2,294,598,276

Source: NNPC Sales Profile and NEITI 2018 Templates

2.3.2.5. Management of the Federation Domestic Crude Oil Sales Proceeds

A total of N889.531 billion was deducted from the domestic sales proceeds in 2018. These deductions include N722.257billion for under recovery of imported petroleum products, N28.329billion for crude and product losses and N138.945billion for pipeline repairs and maintenance cost. This represents 39% of the N2.295 trillion total domestic sales for 2018.

Domestic crude sales terms are for 90 days unlike the export sales terms which are for 30 days. This implies that actual payment by NNPC into CBN/NNPC crude oil & gas revenue (Naira) account from domestic crude allocation (either for refinery deliveries or DSDP) is usually due in 90 days from the date of bill of lading. For instance, bill of lading of January 2018 was due in April 2018. Likewise bill of lading of October 2017 was due in January 2018.

Table 2.19 presents an analysis of domestic sales, downstream deductions and remittances traced to CBN/NNPC crude oil and gas revenue (Naira) account.

TABLE 2. 19: DOMESTIC SALES, DEDUCTIONS AND REMITTANCES

Prior Year		Current Year		Downstream Deductions as provided by N-Capital			Expected Amount to be remitted to CBN NNPC Crude Oil Naira Account		Total Expected in 2018	Actual Payment traced to CBN NNPC Crude Oil & Gas Revenue (Naira) Account		Variance (N'Million)				
Month of Sales	Month Due	QTY (mmbbls)	Value (N' Million)	QTY (Mmbls)	Value (US \$' Million)	Value (N' Million)	PMS Under-Recovery Estimate (N'million)	Crude & Product Losses (N'million)	Pipeline Repairs & Management Cost (N'million)	Prior Year (N' Million)	Current Year (N' Million)	N' Million	Date	Prior Year (N' Million)	Current Year (N' Million)	
Oct-17	Jan-18	9	161,645	N/R	N/R	N/R	(45,783)	(1,066)	(5,813)	108,983	N/R	108,983	23-02-18	108,983	N/R	(0)
Nov-17	Feb-18	6	112,409	N/R	N/R	N/R	(59,519)	(1,317)	(12,470)	39,103	N/R	39,103	28-03-18	39,103	N/R	(0)
Dec-17	Mar-18	10	194,337	N/R	N/R	N/R	(34,032)	(1,662)	(8,152)	150,490	N/R	150,490	27-04-18	150,490	N/R	(0)
Jan-18	Apr-18	N/R	N/R	8	589	179,559	(77,905)	(1,456)	(13,207)	N/R	86,991	86,991	24-05-18	N/R	86,991	-
Feb-18	May-18	N/R	N/R	14	904	275,323	(88,912)	(3,474)	(9,228)	N/R	173,710	173,710	23-07-18	N/R	173,710	-
Mar-18	Jun-18	N/R	N/R	13	915	278,852	(68,608)	(1,726)	(13,171)	N/R	195,347	195,347	30-07-18	N/R	195,347	0
Apr-18	Jul-18	N/R	N/R	6	444	135,413	(52,508)	(978)	(5,457)	N/R	76,470	76,470	31-08-18	N/R	76,470	(0)
May-18	Aug-18	N/R	N/R	6	476	144,984	(60,611)	(1,263)	(8,018)	N/R	75,092	75,092	27-09-18	N/R	75,092	0
Jun-18	Sep-18	N/R	N/R	8	606	184,734	(71,568)	(2,373)	(17,261)	N/R	93,532	93,532	29-10-18	N/R	93,684	(152)
Jul-18	Oct-18	N/R	N/R	8	595	181,285	(51,182)	(3,487)	(16,758)	N/R	109,858	109,858	30-11-18	N/R	109,858	(0)
Aug-18	Nov-18	N/R	N/R	8	566	172,631	(65,865)	(4,460)	(15,535)	N/R	86,771	86,771	20-12-18	N/R	86,771	0
Sep-18	Dec-18	N/R	N/R	7	541	165,221	(45,764)	(5,067)	(13,874)	N/R	100,515	100,515	N/A	N/R	N/R	100,515
Oct-18	Jan-19	N/R	N/R	9	673	205,545	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R
Nov-18	Feb-19	N/R	N/R	9	594	181,587	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R
Dec-18	Mar-19	N/R	N/R	11	620	189,464	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R	N/R
		25	468,391	108	7,523	2,294,598	(722,257)	(28,329)	(138,945)	298,577	998,285	1,296,862		298,577	897,922	100,363

Source: 2018 CBN/NNPC Crude Oil & Gas Revenue Naira Account
 NNPC 2018 Downstream deductions profile
 NEITI 2017 Commodity trading Report
 NEITI 2018 Templates

N/A means not available and N/R means not relevant

Table 2.20 is the summary of transactions on CBN-NNPC domestic crude oil revenue (Naira) account.

TABLE 2. 20: SUMMARY OF CBN-NNPC DOMESTIC CRUDE OIL REVENUE (NAIRA) ACCOUNT

Description	2018
	N'000
Balance as at 1st January (A)	0.02
Lodgments:	
Domestic Crude Proceeds- Prior Year	298,576,672.42
Domestic Crude Proceeds- Current year	897,922,087.21
Interest and Other Classified Lodgments*	135,901.54
Reversal	100,172,027.30
Total Lodgment during the year (B)	1,296,806,688.46
Total Inflow (A+B) = C	1,296,806,688.48
Payments:	
Payment to Federation Account	659,230,329.40
Joint Venture Cash-call	507,816,579.96
Reversal	100,172,027.30
Total Outflow (D)	1,267,218,936.66
Balance as at 31st December	29,587,751.82

Source: 2018 CBN/NNPC Crude Oil & Gas Revenue Naira Account and NEITI 2018 Templates

Interest and Other Classified Lodgments*- this relates to amount received from “Securities Operations Eroton Exploration and Production First Securities Discount House Ltd” and classified as miscellaneous income.

Out of the N2.294 trillion receivables from the domestic sales, N897.922billion was received into CBN/NNPC domestic crude oil (Naira) account. Of the balance of N1.396 trillion, N889.531billion represented deductions for under recovery cost, crude and product losses and pipeline repairs and management cost; and N507.145 billion represented 2018 receivables. By practice, buyers of DSDP crude oil paid into an NNPC designated bank account on transaction basis. Subsequently, NNPC batches these payments including payment for its deliveries to the national refineries, made single monthly transfer into the CBN-NNPC domestic crude oil revenue (naira) account. By implication, it was expected that NNPC should have complied with the 90 days payment terms.

In addition to the analysis in table 2.18, the Report examined the pattern and consistency of remittance of sales proceeds into the designated bank account (CBN/NNPC crude oil and gas revenue Naira account) by the NNPC. It was evident that the NNPC consistently defaulted on the sales terms of ninety (90) days. The delays ranged from 21 to 55 days. The opportunity cost of these monthly delayed remittance by NNPC was N17.5 billion. Table 2.21 is the analysis of delays in payment of domestic sales proceeds by the NNPC.

TABLE 2. 21: COMMERCIAL ANALYSIS OF DELAYED PAYMENT OF DOMESTIC SALES PROCEEDS

Bill of Lading Date*	Expected Payment Date	90 days Aging Analysis				Amount Due	Cost of Delay 90 Day payment cycle Interest Rate (14%_2018 CBN MPR)
		Actual Payment Date	Expected Payment Cycle	Actual Payment Cycle	Default in Payment Cycle		
a	b	c	d	e= c/a	f=d – e	N' Billion G	N' Billion h= f/365 x g x 14%
				-	-		-
31-Oct-17	29-Jan-18	23-Feb-18	90	115	25	161.65	1.55
30-Nov-17	28-Feb-18	28-Mar-18	90	118	28	112.41	1.21
31-Dec-17	31-Mar-18	27-Apr-18	90	117	27	194.34	2.01
31-Jan-18	01-May-18	24-May-18	90	113	23	126.90	1.12
28-Feb-18	29-May-18	23-Jul-18	90	145	55	202.02	4.26
31-Mar-18	29-Jun-18	30-Jul-18	90	121	31	235.00	2.79
30-Apr-18	29-Jul-18	31-Aug-18	90	123	33	42.84	0.54
31-May-18	29-Aug-18	27-Sep-18	90	119	29	43.37	0.48
30-Jun-18	28-Sep-18	29-Oct-18	90	121	31	101.23	1.20
31-Jul-18	29-Oct-18	30-Nov-18	90	122	32	122.34	1.50
31-Aug-18	29-Nov-18	20-Dec-18	90	111	21	102.74	0.83
						1,444.84	17.50

Source: 2018 CBN/NNPC Crude Oil & Gas Revenue Naira Account
2018 NNPC Downstream deductions profile
2017 NEITI Commodity trading Report and NEITI 2018 Templates

Bill of Lading Date*- this represents the last day of the month in which several transactions occurred. Each transaction was evidence by the date on the bill of lading. NNPC usually batches the transactions on a monthly basis, this formed the basis for making single monthly payment.

2.3.2.6. Non-Financial Flows

NNPC enters into agreement on behalf of the state with development partners to fund and develop an asset where proceed from the sales of the produced oil and gas were used to repay the facilities obtained for funding of the project.

In-kind flows under Alternative Funding Arrangements

Nigeria is entitled to revenue from JV arrangement. Two forms of AF arrangements were operational in the period under review: Third-Party Financing and Modified Carry Agreements (MCAs).

In-kind flows under Production Sharing Contract (PSC) operations

The Federal Government holds the license under the PSC and represented by NNPC. The government contracts a company to explore and produce oil and gas resources using the company's expertise, technology, human and capital resources. In return, the government guarantees the company the recovery of investment and a share of the associated profit when crude is produced. See [here](#) for further details on PSC arrangement.

2.3.2.6.1. NNPC In-kind Lifting from PSC and SC

Total liftings from PSCs for In-kind payments was 70.660 million barrels valued at \$5,022,708.91 in 2018. These quantities are for tax oil (PPT), royalty, concession rentals, Federation domestic and profit oil. Table 2.22 is the summary of PSC and SC in-kind lifting by NNPC:

TABLE 2. 22: SUMMARY OF PSC AND SC IN-KIND LIFTING BY NNPC

S/N	ENTITIES	FIRS		DPR		DSDP		Profit Oil		TOTAL				
		PPT		ROYALTY		Concession Rent		Federation Domestic		Federation Export		Quantity	Value	%
		mbbls	US\$ '000	mbbls	US\$ '000	mbbls	US\$ '000	mbbls	US\$ '000	mbbls	US\$ '000	mbbls	US\$ '000	%
1	ADDAX; EPNL/ANPDL	2,726.80	197,319.45	474.22	33,971.63							3,201.02	231,291.08	4.53%
2	AENR-(SC)	360.00	25,811.00	252.31	17,963.06							612.31	43,774.06	0.87%
3	EEPN(OE)/EPPN	16,186.41	1,163,552.50	2,901.32	213,671.62	0.44	29.42	1,904.01	127,646.79	996.84	58,901.46	21,989.02	1,563,801.79	31.12%
5	EQUINOR	6,337.31	450,121.73			0.51	33.39	6,817.63	476,673.69	973.94	68,683.15	14,129.40	995,511.96	20.00%
6	NAE	-	-	299.35	21,204.69							299.35	21,204.69	0.42%
4	SNEPCO	20,180.30	1,467,550.34	700.00	45,960.60	0.47	32.38	6,608.24	442,843.42			27,489.01	1,956,386.74	38.90%
7	SEEPCO	-	-	2,080.00	150,031.66					860.00	60,706.94	2,940.00	210,738.60	4.16%
	TOTAL	45,790.83	3,304,355.02	6,707.20	482,803.26	1.43	95.19	15,329.88	1,047,163.89	2,830.78	188,291.55	70,660.11	5,022,708.91	100.00%

Source: NEITI 2018 Templates and NNPC Sales Profile

Table 2.22 shows that lifting of 45.791million barrels (valued at US\$3.304billion) were for FIRS-PPT, 6.707million barrels (valued at US\$482.803 million) for DPR-Royalty, 0.143million barrels (valued at US\$ 95.19 thousand) for DPR- Concession rentals, 15.33million barrels (valued at US\$1.047million) for Federation Domestic-DSDP, and 2.831million barrels (valued at US\$188.292million) for Federation Export-Profit Oil. These payments were swept to the Federation account.

2.3.2.6.2. NNPC In-kind Lifting from MCA

In the year under review, three (3) JV arrangements involved in MCA projects produced oil. The total inflow from the MCA projects was US\$1.158billion, with PPT accounting for 75% (\$863.989million) of the total inflow. Table 2.23 shows NNPC in-kind lifting of MCA oil and gas respectively.

TABLE 2. 23: SUMMARY OF NNPC IN-KIND LIFTING FROM MCA IN 2018 (OIL)

ENTITY	PPT		ROYALTY		EDT		Total	
	US\$'000	mbbls	US\$'000	mbbls	US\$'000	mbbls	US\$'000	mbbls
MOBIL	228,998	3,228	61154	862	4864	70	295,016	4,160
NAOC	38,026	532	11184	156	668	10	49,878	698
TEPNG	596,966	8118	159421	2168	3923	55	760,309	10,341
Total	863,989	11,879	231,759	3,187	9,455	134	1,105,203	15,199

Source: NEITI 2018 Templates and NNPC Sales Profile

MCA crude oil lifting of 11.879million barrels (valued at US\$863.989 million) were for PPT, 3.187million barrels (valued at US\$231.759million) for Royalty, and 0.134million barrels (valued at US\$9.455million) for Education Tax.

TABLE 2. 24: SUMMARY OF NNPC IN-KIND LIFTING FROM MCA IN 2018 (GAS)

ENTITY	CITA		ROYALTY		EDT		Total	
	US\$'000	mscf	US\$'000	mscf	US\$'000	mscf	US\$'000	mscf
NAOC	4.00	2.98	1.09	0.75	-	-	-	-
TEPNG	11,756.00	6,573.00	2,949.00	1,649.00	517.00	3,295.00	15,222.00	11,516.00
SPDC	29,447.00	17,962.00	7,388.00	4,507.00	1,460.00	954.00	38,296.00	23,423.00
Total	41,208.00	24,537.00	10,339.00	6,156.00	1,977.00	4,249.00	53,518.00	34,939.00

Source: NEITI 2018 Templates and NNPC Sales Profile

Table 2.24 shows that MCA gas lifting of 24,537mscf (valued at US\$41.208million) were for CIT, 10,339mscf (valued at US\$10.339million) for Royalty, and 1,977mscf (valued at US\$1.977 million) for Education Tax.

2.3.2.6.3. Third Party Facility Arrangement Status as at 31 December 2018

NNPC's share of outstanding principal from Third party facility (Financing) arrangement as at 31st December 2018 was US\$2.562billion. Table 2.25 shows the summary of NNPC third party facility (financing) arrangement status as at 31st December 2018.

TABLE 2. 25: NNPC THIRD PARTY FACILITY ARRANGEMENT STATUS AS AT 31ST DECEMBER 2018

S/N	Project	Loan Amount US\$'000	Drawdown US\$'000	Outstanding Drawdown US\$'000	Total Principal Repayment to date US\$'000	Outstanding Principal US\$'000	NNPC's Share of Outstanding Principal US\$'000		Change in NNPC's Share of Outstanding Principal	
							As at 31st December 2018	As at 31st December 2017	Absolute (US\$'000)	Relative (%)
1	NNPC/MPN JV - Satellite Fields Project	600,000.00	600,000.00	0.00	587,804.28	12,195.72	7,317.43	7,317.43	-	0.00%
2	NNPC/MPN JV - 2012 RDP	1,500,000.00	1,500,000.00	0.00	1,470,000.00	30,000.00	18,000.00	18,000.00	-	0.00%
3	NNPC/MPN JV - NGL	2,375,500.00	2,375,500.00	0.00	2,335,495.11	40,004.89	19,602.40	19,602.40	0.00	0.00%
4	NNPC/CNL JV - Project Cheetah	1,200,000.00	1,200,000.00	-	498,700.00	701,300.00	420,780.00	370,355.28	50,424.72	13.62%
5	NNPC/CNL JV - Project Falcon	780,000.00	752,400.00	27,600.00	0.00	752,400.00	451,440.00	148,479.83	302,960.17	204.04%
6	NNPC/SPDC JV - Santolina 1 & 2	1,000,000.00	268,300.00	731,700.00	0.00	268,300.00	147,565.00	67,923.08	79,641.92	117.25%
7	PXF 1	1,500,000.00	1,500,000.00	0.00	1,500,000.00	-	-	326,034.22	(326,034.22)	-100.00%
8	PXF 2	1,528,877.12	1,528,877.12	0.00	31,341.15	1,497,535.97	1,497,535.97	1,497,535.97	-	0.00%
		10,484,377.12	9,725,077.12	759,300.00	6,423,340.54	3,301,736.58	2,562,240.80	2,455,248.21	106,992.59	

Source: NNPC Report in Third Party Financing and 2017 NEITI Report

Table 2.25 shows that:

- a) NNPC's share of outstanding principal increased by 13.62% (US\$50.425million) for NNPC/CNL JV - Project Cheetah, 204.04% (US\$302.96million) for NNPC/CNL JV - Project Falcon and 117% (US\$79.642million) for NNPC/SPDC JV - Santolina 1 & 2.
- b) Pre-Export Financing 1 (PXF-1) — NNPC's share of outstanding principal of US\$326.034million was repaid in 2018. The Pre-Export Financing Projects was collateralized with NPDC Okono crude grade (NPDC is 100% owned by the NNPC)—this implies that NPDC Crude is used for the debt financing.

2.3.2.6.4. In Kind Payments for Cash-call Liability and Related Taxes

In-kind payments were used to offset part of outstanding Cash-call liabilities in 2018. A total of 19.238million barrels crude oil was lifted to pay Cash-call liability of US\$1.390billion, while US\$213.775million was paid as royalty on the lifted oil as presented below.

TABLE 2. 26: SUMMARY OF IN-KIND PAYMENTS FOR CASH-CALL LIABILITY AND RELATED TAXES

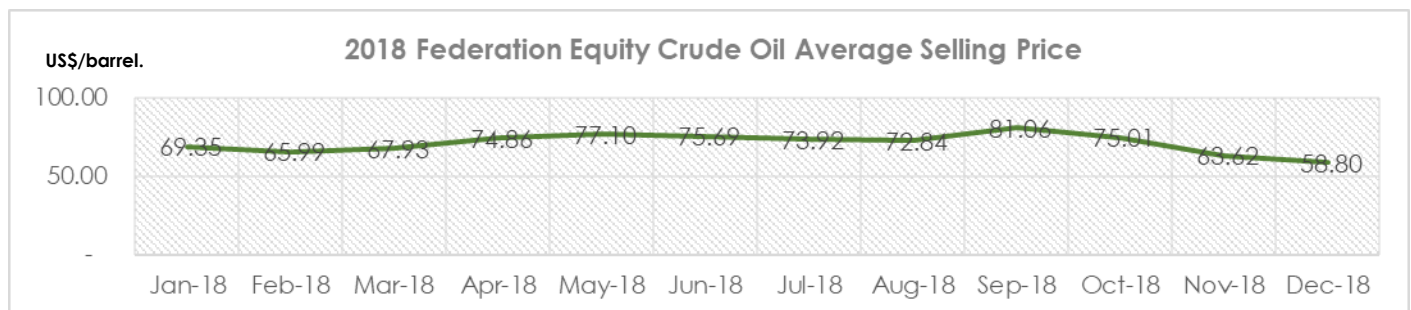
S/N	Company	Repayment Agreement		Royalty Payment	
		mbbls	US\$'000	mbbls	US\$'000
1	MOBIL	4,956.70	351,653.88	190.00	12,922.85
2	NAOC	2,746.00	194,833.60		
3	TEPNG	2,356.91	177,256.00	299.42	21,781.38
4	SPDC	354.00	24,717.00	590.00	48,660.79
5	NNPC/CHEVRON - PROJECT CHEETAH	5,662.54	403,809.00	1,850.00	130,410.55
6	NNPC/SPDC PROJECT SANTOLINA	3,065.95	230,426.32		
7	PAN OCEAN EQUITY	15.00	1,069.14		
8	CHEV-ADDAX	80.64	6,261.00		
	TOTAL	19,237.74	1,390,026.82	2,929.42	213,775.57

Source: NEITI 2018 Templates and NNPC Sales Profile

2.3.3. Pricing of Federation Equity Crude Oil

The pricing and valuation of federation equity crude is carried-out by the COMD using the Official Selling Price (OSP) and average dated Brent depending on the pricing options elected by the customers. There were thirty-one (31) crude grades and three (3) pricing options (prompt, advanced and deferred) in 2018. The derived annual average selling price of federation equity crude oil was US\$72.01. On a monthly basis, the lowest average selling price of US\$58.80 was recorded in December while September recorded the highest average selling price of US\$81.06. Figure 2.3. shows the monthly movement of average selling price of federation equity crude oil.

FIGURE 2. 3: MONTHLY AVERAGE SELLING PRICE OF FEDERATION EQUITY CRUDE OIL



Source: NEITI 2018 Templates and NNPC Sales Profile

Based on pricing test and re-computation carried-out by the IA in line with the elected pricing options of the customers, there were no established cases of federation equity crude pricing inconsistency.

2.4. Gas Utilization and Sales

In 2018, the total gas utilization was 2,909,143.55mmscf, which comprised of 188,266.99mmscf fuel gas, 795,094.90mmscf- re-injection, 266,869.32mmscf- flare, 1,972,600.95mmscf sold gas and 313,688.61mmscf as un-accounted gas.

2.4.1. Gas Utilization

Gas has many industrial uses such as gas lifting in crude oil production, power generation and as raw material in the fertilizer and petrochemical industries. In addition, it is used for domestic cooking and as feed stock in Liquefied Natural Gas (LNG) industries.

Utilized gas is the quantity that is used for purposes listed below:

- a) Fuel gas is the quantity of gas used in facilities to generate power.
- b) Gas re-injected refers to the quantity of gas that is passed through the wells into weak reservoirs to raise the pressure that enables crude oil to be lifted to the surface.
- c) Flare gas is the excess gas produced in operation that cannot be used for any purpose and it is therefore burnt out.
- d) Gas passed on or gas sales refers to the quantity that the oil and gas operators sell to their customers.
- e) Unaccounted gas is the portion of the produced gas whose utilisation cannot be accounted for by the companies.

Table 2.27 is a summary of gas utilized in 2018.

TABLE 2. 27: 2018 GAS UTILIZATION

S/N	Company	Fuel	Re-injected	Flare	Sales	Un-accounted	Total
		mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
1	ADDAX_APDNL	923.50	4,587.30	17,501.88	-	6,353.45	29,366.13
2	ADDAX_APENL	956.00	3,268.10	1,039.59	-	-	5,263.69
3	AENR	108.90	-	1,353.43	-	-	1,462.33
4	AITEO	284.72	-	11,298.09	-	5,690.27	17,273.08
5	ALLIED/CAMAC	-	-	858.23	-	-	858.23
6	AMNI	189.80	1,630.16	5,623.00	-	0.85	7,443.81
7	ATLAS	-	-	67.35	-	215.76	283.11

S/N	Company	Fuel	Re-injected	Flare	Sales	Un-accounted	Total
		mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
8	BELEMA OIL	160.80	-	3,863.77	-	-	4,024.57
9	BRITANIA U	311.13	-	77.34	-	-	388.47
10	CHEVERON	37,730.81	40,096.01	22,981.38	175,947.62	(13,292.57)	263,463.25
11	CHORUS ENERGY	6.83	-	745.21	-	-	752.04
12	CONSOLIDATED	238.91	-	-	-	-	238.91
13	CONTINENTAL	4,567.00	6,054.42	-	-	-	10,621.42
14	DUBRI OIL	23.18	-	1,874.59	-	-	1,897.77
15	ENERGIA	-	-	4,268.29	1,973.02	0.91	6,242.22
16	ENERGEED	980.93	-	-	-	-	980.93
17	EROTON	963.98	405.77	13,647.00	11,772.73	-	26,789.48
18	ESSO 133_ERHA	6,896.70	92,729.07	4,565.31	-	-	104,191.08
19	ESSO 138_USAN	4,830.12	38,165.33	9,997.03	-	802.51	53,794.99
20	EXCEL	-	-	8.00	-	-	8.00
21	FRONTIER	58.10	-	76.00	22,947.00	-	23,081.10
22	GREEN ENERGY	-	-	1,696.00	-	-	1,696.00
23	MIDWESTERN	978.91	3,251.10	567.00	-	-	4,797.01
24	MILLENIUIM OIL	-	-	646.30	-	-	646.30
25	MOBIL	36,353.36	310,856.76	49,942.11	383,406.86	(350,266.44)	430,292.65
26	MONIPULO	0.54	-	209.69	-	-	210.23
27	NAE	1,615.84	7,280.88	1,294.74	-	1.00	10,192.46
28	NAOC	20,765.42	1,509.82	16,749.30	207,210.30	27,366.32	273,601.16
29	NDPR	150.46	-	186.08	11,799.15	-	12,135.69
30	NETWORK	-	-	597.23	-	-	597.23
31	NEWCROSS	2,345.00	3,678.72	463.00	-	-	6,486.72
32	NPDC	2,621.49	-	13,522.65	36,414.78	-	52,558.92
33	ORIENTAL	688.93	68.91	1,069.26	-	-	1,827.10
34	PANOCEAN	351.58	-	22.85	5,638.83	-	6,013.26
35	PILLAR	-	-	220.00	12.00	-	232.00
36	PLATFORM	-	-	-	-	9,439.33	9,439.33
37	PRIME	62.06	43.82	14.82	-	-	120.70
38	SEPCO	1,992.03	-	193.13	-	-	2,185.16
39	SEPLAT	526.06	1,382.28	7,151.66	117,359.28	-	126,419.28
40	SNEPCO	3,743.63	-	1,371.13	37,894.40	-	43,009.16
41	SPDC	21,521.76	5,964.18	20,262.72	637,883.04	-	685,631.70
42	STAR DEEP	6,694.54	112,891.62	38,718.45	-	-	158,304.61

S/N	Company	Fuel	Re-injected	Flare	Sales	Un-accounted	Total
		mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
43	TEPNG	17,674.07	90,846.71	10,094.80	208,628.07	-	327,243.65
44	TUPNI	6,054.35	70,383.94	2,030.91	113,713.87	-	192,183.07
45	UNIVERSAL	577.50	-	-	-	-	577.50
46	WALTERSMITH	422.00	-	-	-	-	422.00
47	YINKA FOLAWUYO	3,896.05	-	-	-	-	3,896.05
	TOTAL	188,266.99	795,094.90	266,869.32	1,972,600.95	(313,688.61)	2,909,143.55

Source: NNPC 2018 Annual Production Profile
NEITI 2018 Templates
DPR 2018 signed-off Report

A total of eleven (11) JVs produced gas of 1,257,213.29 mmscf. From the total JV gas produced, eight (8) JVs were sold/passed on gas. Table 2.28 shows federation entitlement from JV gas sales.

TABLE 2. 28: FEDERATION ENTITLEMENT FROM JV GAS SALES

S/N	Company	Sales mmscf	Share of Gas Sales	
			JV Partner mmscf	Federation mmscf
1	CHEVERON	175,947.62	70,379.05	105,568.57
2	EROTON	11,772.73	5,297.73	6,475.00
3	MOBIL	383,406.86	153,362.74	230,044.12
4	NAOC	207,210.30	82,884.12	124,326.18
5	PANOCEAN	5,638.83	2,255.53	3,383.30
6	SEPLAT	117,359.28	52,811.68	64,547.60
7	SPDC	637,883.04	287,047.37	350,835.67
8	TEPNG	208,628.07	83,451.23	125,176.84
	TOTAL	1,747,846.73	737,489.44	1,010,357.29

Source: NNPC 2018 Annual Production Profile
NEITI 2018 Templates
DPR 2018 signed-off Report

2.4.2. Sales of Gas and Feedstock

The NNPC is responsible for the sales of federation gas and gas from third party (project falcon). Furthermore, it sells feedstocks on behalf of the Federation, DPR and FIRS under the MCA and the JV Cash-call repayment agreement. Total gas sold in 2018 stood at 1,252 thousand metric tons valued at US\$610.676million. Also, total feedstock sold was 773.676 million British thermal unit valued at US\$ 1.306billion. Figures 2.3 and 2.4 represent total quantities of gas and feedstock sold in 2018.

Figure 2. 5: Gas (Quantities) in 2018

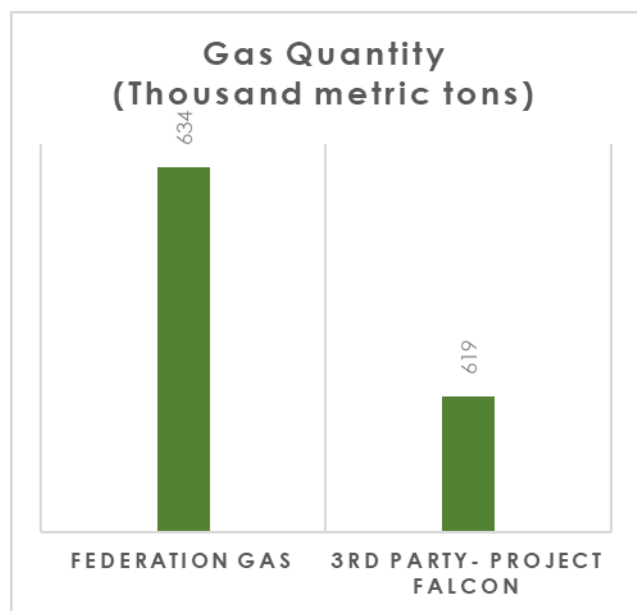
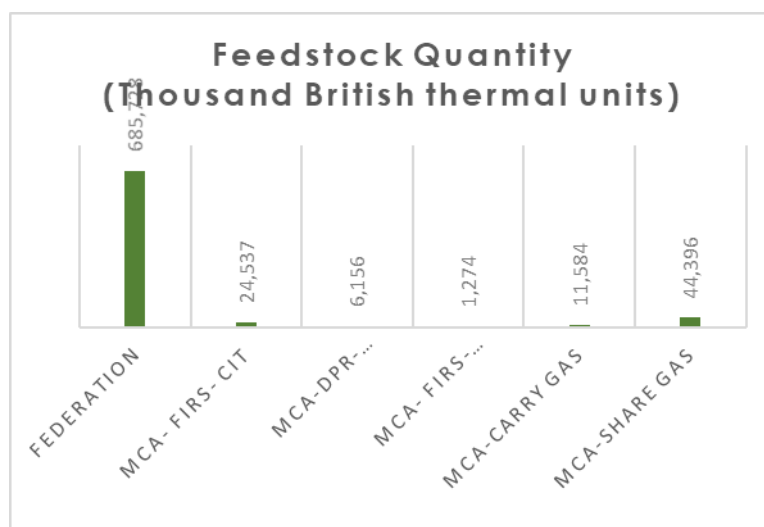


Figure 2. 4: Feedstock (Quantities) in 2018



2.4.3. Gas and Feedstock Sales Proceeds

Federation feedstock accounted for 60.43% of total value of gas and feedstock sold in 2018. This was followed by Federation gas which accounted for 16.03%, Project Falcon (3rd Party project financing)- 15.84%, and others accounted for 7.71%. Table 2.29 shows the designated bank accounts of respective gas and feedstock sold in 2018.

TABLE 2. 29: SUMMARY OF GAS AND FEEDSTOCK AND THE DESTINATION BANK ACCOUNTS

S/N	NNPC Lifting on Behalf of:	2018		Analysis of Collections				Beneficiary Accounts					
		Quantity	Value	Cash Received	Others*	Sales Receivable	Federation Account through JP Morgan Chase	CBN NNPC Gas Revenue Naira Account (USD Equivalent)	JV Proceeds Account	FIRS Account	DPR Account	IOC Account	Project Falcon Account
		mbtu	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1	Feedstock												
	Federation NLNG- Feedstock	685,728	1,158,079	896,556	170,775	90,748	896,556						
2	MCA (NLNG-Feedstock)												
	FIRS- CIT	24,537	41,208	41,208					41,208				
	DPR- Royalty	6,156	10,339	10,339						10,339			
	FIRS- Education tax	1,274	1,977	1,977					1,977				
	Carry Gas	11,584	19,788	19,788								19,788	
	Share Gas	44,396	74,386	74,386								74,386	
A	Subtotal	773,676	1,305,776	1,044,254	170,775	90,748	896,556	-	-	43,185	10,339	94,174	-
	Gas	MT'000	\$'000	\$'000	\$'000	\$'000	\$'000			\$'000	\$'000	\$'000	\$'000
3	Federation Gas:												
	Gas	634	307,204	281,833	3,914	21,456	10,300	13,601	257,933				
4	Third Party Project Financing												
	Project Falcon	619	303,473	303,473									303,473
B	Subtotal	1,252	610,676	585,306	3,914	21,456	10,300	13,601	257,933	-	-	-	303,473
	Grand Total		1,916,453	1,629,560	174,689	112,204	906,856	13,601	257,933	43,185	10,339	94,174	303,473

Source: NNPC Sales Profile and NEITI 2018 Templates

Others include Soku Condensate Handling Credit Note and payment into NAOC (NLNG) Gas MCA Escrow, SPDC (NLNG) Gas MCA Escrow- 1, SPDC (NLNG) Gas MCA Escrow- 2, SPDC (NLNG) Gas NDPR Escrow and TEPNG (NLNG) Gas MCA Escrow.*

2.4.4. Federation Gas Sales

Federation gas is the federation’s entitlement from the JV arrangements. On a quarterly basis and year-on-year comparison, there was decline in both quantity and value in quarters 2, 3 and 4. The annual aggregate decrease in sales quantity was 12.23% while sales value increased by 7.10%.

A total of US\$307.204 million was realized from the sales of Federation gas of 633.55 thousand metric tons in 2018. Table 2.30 is the quarterly analysis of Federation gas sales value and quantity for 2018 and 2017.

TABLE 2. 30: QUARTERLY ANALYSIS OF EXPORT GAS SALES VALUE AND QUANTITY

	2018	2017	%	2018	2017	% Value
	Quantity	Quantity	Quantity	Value	Value	Change
	mt'000	mt'000	Change	US\$'000	US\$'000	
1st Quarter	243.95	103.86	134.88%	113,693.45	40,586.19	180.13%
2nd Quarter	143.11	239.15	-40.16%	78,404.84	79,839.70	-1.80%
3rd Quarter	107.10	176.58	-39.35%	61,342.35	70,597.93	-13.11%
4th Quarter	139.39	202.21	-31.07%	53,762.91	95,821.79	-43.89%
Total	633.55	721.80	-12.23%	307,203.54	286,845.61	7.10%

Source: NEITI 2018 Templates and NNPC Sales Profile

From the total sales of US\$307.204 million, the actual receipt was US\$281.833million. The sum of US\$257.932million representing 91.5% was paid into JV Proceeds account from the actual receipt, US\$10.299million representing 3.7% was paid into JP Morgan Chase gas (dollar) revenue account, while US\$13.601million representing 4.8% was paid into CBN/NNPC gas revenue (naira) account. By implication, the amount in the JV Proceeds accounts were used for Cash-call obligation while the amounts in the JP Morgan Chase gas revenue (dollar) account and the CBN/NNPC gas revenue (Naira) account were eventually transferred to the Federation account.

Table 2.31 is the monthly analysis of federation gas sales proceeds and destination accounts in 2018.

TABLE 2. 31: 2018 MONTHLY ANALYSIS OF GAS SALES PROCEEDS AND DESTINATION ACCOUNTS

2018	Quantity	Monthly Reconciliation					Reasons for variance			Total
		NNPC /COMD Sales Value	JV Proceeds Accounts	JP Morgan Chase Receipts	CBN/ NNPC Gas Revenue (Naira) Account	Variance	Lifting Deposit	Credit Note	Sales Receivables	
Month of Sales	mt'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
January	-	-				-				-
February	124.03	52,977.72	42,178.12	10,299.59	-	500.00	500.00	-		500.00
March	119.92	60,715.73	60,215.71	-	-	500.02	500.00	-		500.00
April	7.00	2,969.54	-	-	2,719.30	250.25	250.25	-		250.25
May	74.01	40,813.03	40,313.03	-	-	500.00	500.00	-		500.00
June	62.11	34,622.26	30,599.30	-	3,294.27	728.69	500.00	228.69		728.69
July	70.10	38,695.52	38,098.51	-	-	597.00	500.00	97.00		597.00
August	30.00	18,567.30	18,317.30	-	-	250.00	250.00	-		250.00
September	7.00	4,079.53	-	-	4,079.53	-	-	-		-
October	6.95	3,507.85	-	-	3,507.85	-	-	-		-
November	75.93	28,798.77	28,210.92	-	-	587.85	250.00	337.85		587.85
December	56.51	21,456.30				21,456.30	-	-	21,456.30	21,456.30
Total	633.55	307,203.54	257,932.90	10,299.59	13,600.95	25,370.10	3,250.25	663.54	21,456.30	25,370.08

Source: NEITI 2018 Templates and NNPC Sales Profile

2.4.5. NLNG Feedstock Sales

A quarterly comparison shows an increase in sales value through all the quarters. This resulted in a 13.66% annual aggregate increase in sales revenue while sales quantity declined by 4.60%.

Table 2.32 is the quarterly analysis of Federation feedstock sales value and quantity.

TABLE 2. 32: QUARTERLY ANALYSIS OF FEEDSTOCK SALES VALUE AND QUANTITY

	2018	2017	%	2018	2017	% Value
	Quantity	Quantity	Quantity	Value	Value	Change
	mbtu	mbtu	Change	US\$'000	US\$'000	
1st Quarter	191,910.04	174,823.37	9.77%	302,845.35	251,710.93	20.31%
2nd Quarter	164,646.71	185,567.55	-11.27%	263,420.93	250,564.04	5.13%
3rd Quarter	166,515.93	178,399.21	-6.66%	298,242.35	250,850.14	18.89%
4th Quarter	162,655.81	180,039.72	-9.66%	293,570.38	265,735.96	10.47%
Total	685,728.49	718,829.84	-4.60%	1,158,079.01	1,018,861.07	13.66%

Source: NEITI 2018 Templates and NNPC Sales Profile

US\$1.158billion was realized from the sales of Federation feedstock of 685.728million btu in 2018. Of the US\$1.158billion sales receivable in 2018, the actual receipt was US\$896.556million which was paid into JP Morgan Chase gas revenue (dollar) account. Table 2.33 is the monthly analysis of federation feedstock sales proceeds and destination accounts in 2018.

TABLE 2. 33: 2018 MONTHLY ANALYSIS OF NLNG FEEDSTOCK AND DESTINATION ACCOUNTS

2018	Quantity	Monthly Reconciliation			Reasons for variance							
		NNPC/ COMD Sales Value	JP Morgan Chase Receipts	Variance	NAOC (NLNG) Gas MCA Escrow	SPDC (NLNG) Gas MCA Escrow- 1 A/C	SPDC (NLNG) Gas MCA Escrow- 2 A/C	SPDC (NLNG) Gas NDPR Escrow A/C	TEPNG (NLNG) Gas MCA Escrow A/C	Soku Cond. Handling Charges	Sales Receivabl e	Total
Month of Sales	mbtu	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
January	66,466.16	101,047.96	87,078.72	13,969.24	15.70	-	8,564.19	799.79	3,320.64	1,268.91		13,969.24
February	61,369.26	101,331.40	84,765.57	16,565.83	-	-	10,341.96	768.08	3,115.06	2,340.73		16,565.83
March	64,074.62	100,465.99	86,336.17	14,129.82	-	-	11,525.22	786.16	-	1,818.45		14,129.82
April	58,734.03	89,256.24	75,648.32	13,607.92	-	-	9,119.77	771.27	3,716.88	-		13,607.92
May	61,607.39	100,310.52	87,155.21	13,155.31	-	8,424.95	-	886.78	3,843.58	-		13,155.31
June	44,305.29	73,854.17	64,412.50	9,441.67	-	3,392.89	-	698.77	2,671.49	2,678.51		9,441.67
July	38,816.88	69,160.67	61,010.74	8,149.93	-	7,920.70	-	229.23	-	-		8,149.93
August	12,261.97	24,528.47	23,633.22	895.25	-	-	-	-	895.25	-		895.25
September	115,437.07	204,553.22	169,616.49	34,936.72	-	22,656.36	80.31	1,703.57	7,602.80	2,893.68		34,936.72
October	53,857.11	93,620.41	77,684.52	15,935.89	-	237.23	8,211.91	765.07	4,002.56	2,719.11		15,935.89
November	48,542.99	90,850.74	79,214.73	11,636.00	-	-	6,280.46	-	4,324.58	1,030.97		11,636.00
December	60,255.71	109,099.24	-	109,099.24	-	182.15	13,189.84	918.67	4,060.86	-	90,747.71	109,099.24
Total	685,728.49	1,158,079.01	896,556.19	261,522.82	15.70	42,814.28	67,313.67	8,327.39	37,553.71	14,750.37	90,747.71	261,522.82

Source: NEITI 2018 Templates
 NNPC Sales Profile
 JP Morgan Chase crude oil and gas revenue account

The JP Morgan gas revenue (dollar) account is the designated bank account in which both sales proceeds from the gas and the feedstock are lodged. Table 2.34 is the summary of transactions on the account.

TABLE 2. 34: SUMMARY OF JP MORGAN GAS REVENUE (DOLLAR) ACCOUNT

Description	2018
	\$'000
Balance as at 1st January (A)	-
Lodgments:	
Gas & Feedstock Proceeds -Prior Year	71,909.07
Gas & Feedstock Proceeds- Current Year	906,855.78
Interest and Other Classified Lodgments*	29,537.30
Total Lodgment during the year (B)	1,008,302.15
Total Inflow (A+B) = C	1,008,302.15
Payments:	
Payment to Federation Account	-
Transfer to Bank for International Settlement	1,008,302.15
Transfer to JV Cash-call Account	-
Total Outflow (D)	1,008,302.15
Balance as at 31st December	-

Source: NEITI 2018 Templates
NNPC Sales Profile
JP Morgan Chase crude oil and gas revenue account

Interest and Other Classified Lodgments*

Description	2018
	\$'000
Interest	8.42
Reconciliation Additional Receipt	9,824.82
Others	4.31
N-Gas Re Takoradi GSA Trust Account	19,699.76
Total	29,537.30

2.4.6. Federation Domestic Gas Sales

Nigeria Gas Marketing Company Limited (NGMC) is a subsidiary of NNPC. It is responsible for the sales of Federation domestic gas. A total of 69.428Million scf valued at N57.414billion was sold in 2018. This is made up of Federation share of 41.591million scf (N34.396billion) and JV partner share of 27.837million scf (N23.018billion). Table 2.35 presents an annual analysis of NGMC domestic sales.

TABLE 2. 35: DOMESTIC NGMC GAS SALES QUANTITY AND VALUES (SALES RECEIVABLE)

2018	JV Ratio		Federation Share		JV Operator Share		100% Joint Venture	
			Quantity	Value	Quantity	Value	Quantity	Value
			mscf'000	N'000	mscf'000	N'000	mscf'000	N'000
Pan Ocean	60%	40%	2,335.89	1,888,027.86	1,557.26	1,258,685.24	3,893.15	3,146,713.10
Chevron	60%	40%	38,533.53	31,928,323.09	25,689.02	21,285,548.73	64,222.55	53,213,871.82
Shell	55%	45%	721.79	579,330.10	590.55	473,997.35	1,312.34	1,053,327.45
Total			41,591.20	34,395,681.05	27,836.83	23,018,231.32	69,428.04	57,413,912.37

Source: NEITI 2018 Templates and NNPC-NGMC Sales Profile

Federation share is paid into the CBN-NNPC domestic gas revenue (Naira) account using Remita e-payment platform by NGMC. Total lodged was N110.639 billion in 2018—of which N1.008 billion represents exported gas paid in Naira into the account and N109.632 billion represents receipts from NGMC Remita e-payment, NBET payment assurance facility and securities operations. Table 2.36 shows the summary of transactions on the account.

TABLE 2. 36: SUMMARY OF CBN-NNPC DOMESTIC GAS OIL REVENUE (NAIRA) ACCOUNT

Description	2018 N'000
Balance as at 1st January (A)	7,570,748.04
Lodgments:	
Export Gas Receipt	1,007,553.20
Interest and Other Classified Lodgments*	109,631,828.48
Reversal	22,295.39
Total Lodgment during the year (B)	110,661,677.07
Total Inflow (A+B) = C	118,232,425.11
Payments:	
Payment to Federation Account	107,596,342.70
Payment to JV operators	-
Reversal	26,293.79
Total Outflow (D)	107,622,636.49
Balance as at 31st December	10,609,788.62

Source: NEITI 2018 Templates
NNPC Sales Profile
CBN-NNPC domestic gas revenue (naira) account

Interest and Other Classified Lodgments*

Description	2018 N'000
REMITA E-Payment	93,542,245.61
NBET Payment Assurance Facility	7,370,864.86
Securities Operations	8,718,718.01
Total	109,631,828.48

Source: NNPC Sales Profile and CBN-NNPC domestic gas revenue (naira) account

Total lodgment into the account was N110.639 billion—out of which N107.596 billion was transferred to Federation account in 2018.

CHAPTER 3

3. Revenue Collection

Revenue collected from the sector comprises of collections from the twenty-three (23) revenue streams identified in chapter one of the Report. This section disaggregates total revenues received from the sale of Federation equity crude oil, gas and feedstock and profit oil. It also contains information on revenues from all non-financial transactions. Furthermore, it includes sector specific revenue streams along with collections by other government entities.

3.1. Aggregate Collection from the Sector

The aggregate collection from the sector in 2018 was US\$32.626billion as presented in the table 3.1.

TABLE 3. 1: AGGREGATED COLLECTION FROM THE SECTOR

Description	2018 US\$'000
SALES OF FEDERATION CRUDE OIL AND GAS	
Proceeds from the sale of Federation equity crude oil	10,228,357
Proceeds from the sale of domestic crude	6,322,087
Proceeds from the sale of profit oil	121,687
Proceeds from the sale of Federation equity gas	589,220
Proceeds from the sale of feedstock	1,286,938
Total Sales of Federation Crude Oil and Gas (i)	18,548,288
PSCS / MCAS IN KIND PAYMENTS	
Petroleum Profit Tax (PPT) Oil- MCAs	863,989
Petroleum Profit Tax (PPT) – PSCs	1,378,130
Company Income Tax (CIT) Gas- MCAs	39,825
Royalty (Oil) – MCAs	231,759
Royalty (Oil) – PSCs	18,950
MCA Gas EDT	1,977
MCA Oil EDT	9,455
Concession rentals- PSCs	95
Total PSCs / MCAs/ Other financial flows in-Kind Payments (ii)	2,544,180

Description	2018 US\$'000
Subtotal (A)=(i)-(ii)	16,004,108
OTHER SPECIFIC FINANCIAL FLOWS TO FEDERATION	
Petroleum Profit Tax (PPT)	6,927,131
Oil Royalty	3,595,449
Gas Royalty	182,663
Gas Flare Penalty (GFP)	15,400
Concession Rentals	2,264
Miscellaneous Income	393,489
Transportation Fee	423,988
Signature Bonus	1,141,514
Total Other Specific Financial Flows to Federation (iii)	12,681,898
OTHER FLOWS TO FEDERATION	
Company Income Tax (CIT)	219,828
Value Added Tax (VAT)	762,946
NLNG Dividend Payments	904,499
PAYE	48,496
Capital Gain Tax	36
WHT Incorporated	697,190
Education Tax	426,597
Total Other Flows to Federation (iv)	3,059,592
Total Flows to Federation (B)=(iii)+(iv)	15,741,490
FLOWS TO OTHER ENTITIES	
Contributions to NDCC	683,383
NCDMB 1% Levy	160,010
NESS	37,043
Total Flows to other Entities (C)	880,436
Grand Total (A) + (B) + (C)	32,626,034

Source: NEITI 2018 Templates

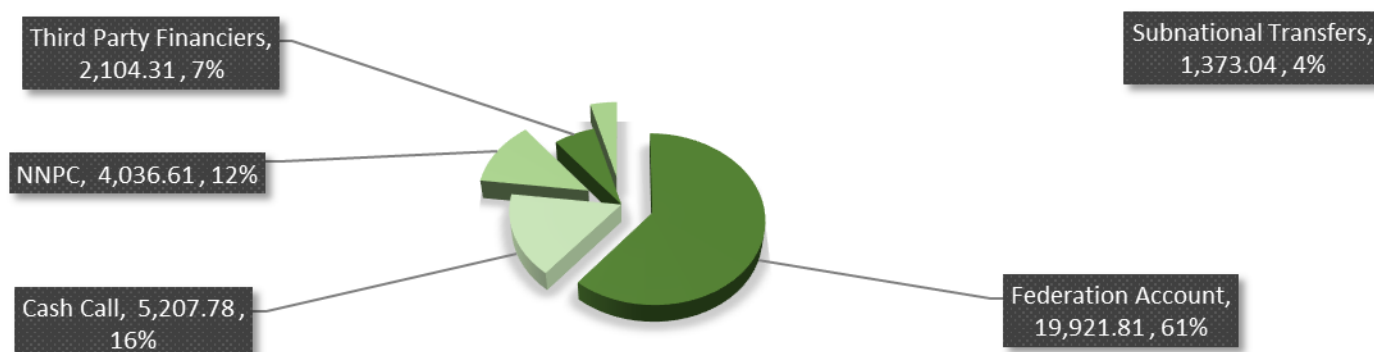
3.2. Distribution of Revenue Collected from the Sector

Out of the US\$32.626billion aggregated revenue from the sector: US\$19.922billion was transferred into the Federation account, US\$5.208billion into Cash-call account and US\$4.037billion into NNPC designated accounts. Furthermore, US\$2.104billion was transferred into third parties’ project financing accounts while US\$1.373billion were subnational transfers.

Subnational transfers are payments made to FIRS, NDDC, NCDMB and FMF.

Figure 3.1 shows revenue distribution within the Federation in 2018.

FIGURE 3. 1: DESTINATION OF TOTAL FLOWS (US \$'MILLION)



Source: NEITI 2018 Templates

3.3. Five-Year Trend of Aggregate Financial Flows

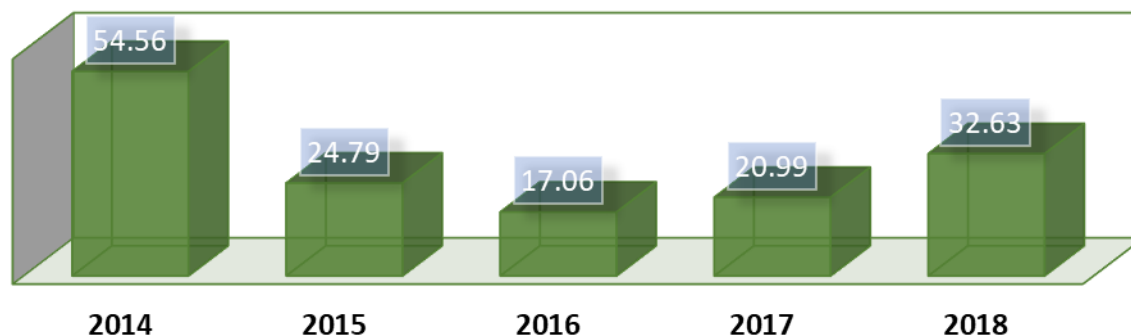
Federation achieved a 55.45% revenue increase from US\$ 20.988billion in 2017 to US \$ 32.626billion in 2018. Table 3.2 is a trend of aggregate financial flows from 2014 to 2018.

TABLE 3. 2: FIVE-YEAR AGGREGATE FINANCIAL FLOWS

YEAR	2014	2015	2016	2017	2018	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total	54,555,279	24,790,797	17,054,599	20,988,436	32,626,034	150,015,145
Difference		(29,764,482)	(7,736,198)	3,933,837	11,637,598	-
% Change		-54.56%	-31.21%	23.07%	55.45%	-

Source: 2015-2017 NEITI Reports and NEITI 2018 Templates

FIGURE 3. 2: FIVE-YEAR AGGREGATE FINANCIAL FLOWS



Source: 2015-2017 NEITI Reports and NEITI 2018 Templates

Table 3.3 detailed revenue collected from sector from 2014 to 2018.

TABLE 3. 3: REVENUES FROM 2014 TO 2018

	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Sale of Federation Crude Oil and Gas					
Crude Oil Sales	33,871,186.00	15,372,332.00	9,876,953.00	13,176,813.51	16,672,130.33
Gas Sales	2,279,675.00	1,352,515.00	1,051,994.00	1,323,517.24	1,876,157.80
Sales of Crude Oil and Gas (Total)	36,150,861.00	16,724,847.00	10,928,947.00	14,500,330.75	18,548,288.13
Less: PSCs/MCAs in Kind Payments					
Petroleum Profit Tax (PPT)- PSCs/MCAs	7,094,219.00	2,956,542.00	2,460,447.00	3,574,387.15	2,242,119.69
Royalty (Oil) - PSCs/MCAs	2,328,222.00	1,097,705.00	464,583.00	669,553.48	250,708.95
MCA Gas CIT/EDT	22,437.00	16,831.00	22,764.00	48,562.66	39,824.81
MCA Royalty (Gas)	68,952.00	3,649.00	5,287.00	11,628.72	1,977.07
Concession Rental	-	138.00	115.00	181.54	95.19
MCA Oil EDT	-	-	-	7,035.74	9,454.89
Total PSCs/MCAs In- Kind Payment	9,513,830.00	4,074,865.00	2,953,196.00	4,311,349.29	2,544,180.60
Sub-Total (A)	26,637,031.00	12,649,982.00	7,975,751.00	10,188,981.46	16,004,107.53
Other Sector Specific Financial Flows					
Petroleum Profit Tax (PPT)	15,697,977.00	5,389,868.00	4,216,908.00	5,047,573.68	6,927,130.98
Royalty (Oil)	6,311,102.00	2,784,534.00	1,577,040.00	2,187,709.48	3,595,448.54
Royalty (Gas)	135,030.00	107,160.00	66,078.00	113,756.68	182,663.19
Signature Bonus	142,249.00	902,720.00	-	156,765.11	1,141,514.21
Gas Flare Penalties	18,693.00	12,683.00	8,799.00	6,553.24	15,399.88
Concession Rental	2,628.00	1,006.00	824.00	1,163.46	2,263.95

	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Miscellaneous Income	-	-	-	-	393,488.95
Total Confirmed Flows	22,307,679.00	9,197,971.00	5,869,649.00	7,513,521.65	12,257,909.69
Other Flows to Federation					
Companies Income Tax (CIT)	521,827.00	603,499.00	314,846.00	268,776.20	219,827.88
Value Added Tax (VAT)	619,779.00	-	563,801.00	548,931.77	762,946.35
Capital Gains Tax	-	-	176,516.00	519.50	35.77
Total Other Flows to Federation	1,141,606.00	603,499.00	1,055,163.00	818,227.47	982,810.00
Sub-Total (B)	23,449,285.00	9,801,470.00	6,924,811.00	8,331,749.00	13,240,719.69
Total Flows to Federation (A+B)	50,086,316.00	22,451,452.00	14,900,562.00	18,520,730.45	29,244,827.22
Other Flows Federation & State					
Dividends & Repayment of Loans by NLNG	1,420,406.00	1,076,012.00	390,234.00	833,734.75	904,498.50
PAYE	390,595.00	-	41,210.00	4,940.59	48,496.01
Withholding Tax (WHT)	697,952.00	-	763,936.00	573,930.15	697,190.31
Total Other Flows	2,508,953.00	1,076,012.00	1,195,380.00	1,412,605.49	1,650,184.82
Flows to other entities					
Contribution to NDDC	846,081.00	387,621.00	492,066.00	545,328.07	683,383.33
Education Tax	605,597.00	667,770.00	317,853.00	286,575.03	426,596.90
NCDMB 1% Levy	153,924.00	135,828.00	129,403.00	99,609.25	160,010.09
NESS Fee	38,875.00	47,504.00	16,805.00	24,111.60	37,043.08
Cabotage Levy	26,401.00	-	-	-	-
NIMASA Levy-Gross	262,082.00	-	-	-	-
Transportation Fee	27,050.00	24,610.00	2,529.00	99,475.48	423,988.42
Total Flows to other entities	1,960,010.00	1,263,333.00	958,656.00	1,055,099.43	1,731,021.82
Grand Total	54,555,279.00	24,790,797.00	17,054,599.00	20,988,435.51	32,626,033.86
% Change		-55.00%	-31.00%	23.00%	55.45%

Source: 2015-2017 NEITI Reports and NEITI 2018 Templates

3.4. Company Level Flows

Total company level financial flows stood at US\$16.639billion—out of which US\$15.431 billion (92.74%) was reconciled, while US\$1.208billion (7.26%) was unilaterally disclosed.

3.4.1. Reconciliation of Company Flows

In arriving at the reconciled position, the initial templates submitted by the companies were validated against source documents. Thereafter, the validated company's records were reconciled with the government records, and necessary adjustments made.

Table 3.4 shows a breakdown of revenues collected from seventy-one (71) companies, the NLNG and the twelve (12) companies identified from DPR records. Please note that payments from those twelve companies were not reconciled.

TABLE 3. 4: TOTAL FLOWS COLLECTED FROM COMPANIES

S/N	Company	PPT	Royalty (Oil)	Royalty (Gas)	CIT	EDT	Concession Rental	NDDC	INCDMB	Gas Flare	NLNG	CGT	VAT	Signature Bonus	Transportation Fees	License Renewal	Environment Payment	NESS Fees	WHT	PAYE	Miscellaneous Income	Total	
		\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
1	APDNL	70.54	21.09	-	-	5.17	-	9.38	1.25	0.48		-	8.26	-	-	-	-	0.43	6.47	-			123.08
2	APENL	38.42	4.14	-	-	3.05	-	0.02	0.9	0.06		-	2.27	-	-	-	-	-	2.24	-			51.09
3	AENR	-	17.96	-	-	-	0.01	2.23	0.15	0.02		-	0.81	-	-	-	-	0.07	1	-			22.24
4	Aiteo	-	16.25	-	-	-	0.04	2.74	1.99	0.62		-	10.23	-	-	63.78	0.7	0.62	8.35	5.5			110.82
5	Amni	1.3	17.33	-	-	-	0.01	0.95	0.21	0.16		-	0.44	-	-	3.45	-	-	0.51	-			24.35
6	Atlas	-	4.14	-	-	-	0.01	-	-	0.23		-	0.02	-	-	-	-	0.19	-	-			4.61
7	Bayelsa Oil	-	0.13	-	-	-	-	-	-	-		-	-	-	-	-	-	-	0.15	-			0.27
8	Belema Oil	-	12.49	-	-	-	0.02	2.87	0.22	-		-	214.76	-	-	-	-	-	1.78	-			232.14
9	Brasoil Oil	-	-	-	-	-	-	-	0	-		-	0.01	-	-	-	-	0.62	0.19	0.54			1.35
10	Brittania U	-	0.87	-	-	-	-	0.51	0	0.01		-	0.17	-	-	-	-	0.03	0.01	-			1.6
11	CNL	148.14	356.41	24.29	-	13.15	0.08	62.02	10.1	0.28		-	57.39	-	15.52	-	1.07	5.32	226.39	10.28			930.46
12	CPNL	-	-	-	-	-	-	-	0	-		-	0.01	-	-	-	-	0.5	0	-			0.51
13	CNOOC	-	-	-	-	-	-	41.36	0	-		-	0.04	-	-	-	-	0	0.05	0.05			41.51
14	Chorus	-	0.31	-	-	-	-	-	-	0.23		-	0.01	0.15	-	-	-	0	0.02	0.01			0.74
15	Conoil	0.09	2.68	-	-	-	-	-	-	0.01		-	-	-	-	7.41	-	-	-	-			10.19

S/N	Company	PPT	Royalty (Oil)	Royalty (Gas)	CIT	EDT	Concession Rental	NDDC	NCDMB	Gas Flare	NLNG	CGT	VAT	Signature Bonus	Transportation Fees	License Renewal	Environment Payment	NESS Fees	WHT	PAYE	Miscellaneous Income	Total
16	CONOG	3.37	45.46	-	-	0.45	0.02	-	-	0.03		-	-	-	-	-	-	-	-	-		49.33
17	Dubri	-	6.19	-	-	2.45	-	0.13	-	0.37		-	0.14	-	-	-	-	0.02	0.08	-		9.38
18	Elcrest	-	14.04	-	-	-	-	-	0.65	-		-	6.4	-	-	8.29	-	0.41	6.68	-		36.46
19	Enageed	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-		-
20	Energia	0.64	2.98	0.21	-	0.23	-	1.78	0.1	0.24		-	0.66	-	-	-	-	-	0.62	-		7.47
21	Equinor	790.45	-	-	-	29.06	-	5.66	0.02	-		-	0.14	-	-	-	-	0.65	0.19	-		826.18
22	Eroton	7.21	52.37	0.7	2.94	1.84	0.17	3.34	0.58	0.31		-	9.09	-	-	17.1	-	0.4	8.73	-		104.78
23	EEP(OE)L	-	156.41	-	0.35	26.18	0.01	2.97	1.15	0.34		-	3.53	-	-	-	-	-	3.43	-		194.39
24	EE&PL	263.41	-	-	0.12	40.7	0.02	12.38	1.34	0.2		-	30.84	-	-	-	-	-	6.89	-		355.9
25	EE&P	0.19	0.17	0	-	0.01	-	0.08	0.03	0		-	0.09	-	-	-	-	-	0.04	-		0.61
26	Express	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-		-
27	Famfa	482.01	-	-	-	16.77	-	-	-	-		-	0.02	-	-	-	-	0.67	0.64	-		500.11
28	FIHN	-	-	-	-	-	-	-	0	-		-	0.11	-	-	-	-	0.03	0.14	-		0.29
29	Frontier	-	0.06	6.5	-	-	-	0.14	-	-		-	0.54	-	-	-	-	-	0.4	-		7.64
30	Green Energy	-	3.01	-	-	-	-	-	-	0.03		-	-	-	-	-	-	-	0.19	-		3.22
31	Lekoil	-	3.53	-	0.95	0.08	-	-	-	-		-	0.24	-	-	-	-	-	0.8	-		5.6
32	Midwestern	-	26.29	-	3.15	0.25	-	1.69	0.4	0.07		-	6.3	-	-	-	-	-	0.03	-		38.18
33	Millennium	-	0.14	-	-	-	-	-	-	0.02		-	0.08	-	-	-	-	0.01	0.08	-		0.32
34	MPNU	1,391.95	678.17	16.01	23.49	30.57	0.05	85.99	12.17	0.72		-	67.11	-	-	-	-	-	64.73	-		2,370.95
35	Moni Pulo	-	8.81	-	-	-	0	1	0.23	0.01		-	2.27	-	-	2	-	0.06	2.19	0.04		16.61
36	Nd Western	-	43.11	22.69	-	-	-	-	-	-		-	0.14	-	-	-	-	0.16	0.17	-		66.26
37	Neconde	-	57.95	-	-	-	-	-	-	-		-	0.02	-	-	24.25	-	0.27	0.01	-		82.5

S/N	Company	PPT	Royalty (Oil)	Royalty (Gas)	CIT	EDT	Concession Rental	NDDC	NCDMB	Gas Flare	NLNG	CGT	VAT	Signature Bonus	Transportation Fees	License Renewal	Environment Payment	NESS Fees	WHT	PAYE	Miscellaneous Income	Total
38	Network E&P	-	1.25	-	-	-	-	0.56	-	0.15	-	-	0.12	-	-	-	6	0.06	0.22	0.08	-	8.44
39	Newcross E&P	-	7.41	-	0.11	0.01	1.12	0.3	0.02	0.25	-	-	0.7	-	-	-	-	-	0.66	-	-	10.56
40	Newcross Limited	0.11	-	-	-	0.07	0	0.18	-	-	-	-	0.05	-	-	0.62	-	-	1.1	-	-	2.12
41	Nexen	-	-	-	-	-	-	-	-	-	-	-	0.02	-	-	-	-	-	-	-	-	0.02
42	NDPR	-	5.16	1.32	60.26	0.31	-	0.5	-	0.07	-	-	1.72	-	-	-	-	-	0.84	-	-	70.17
43	NAE	-	-	-	-	2.32	0.01	8.09	0.87	0.04	-	-	4.72	-	-	0.5	-	0.62	6.12	1.05	-	24.34
44	NAOC	39.1	125.41	11.13	43.64	3.84	-	76.71	20.21	0.11	-	-	59.54	-	23.43	-	-	1.14	67.33	28.68	-	500.26
45	NPDC	265.42	610.12	-	-	59.4	0.22	36.91	45.22	4.83	-	-	41.18	-	-	72.29	-	4.2	13.88	-	-	1,153.67
46	OOL	53.34	46.24	7.52	18.5	1.78	-	-	-	-	-	-	1.46	-	-	-	-	0	1.41	-	-	130.26
47	OO125 & 134	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	OPDC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	OQ	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50	OERL	19.03	41.16	-	-	2.46	-	2.59	1.7	0.52	-	-	2.98	-	-	3.01	-	-	3.54	-	-	76.99
51	POOC	0.15	-	-	-	-	0.01	-	1.72	-	-	-	-	-	-	-	-	-	-	-	-	1.88
52	Petrobras	153.34	-	-	-	-	-	-	0.01	-	-	-	0.06	-	-	-	-	0.33	0.03	0.7	-	154.48
53	Pillar	1.8	1.94	-	-	0.3	-	0.89	0.09	0.01	-	-	0.75	-	-	0.4	-	0.05	0.32	-	-	6.54
54	Platform	-	1.78	-	-	-	-	2.2	0.17	0.38	-	-	0.89	-	-	-	-	0.06	1.17	-	-	6.65
55	Seplat	-	142.92	15.61	-	-	0.06	19.14	0.73	1.01	-	-	14.12	-	-	25.94	-	1.53	13.29	-	-	234.35
56	Sheba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	SNEPCO	1,375.51	41.69	-	-	56.47	0.03	30.43	3.28	0.08	-	-	17.04	-	-	-	-	2.39	17.51	-	-	1,544.45
58	SPDC	473.15	265.74	50.5	18.28	22.81	0.24	92.26	7.84	0.18	-	0.04	64.58	-	385.03	894.82	-	3.31	69.46	-	-	2,348.24

S/N	Company	PPT	Royalty (Oil)	Royalty (Gas)	CIT	EDT	Concession Rental	NDDC	NCDMB	Gas Flare	NLNG	CGT	VAT	Signature Bonus	Transportation Fees	License Renewal	Environment Payment	NESS Fees	WHT	PAYE	Miscellaneous Income	Total
59	Shoreline	-	40.83	-	-	-	-	-	0.01	-	-	-	0.12	-	-	-	-	-	3.11	-	-	44.06
60	SAPTRO	-	-	-	-	2.65	0.03	12.04	17.99	0.4	-	-	0.49	-	-	-	-	0.15	0.64	0.53	-	34.92
61	Star Deep	716.13	-	-	-	47.92	0.01	18.92	4.58	1.23	-	-	21.71	-	-	-	4.49	2.97	24.9	-	-	842.86
62	SGORL	-	-	-	-	-	0	-	-	0.01	-	-	0.05	-	-	-	-	0.04	-	0.05	-	0.15
63	SEEPCO	-	178.14	-	-	-	0.02	17.06	0.84	0.01	-	-	0.6	-	-	-	-	0.92	0.05	0.24	-	197.88
64	Summit Oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
65	Suntrust Oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
66	TNOS	-	-	-	-	-	-	-	0.01	-	-	-	0.03	-	-	-	-	0.58	0	-	-	0.62
67	TEPNG	632.16	523.52	25.46	47.93	18.97	0.03	36.29	5.23	1.18	-	-	29	-	-	0.08	1	5.91	40.45	-	-	1,367.23
68	TUPNI	-	-	0.72	-	20.72	-	89.88	17.99	0.4	-	-	78.4	-	-	-	4.25	2.15	83.32	-	-	297.84
69	Universal	-	1.86	-	-	-	-	0.21	0.02	0.07	-	-	0.1	-	-	-	-	0.05	0.1	0.17	-	2.59
70	Waltersmith	0.19	5.85	-	-	0.27	-	1	-	-	-	-	0.39	-	-	-	-	0.1	0.61	0.57	-	8.98
71	Yinka Folawiyo	-	-	-	0.1	16.32	0.01	-	-	-	-	-	0.01	-	-	5	-	-	3.94	-	-	25.38
72	NLNG	-	-	-	-	-	-	-	-	-	904.5	-	-	-	-	-	-	-	-	-	-	904.5
		6,927.13	3,593.51	182.66	219.83	426.6	2.25	683.38	160.01	15.4	904.5	0.04	762.95	0.15	423.99	1,128.94	17.51	37.04	697.19	48.5	-	16,231.56
	Unilateral Disclosed Revenue																					
1	CAMAC		1.94			-																1.94
2	DSPL		0			-																0
3	SIRL		-			-	0															0.01
4	FEPDC		-			-	0															0.01
5	AOCNL		-			-	0									4						4
6	CESL		-			-										0.48						0.48

S/N	Company	PPT	Royalty (Oil)	Royalty (Gas)	CIT	EDT	Concession Rental	NDDC	NCDMB	Gas Flare	NLNG	CGT	VAT	Signature Bonus	Transportation Fees	License Renewal	Environment Payment	NESS Fees	WHT	PAYE	Miscellaneous Income	Total	
7	EERL		-			-										0.03						0.03	
8	FASL		-			-										4.85						4.85	
9	MOP		-			-										0.14						0.14	
10	NDEPP		-			-										2.5						2.5	
11	PNL		-			-										0.43						0.43	
12	SEIL		-			-										0.01						0.01	
	NNPC		-			-																393.49	393.49
	SUB TOTAL		1.94	-	-	-	0.02	-	-	-	-	-	-	-	-	12.43	-	-	-	-	-	393.49	407.87
		6,927.13	3,595.45	182.66	219.83	426.6	2.26	683.38	160.01	15.4	904.5	0.04	762.95	0.15	423.99	1,141.36	17.51	37.04	697.19	48.5	393.49	16,639.43	

Source: NEITI 2018 Template

See appendix 7: Revenue Flows for details of revenue by project.

CHAPTER 4

4. Cash-call

Cash-call is treated as a first-line deduction by the NNPC from the sales proceeds of crude oil and gas. In the year under review, sales proceeds from JV crude oil and gas were lodged in each JV proceeds account and eventually transferred to Cash-call account for funding Cash-call operations.

4.1. JV Partners

The NNPC represents the Federal Government of Nigeria in the JVs. The government equity holding ranges between 55% to 60% in the 15 JV agreements. There are four (4) foreign partners and eleven (11) indigenous partners. The National Petroleum Investment Management Services (NAPIMS) manages the investment on behalf of the Federation. NAPIMS is also responsible for supervising the mechanism of funding the JV operations through the Cash-Call Process. Table 4.1 shows active JVs and their partners in 2018.

TABLE 4. 1: JV PARTNERS AND PERCENTAGE OF HOLDING

S/N	JV OPERATOR	EQUITY PARTICIPATORY INTEREST (%)														
		NNPC	SHELL	MOBIL	CHEVRON	TEPNG	NAOC	PANOCEAN	NEWCROSS	FIRST E&P	EROTON	AITEO	BELEMA	SEPLAT	WAEP	AMNI
1	SHELL	55	30			10	5									
2	MOBIL	60		40												
3	CHEVRON	60			40											
4	TEPNG	60				40										
5	PANOCEAN	60						40								
6	NPDC	55	30			10	5									
7	NPDC	60			40											
8	NEPL	55						45								
9	FEPL	60							40							
10	EROTON	55								45						
11	AITEO	55									45					
12	BELEMA	60										40				
13	SEPLAT	60											40			
14	WAEP	55												45		
15	AMNI	60														40

Source: NEITI 2018 Template and NNPC-NAPIMS List of JV Partners

The governance requirement of the Joint Operating Agreement (JOA) guiding JV operations specifies the need for review of the Joint Operations budget and performance relating to such arrangement(s).

The Operating Committee (OPCOM), approves JV budget and performance based on approved annual work programme and JV operations returns respectively. The operations returns are filed two months in arrears. The approved budget underpins the basis for Cash-call requests, approval and disbursement and the monthly joint Cash-call review meetings.

The process of funding operational expenditure budgets approved by OPCOM for the year are stated below:

- a) Each JV Operator is responsible for making monthly Cash-call request to other partners in their respective participating interests for advance payment in order to meet anticipated costs and expenditures in the respective Cash-call month.
- b) Each JV Partner is expected to contribute to Cash-call funding on a monthly basis in advance, based on equity holding specified in the JOA.

4.2. Cash-call Budget

The National Assembly approved budget for the year 2018 showed that oil and gas revenue budget appropriated was stated net of production cost (i.e. Cash-call). The approved JV Cash-call budget was US\$6.28billion-- this is represented in table 4.2. However, because the budget was stated net of production, Cash-call funding was expected to be made from proceeds of crude oil and gas sales.

TABLE 4. 2: OPCOM 2018 APPROVED CASH-CALL BUDGET

	Approved Budget (NNPC Share)		
	Source Naira	Source Dollar	Equivalent Dollar @ \$1/N305
	N'000	\$'000	EQ\$'000
Total Budget (Including NNPC/NAOC)	1,068,596,543	3,817,598	7,321,193
Less NNPC/NAOC Budget	(160,039,156)	(517,535)	(1,042,254)
Total Budget for Existing JVs	908,557,387	3,300,060	6,278,937

Source: NNPC-NAPIMS OPCOM Budget and NEITI 2018 template

4.3. Cash-call Funding

A total of US\$7.48billion was transferred into JVCC accounts in 2018—comprised of US\$4.36billion and N953.15million. The JVCC accounts warehouses all funds relating to Cash-calls, statutory payments like NESS fees, VAT, NAPIMS operations overheads, designated special projects like Gas Infrastructure Development and Frontier Exploration Costs. Of the total US7.48billion, aggregate Cash-call funding for the year was US\$5.98billion (30.24% in Naira and 69.76% in dollar).

TABLE 4. 3: EXTRACT OF 2018 CASH-CALL FUNDING INTO JVCC ACCOUNT

	N'000	\$'000	EQ\$'000
Funding received in 2018	499,864,244.70	3,959,448.00	5,598,347.16
December 2018 funding received in Jan 2019	51,332,336.41	208,598.86	376,901.60
TOTAL	551,196,581.11	4,168,046.86	5,975,248.77

Source: CBN/NNPC JVCC Naira Account
Standard Chartered Bank JVCC Dollar Account
NEITI 2018 Templates

Furthermore, aggregate outflow from the JVCC accounts in 2018 was US\$7.15billion- this comprised of US\$3.85billion and N1.01trillion. Table 4.4. compares total funding into the JV account for Cash-call to the approved OPCOM budget and reveals that Cash-call funding received in 2018 was 5% below the approved OPCOM budget.

TABLE 4. 4: CASH-CALL BUDGET VS. FUNDING

	Budget 2018 (EQ\$'000)	Funding 2018 (EQ\$'000)
Cash-call	6,278,937	5,975,249
		-5%

Source: OPCOM Approved budget
CBN /NNPC JVCC Naira Account
Standard Chartered Bank Dollar Account
NEITI 2018 Templates

See appendix 8- Cash-call for detailed breakdown of funding to and payments from the JVCC accounts.

4.4. Cash-call to JV Operators

Total Cash-call (including net-offs) paid by NNPC/NAPIMS to JVCC operators was US\$5.35billion in 2018. This include US\$634.13million 2018 payables. The total Cash-call paid represented 85% of the total approved OPCOM budget for the year. Table 4.5 shows aggregate Cash-call payments in 2018.

TABLE 4. 5: AGGREGATE OF CASH-CALL PAYMENT

	N'000	\$'000	EQ\$'000
Total Cash-call Paid Per Bank (a)	755,801,464	2,660,563	5,138,601
Under/Over Net Adjustment (b)	19,478,418	147,818	211,682
Total Cash-call Per NAPIMS Records c= (a + b)	775,279,882	2,808,381	5,350,282
2018 Performance Balance Payable d	47,999,619	102,195	259,571
Total Cash-call for the Year c + d	823,279,501	2,910,576	5,609,853

Source: NNPC-NAPIMS CBN/NNPC JVCC Naira Account
Standard Chartered Bank JVCC Dollar Account
NEITI 2018 Templates

See appendix 8 for detailed monthly analysis of Cash-call and review of Cash-call based on payments to JV operators respectively.

In addition, NAPIMS overheads budgeted for 2018 was US\$188.16million. Total funding released through the JVCC dollar account was US\$144.55million while US\$169.81million was actual expenses.

TABLE 4. 6: SUMMARY OF NAPIMS OVERHEADS AND FUNDING FOR 2018

	Budget	Actual
	\$'000	\$'000
CAPEX	22,270.33	13,993.45
OPEX	165,888.35	155,821.30
Total Expenses (a)	188,158.68	169,814.75
Total Funding (b)		144,548.86
Liabilities (c= a-b)		25,265.89

Source: NNPC- NAPIMS 2018 budget performance Report
2018 Standard Chartered Bank JVCC Dollar Account
NEITI 2018 templates

See appendix 8 for details on NAPIMS overhead expenditures and performance.

4.5. Cash-call Liabilities

In 2017, NNPC renegotiated Cash-call liabilities with its foreign JV Partners and agreed to the settlement of US\$4.69billion arrears over a 5-year period. The settlement was under an agreement termed “Cash-call Repayment Agreement.” Of the US\$4.69billion in 2017, US\$373.600million and US\$911.115million were paid in 2017 and 2018 respectively, leaving a liability of US\$3.405billion as at 31 December 2018. In addition, Cash-call arrears due to local JV Partners were fully settled as at end of 2018.

Total outstanding Cash-call liabilities was US\$3.66billion as at end of 2018 comprising US\$3.41billion (93%) legacy liabilities and US\$260million (7%) performance balance payable to JV operators for 2018 activities.

4.5.1. Legacy Liabilities

Table 4.7. shows the legacy Cash-call liability as at 31st December 2018.

TABLE 4. 7: LEGACY CASH-CALL LIABILITIES

S/N	Company	Total Negotiated Debt	Total Payment Up to Dec. 2017	Total Payment in 2018	Outstanding Balance 31st Dec 2018
		EQ\$'000	EQ\$'000	EQ\$'000	EQ\$'000

S/N	Company	Total Negotiated Debt	Total Payment Up to Dec. 2017	Total Payment in 2018	Outstanding Balance 31st Dec 2018
		EQ\$'000	EQ\$'000	EQ\$'000	EQ\$'000
1	SPDC	1,372,505	-	-	1,372,505
2	MPN	833,752	260,900	312,644	260,207
3	CNL	1,097,509	112,700	343,800	641,009
4	TEPNG	610,973	-	87,117	523,856
5	NAOC	774,660	-	167,554	607,106
	TOTAL	4,689,399	373,600	911,115	3,404,684

Source: NNPC-NAPIMs Schedule of Cash-call liabilities and NEITI 2018 Template

The repayments of amount owed to Shell were from price balance on project Santolina. While repayment to Chevron was from price balance on projects Cheetah and Falcon. Price balance is the process of dedicating crude oil for the repayment of the liabilities to JV partners. NNPC lift and sold the crude oil. Part of the proceeds were remitted into the DPR and the FIRS for royalties and taxes while the balances are transferred to the respective JV partner.

4.5.2. Performance balance

Performance balances are payables due to JV partners as at the end of the year. Payables arose from the differences between Cash-call requests made in 2018 and actual expenditures. A total of **US\$260million** was owed to nine (9) JV operators for 2018 – comprised of 3 IOCs (27%) and 73% to 6 Indigenous. Table 4.8 shows the summary of performance balance to JV partners as at end of 2018.

TABLE 4. 8: PERFORMANCE BALANCE FOR 2018

S/N	JV	Amount		Total
		N'000	\$'000	EQ\$'000
1	SPDC	-	10,466.85	10,466.85
2	MPN	4,504,689.54	-	14,769.47
3	TEPENG	3,367,038.79	3,247.50	14,286.97
4	NPDC-CNL	2,500,473.53	1,227.61	9,425.88
5	NPDC-SPDC	4,128,928.34	5,831.18	19,368.65
6	AITEO	15,565,031.45	34,479.23	85,512.12
7	BELEMA	17,806,412.51	46,177.31	104,558.99
8	WAEP	-	765.34	765.34
9	AMNI	127,044.60	-	416.54
	TOTAL	47,999,618.76	102,195.02	259,570.82

Source: NNPC-NAPIMs Schedule of Cash-call liabilities and NEITI 2018 Templates

CHAPTER 5

5. Downstream Operations

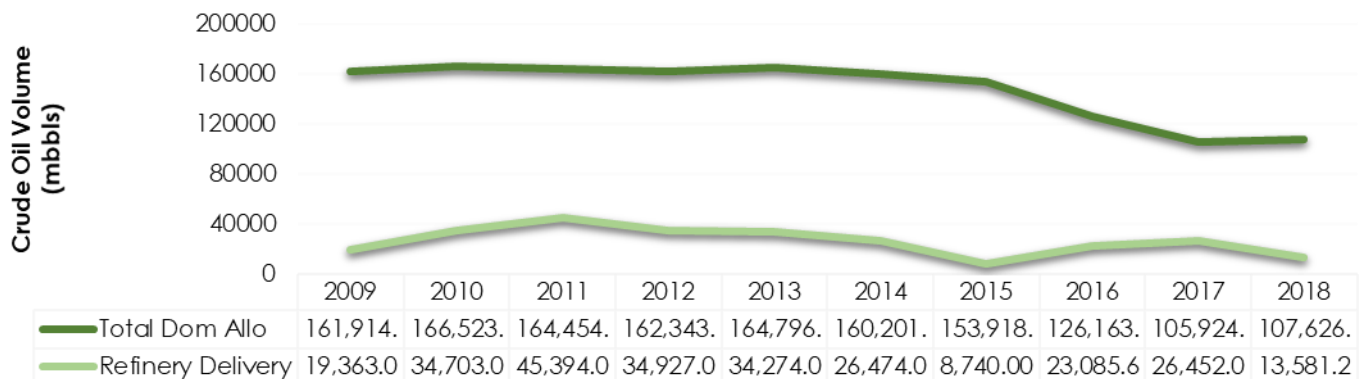
The Petroleum Products Marketing Company (PPMC), the Nigerian Pipelines and Storage Company Limited (NPSC) and the refineries are the subsidiaries of NNPC that operate in the downstream sector. The PPMC oversees crude supplies to the refineries while NPSC facilitates operation of the pipelines, depots and products distribution within the country.

5.1. Domestic Crude Allocation and Utilization

Domestic Crude Allocation (DCA) for the year was 107.63million barrels, 13.581million barrels (13%) was delivered to the refineries and 94.045million barrels (87%) was exported under the DSDP arrangement.

Refineries deliveries decreased by 48.66% from 26.452million barrels in 2017 to 13.581million barrels in 2018. Conversely, the DSDP allocation increased by 32.19% from 72.828million barrels in 2017 to 94.054million barrels in 2018. Figure 5.1 shows a ten-year trend of total domestic crude allocations and refinery deliveries.

FIGURE 5. 1: TOTAL DOMESTIC CRUDE ALLOCATION AND REFINERY DELIVERY 2009-2018



Source: 2010- 2017 NEITI Reports
NNPC-PPMC Domestic Crude Allocation Profile
NEITI 2018 Templates

Table 5.1 is a ten-year trend of DCA and utilization.

TABLE 5. 1: YEARLY COMPARISON OF UTILIZATION OF DOMESTIC CRUDE ALLOCATIONS

Year	Total DCA	Refinery Delivery	Unprocessed Crude Export	Offshore Processing	Crude Exchange	Product Exchange	DSDP
	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls
2009	161,914	19,363	142,551	-	-	-	
2010	166,523	34,703	97,792	27,336	950	5,742	
2011	164,454	45,394	39,341	23,688	-	56,032	
2012	162,343	34,927	49,214	22,755	-	55,447	
2013	164,796	34,274	36,392	24,665	-	59,464	
2014	160,201	26,474	56,181	21,111	-	56,435	
2015	153,918	8,740	56,111	89,067	-	-	
2016	126,163	23,086	2,834	10,441		26,029	63,774
2017	105,924	26,452	1,900	-	-	4,744	72,828
2018	107,626	13,581	-	-	-	-	94,045

Source: 2010- 2017 NEITI Reports
NNPC-PPMC Domestic Crude Allocation Profile
NEITI 2018 Templates

See appendix 6- Production Report for further details on DCA and utilization.

5.1.1. Product Losses from Pipeline Breaks

Pipeline breaks are the result of either willful damage to the pipelines or due to corrosion. Willful damaging of pipelines may arise as a result of communal agitation against oil and gas producing companies that have failed to discharge their social responsibilities to the host communities. Other causes may be political or criminal. On aggregate, 1,894 pipeline breaks were recorded within the country in 2018. The highest number of line breaks occurred within Port Harcourt area, in Rivers State, followed by Mosimi area within Lagos State. Table 5.2 shows the 2018 pipeline breaks in Nigeria.

TABLE 5. 2. 2018 PIPELINE BREAKS IN NIGERIA

Area	No of Breaks
Gombe Area	43
Kaduna	107
Mosimi	784
Port Harcourt	948
Warri	12
Total	1,894

Source: NNPC-PPMC Domestic Crude Allocation Profile and NEITI 2018 Templates

See appendix 9- Downstream report for further details.

Total product losses due to pipeline breaks within the country in 2018 was 204,397.07 cubic meters valued at N27.551billion. Table 5.3 shows breakdown of the product losses (quantity and value) arising from the pipeline breaks.

TABLE 5. 3: PRODUCT PIPELINE PERFORMANCE: (SEGMENT BY SEGMENT)- PMS

Pipeline Segment	PMS										Auditor's Calculated Variance
	Pumped		Received		Dewatering	Recovery	Product Linefill	Variance			
	PMS	H2O	PMS	H2O				Quantity	Value (N133.28/litre)	Auditor's Calculated Variance	
Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	%	N	Cubic Meters	
A/C - MOS - IDIMU-SAT	2,573,260.05	77,400.00	2,452,124.64	57,113.00	2,493.00	514.00	1,060.00	(122,054.42)	(4.74)	(16,267,412,697.76)	(122,054.42)
MOS - IBD	734,988.57	31,022.00	654,968.35	26,253.00	831.00	230.00	96.00	(80,525.21)	(10.96)	(10,732,400,255.36)	(80,525.21)
MOS - SAT	-	-	-	-	-	-	-	-	-	-	-
IBD - ILO	-	-	-	-	-	-	-	-	-	-	-
MOS-ORE	-	-	-	-	-	-	-	-	-	-	-
KAD - KANO	-	-	-	-	-	-	-	-	-	-	-
KAD - SUL	-	-	-	-	-	-	-	-	-	-	-
KAD - JOS	-	-	-	-	-	-	-	-	-	-	-
KAD - GUS	-	-	-	-	-	-	-	-	-	-	-
SUL - MINNA	-	-	-	-	-	-	-	-	-	-	-
JOS - GOMBE	-	-	-	-	-	-	-	-	-	-	-
PH-ABA	217,651.36	-	219,807.00	-	-	-	-	2,155.64	0.99	287,303,299.36	2,155.64
WARRI-BENIN	-	-	-	-	-	-	-	-	-	-	-
TOTAL	3,525,899.98	108,422.00	3,326,899.99	83,366.00	3,324.00	744.00	1,156.00	(200,423.99)	(5.68)	(26,712,509,653.76)	(200,423.99)

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

Total quantity of PMS lost as a result of pipeline breaks in the country in 2018 was 200,423.99 cubic meters valued at N26.713billion.

TABLE 5. 4: PRODUCT PIPELINE PERFORMANCE: (SEGMENT BY SEGMENT)- DPK

Pipeline Segment	DPK									
	Pumped		Received		Dewatering	Recovery	Product Linefill	Variance		
	DPK	H2O	DPK	H2O				Quantity		Value (N213/litre)
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	%	N	
A/C - MOS -IDIMU-SAT	-	-	-	-	-	-	-	-	-	-
MOS - IBD	-	-	-	-	-	-	-	-	-	-
MOS - SAT	-	-	-	-	-	-	-	-	-	-
IBD - ILO	-	-	-	-	-	-	-	-	-	-
MOS-ORE	-	-	-	-	-	-	-	-	-	-
KAD - KANO	-	-	-	-	-	-	-	-	-	-
KAD - SUL	-	-	-	-	-	-	-	-	-	-
KAD - JOS	-	-	-	-	-	-	-	-	-	-
KAD - GUS	-	1,983.00	848.00	-	-	-	-	848.00		180,624,000.00
SUL - MINNA	-	-	-	-	-	-	-	-	-	-
JOS - GOMBE	-	-	-	-	-	-	-	-	-	-
PH-ABA	12,348.46	-	12,739.00	-	-	-	-	391.00	3.17	83,283,000.00
WARRI-BENIN	-	-	-	-	-	-	-	-	-	-
TOTAL	12,348.46	1,983.00	13,587.00	-	-	-	-	1,238.54	10.03	263,808,168.00

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

A total of 1,238.54 cubic meters of DPK was lost due to pipeline breaks around the country in 2018 valued at N263.808million.

TABLE 5. 5: PRODUCT PIPELINE PERFORMANCE: (SEGMENT BY SEGMENT)- AGO

Pipeline Segment	AGO										Auditor's Calculated Variance
	Pumped		Received		Dewatering	Recovery	Product Line fill	Variance			
	AGO	H2O	AGO	H2O				Quantity		Value	
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	%	N: 210/litre	
									N	Cubic Meters	
A/C - MOS -IDIMU- SAT	19,344.35	-	19,752.63	-	608.00	-	-	(199.72)	(1.03)	(41,942,040.00)	(199.72)
MOS - IBD	-	-	-	-	-	-	-	-	-	-	-
MOS - SAT	-	-	-	-	-	-	-	-	-	-	-
IBD - ILO	-	-	-	-	-	-	-	-	-	-	-
MOS-ORE	-	-	-	-	-	-	-	-	-	-	-
KAD - KANO	-	-	857.00	-	-	-	-	857.00	-	179,970,000.00	857.00
KAD - SUL	-	-	-	-	-	-	-	-	-	-	-
KAD - JOS	-	-	-	-	-	-	-	-	-	-	-
KAD - GUS	-	-	-	-	-	-	-	-	-	-	-
SUL - MINNA	-	-	-	-	-	-	-	-	-	-	-
JOS - GOMBE	-	-	-	-	-	-	-	-	-	-	-
PH-ABA	63,522.81	-	60,131.00	-	-	-	-	(3,391.81)	(5.34)	(712,280,310.00)	(3,391.81)
WARRI-BENIN	-	-	-	-	-	-	-	-	-	-	-
TOTAL	82,867.16	-	80,740.63	-	608.00	-	-	(2,734.54)	(3.30)	(574,252,350.00)	(2,734.54)

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

A total of 2,734.54 cubic meters of AGO was lost in 2018 due to pipeline breaks valued at N574.252million.

5.1.2. Refinery Balances

Refinery crude balance is the reconciliation of the volume of crude sent to the refineries by the suppliers, the volume received at the refineries and volume refined.

Refinery product balance is the reconciliation of the various refined products. The summaries of crude and product balances for the three national refineries are contained in **tables 5.6 to 5.16**.

Port Harcourt Refinery

TABLE 5. 6: PHRC REFINERY BALANCE (CRUDE MATERIAL BALANCE) BBLs

CRUDE BLEND	Opening Stock	Fresh Crude Received	Total Volume in Refinery	Processed Volume	Transfer to PHRC	Total Processed + Transferred to PHRC	Closing Stock	Audit Closing Stock	Variance
BONNY	868,198	6,658,365	7,526.56	6,373,146	-	6,373,146	1,195,966	1,153,415.80	42,550.00
ESCRAVOS								-	-
QUA IBOE LIGHT								-	-
URALS								-	-
UGHELLI BLEND								-	-
SEPLAT								-	-
SLOP								-	-

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

Crude material balance was only from Bonny in the year under review.

TABLE 5. 7: PHRC REFINERY BALANCE (PMS PRODUCT BALANCE)

NAME OF REFINERY		PORTHARCOURT REFINERY						
PRODUCTS		PMS						
Month	OPENING STOCK	Receipt	Production	Total Stock	Internal withdrawal	Closing Stock	Audited closing Stock	Variance
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters
January	10,129.00	25,768.00	7,400.00	43,297.00	40,003.00	3,294.00	3,294.00	-
February	3,294.00	3,408.00	25,878.00	32,580.00	27,440.00	5,140.00	5,140.00	-
March	5,140.00	4,127.00	29,971.00	39,238.00	28,500.00	10,738.00	10,738.00	-
April	10,738.00	44,335.00	26,700.00	81,773.00	55,036.00	26,737.00	26,737.00	-
May	26,737.00	38,459.00	-	65,196.00	44,338.00	20,858.00	20,858.00	-
June	20,858.00	15,429.00	28,340.00	64,627.00	45,382.00	19,245.00	19,245.00	-
July	19,245.00	4,205.00	56,561.00	80,011.00	64,757.00	15,254.00	15,254.00	-
August	15,254.00	1,614.00	46,357.00	63,225.00	41,334.00	21,891.00	21,891.00	-
September	21,891.00	(672.00)	28,634.00	49,853.00	23,588.00	26,265.00	26,265.00	-
October	26,265.00	(1,019.00)	59,889.00	85,135.00	53,970.00	31,165.00	31,165.00	-
November	31,165.00	63.00	25,377.00	56,605.00	37,036.00	19,569.00	19,569.00	-
December	19,569.00	4,241.00	49,214.00	73,024.00	33,709.00	39,315.00	39,315.00	-
Total	10,129.00	139,958.00	384,321.00	734,564.00	495,093.00	39,315.00	39,315.00	

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

PMS produced in the refinery was well accounted for in the material balance.

TABLE 5. 8: PHRC REFINERY BALANCE (DPK PRODUCT BALANCE)

NAME OF REFINERY		PORTHARCOURT REFINERY						
PRODUCTS		DPK						
Month	Opening Stock	Receipt	Production	Total Stock	Internal withdrawal	Closing Stock	Audited closing Stock	Variance
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters
January	18,758.00	38,437.00	-	57,195.00	42,750.00	14,445.00	14,445.00	-
February	14,445.00	25,836.00	-	40,281.00	34,169.00	6,112.00	6,112.00	-
March	6,112.00	(579.00)	-	5,533.00	25.00	5,508.00	5,508.00	-
April	5,508.00	18,594.00	-	24,102.00	12,413.00	11,689.00	11,689.00	-
May	11,689.00	17,940.00	-	29,629.00	10,673.00	18,956.00	18,956.00	-
June	18,956.00	38,338.00	-	57,294.00	37,170.00	20,124.00	20,124.00	-
July	20,124.00	2,338.00	-	22,462.00	11,311.00	11,151.00	11,151.00	-
August	11,151.00	(1.00)	-	11,150.00	74.00	11,076.00	11,076.00	-
September	11,076.00	(75.00)	-	11,001.00	-	11,001.00	11,001.00	-
October	11,001.00	(10.00)	-	10,991.00	-	10,991.00	10,991.00	-
November	10,991.00	(3.00)	-	10,988.00	-	10,988.00	10,988.00	-
December	10,988.00	(14.00)	-	10,974.00	-	10,974.00	10,974.00	-
Total	18,758.00	140,801.00	-	291,600.00	148,585.00	10,974.00	10,974.00	-

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

DPK produced in the refinery was accounted for in the material balance.

TABLE 5. 9: PHRC REFINERY BALANCE (AGO PRODUCT BALANCE)

NAME OF REFINERY		PORTHARCOURT REFINERY						
PRODUCTS		AGO						
Month	Opening Stock	Receipt	Production	Total Stock	Internal withdrawal	Closing Stock	Audited closing Stock	Variance
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters
January	54,680.00	40,358.00	-	95,038.00	59,607.00	35,431.00	35,431.00	-
February	35,431.00	40,847.00	-	76,278.00	38,306.00	37,972.00	37,972.00	-
March	37,972.00	(1,558.00)	-	36,414.00	12,169.00	24,245.00	24,245.00	-
April	24,245.00	15,943.00	-	40,188.00	17,723.00	22,465.00	22,465.00	-
May	22,465.00	18,393.00	-	40,858.00	11,621.00	29,237.00	29,237.00	-
June	29,237.00	42,174.00	-	71,411.00	48,699.00	22,712.00	22,712.00	-
July	22,712.00	(90.00)	-	22,622.00	10,336.00	12,286.00	12,286.00	-
August	12,286.00	(53.00)	-	12,233.00	126.00	12,107.00	12,107.00	-
September	12,107.00	(1,111.00)	-	10,996.00	53.00	10,943.00	10,943.00	-
October	10,943.00	-	-	10,943.00	25.00	10,918.00	10,918.00	-
November	10,918.00	(387.00)	-	10,531.00	13.00	10,518.00	10,518.00	-
December	10,518.00	(1,589.00)	-	8,929.00	-	8,929.00	8,929.00	-
Total	54,680.00	152,927.00	-	436,441.00	198,678.00	8,929.00	8,929.00	-

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

AGO produced in the refinery was accounted for in the material balance.

Warri Refinery

TABLE 5. 10: WRPC REFINERY BALANCE (ESCRAVOS CRUDE OIL) BBLs

NAME OF REFINERY:			WARRI REFINERY						
FEED CRUDE INTAKE			ESCRAVOS						
Month	Opening Stock (Bbls)	Fresh Crude Received (Bbls)	Total Volume In Refinery (Bbls)	Monthly Processed Volume (Bbls)	Transfer to KRPC (Bbls)	Total Processed + Transfer To Kaduna (Bbls)	Closing Stock (Bbls)	Audited Closing Stock (Bbls)	Variance
January	1,438,281.52	-	1,438,281.52	-	-	-	1,446,206.04	1,438,281.52	7,924.52
February	1,446,206.04	-	1,446,206.04	287,835.36	-	287,835.36	1,154,323.32	1,158,370.67	(4,047.35)
March	1,154,323.32	1,320,235.06	2,474,558.38	1,987,285.61	-	1,987,285.61	488,612.02	487,272.77	1,339.25
April	488,612.02	963,505.96	1,452,117.98	123,307.28	-	123,307.28	1,328,810.70	1,328,810.70	-
May	1,328,810.70	1,038,008.27	2,366,818.97	1,816,867.78	-	1,816,867.78	549,951.19	549,951.19	-
June	549,951.19	1,215,712.00	1,765,663.19	1,023,377.80	-	1,023,377.80	744,260.96	742,285.38	1,975.58
July	744,260.96	900,649.96	1,644,910.92	651,978.43	-	651,978.43	992,399.75	992,932.49	(532.74)
August	992,399.75	143,063.08	1,135,462.82	420,302.82	-	420,302.82	715,160.00	715,160.00	-
September	715,160.00	-	715,160.00	-	-	-	736,602.82	715,160.00	21,442.81
October	736,602.82	-	736,602.82	-	-	-	742,344.58	736,602.82	5,741.76
November	742,344.58	706,584.36	1,448,928.93	90,255.15	-	90,255.15	1,358,673.78	1,358,673.78	(0.00)
December	1,358,673.78	624,520.09	1,983,193.87	489,066.88	-	489,066.88	1,506,809.18	1,494,126.99	12,682.19
TOTAL		6,912,278.77	18,607,905.44	6,890,277.13	-	6,890,277.13	1,506,809.18	1,494,126.99	12,682.19

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

Closing Stock of the Refinery is higher than the audited closing stock by 12,682.19 bbls. Below are the explanations:

Month	Variance	Entity's Remark
January	7,924.52	This was due to quantity received into Tanks-61 & 63 from Tank-05; to release tank -05 for maintenance.
February	(4,047.35)	This was due to slop re-Injected into Escravos Light Tanks 06 and 80.

Month	Variance	Entity's Remark
March	1,339.25	This was due to quantity of water drained from crude tanks before processing.
June	1,975.58	This was due to Bottom sediment and Water
July	(532.74)	This was due water drained from crude tanks in preparation for processing.
September	21,442.81	This was slop transferred from slop tank(s) 07 & 08.
October	5,741.76	This was due to slop received from slop tank 08.
December	12,682.19	This was Seplat crude in Tank-05 prior to the receipt of Escravos Light Crude into the Tank-05.
TOTAL	12,682.19	

TABLE 5. 11: WRPC REFINERY BALANCE (PMS PRODUCT)

NAME OF REFINERY				WARRI REFINERY							
FINISHED PRODUCT		PMS									
Month	Opening Stock	Produced	Imported Product	Total Stock in Refinery	Evacuation				Unfinished/ Closing Stock	Audited Closing Stock	Variance
					Road	Jetty	Pipeline	Total			
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters
January	75,271.00	0.46	12,603.00	87,874.46	19,511.00	-	-	19,511.00	68,363.00	68,363.46	0.46
February	68,363.00	36,035.93	-	104,398.93	25,640.62	-	-	25,640.62	78,758.50	78,758.30	(0.20)
March	78,758.50	58,292.90	-	137,051.40	33,113.49	-	-	33,113.49	103,938.08	103,937.91	(0.16)
April	103,938.08	21,834.28	-	125,772.36	22,326.00	-	-	22,326.00	101,953.46	103,446.36	1,492.90
May	101,953.46	37,464.77	-	139,418.23	27,619.09	6,966.37	-	34,585.46	104,832.81	104,832.77	(0.05)
June	104,832.81	47,980.25	-	152,813.06	31,527.00	-	-	31,527.00	121,286.17	121,286.06	(0.11)
July	121,286.17	17,329.61	-	138,615.79	34,173.19	28,407.52	-	62,580.70	76,035.17	76,035.08	(0.09)
August	76,035.17	8,878.52	-	84,913.70	21,298.03	-	-	21,298.03	63,615.72	63,615.67	(0.05)
September	63,615.72	(0.36)	13,004.00	76,619.35	15,956.56	-	-	15,956.56	60,662.97	60,662.80	(0.17)
October	60,662.97	(0.03)	25,851.00	86,513.94	15,627.13	-	-	15,627.13	70,887.05	70,886.81	(0.24)
November	70,887.05	8,688.41	13,083.00	92,658.46	23,013.76	-	-	23,013.76	69,644.51	69,644.70	0.19
December	69,644.51	17,384.13	12,939.00	99,967.64	20,781.76	-	-	20,781.76	79,213.95	79,185.88	(28.07)
TOTAL		253,888.88	77,480.00	1,326,617.32	290,587.62	35,373.89	-	325,961.52	79,213.95	79,185.88	1,464.42

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

The produced PMS in the refinery had a closing stock variance of 1,464.42 cubic meters with the following explanation from the Refinery:

Explanation on variance:

Month	Variance	Entity's Remark
	Cubic Meters	

Month	Variance	Entity's Remark
January	0.46	This is due to rounding error
February	(0.20)	This is due to rounding error
March	(0.16)	This is due to rounding error
April	1,492.90	1,492.90 cubic meters comprises 709m3 which is as result of error in Tank 16 Levels and 789m3 was as a result of unreliable counter readings used in blend calculation.
May	(0.05)	This is due to rounding error
June	(0.11)	This is due to rounding error
July	(0.09)	This is due to rounding error
August	(0.05)	This is due to rounding error
September	(0.17)	This is due to rounding error
October	(0.24)	This is due to rounding error
November	0.19	This is due to rounding error
December	(28.07)	28.07 cubic meters variance is due 65 cubic meters variance in reformate stock and 37 metric tons negative variance in treated Naphtha due end year tank Dip variation.
TOTAL	1,464.42	

TABLE 5. 12: WRPC REFINERY BALANCE (DPK PRODUCT)

NAME OF REFINERY					WARRI REFINERY									
FINISHED PRODUCT		DPK			Evacuation							Unfinished/ Closing Stock	Audited Closing Stock	Variance
Month	Opening Stock	Produced	Imported Product	Total Stock in Refinery	Road	Jetty	Pipeline	Total						
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters		
January	7,535.00	0.39	-	7,535.39	2,891.00	-	-	2,891.00	4,702.00	4,644.39	(57.61)			
February	4,702.00	5,882.50	-	10,584.50	-	-	-	-	10,584.50	10,584.50	-			
March	10,584.50	39,139.42	-	49,723.92	29,389.92	-	-	29,389.92	20,334.00	20,334.00	-			
April	20,334.00	2,362.00	-	22,696.00	13,874.00	-	-	13,874.00	8,822.00	8,822.00	-			
May	8,822.00	36,385.90	-	45,207.90	18,046.50	-	-	18,046.50	27,161.40	27,161.40	-			
June	27,161.40	18,526.60	-	45,688.00	20,213.00	-	-	20,213.00	25,475.00	25,475.00	-			
July	25,475.00	12,941.38	-	38,416.38	15,341.33	4,986.05	-	20,327.38	18,089.00	18,089.00	-			
August	18,089.00	8,108.86	-	26,197.86	14,490.50	4,982.51	-	19,473.01	6,724.85	6,724.85	-			
September	6,724.85	-	-	6,724.85	-	-	-	-	6,724.85	6,724.85	-			
October	6,724.85	0.15	-	6,725.00	-	-	-	-	6,725.00	6,725.00	-			
November	6,725.00	1,843.00	-	8,568.00	-	-	-	-	8,568.00	8,568.00	-			
December	8,568.00	9,885.07	-	18,453.07	11,819.35	-	-	11,819.35	6,633.73	6,633.73	-			
TOTAL		135,075.27	-	286,520.87	126,065.59	9,968.57	-	136,034.16	6,633.73	6,633.73				

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

The DPK production variance of 57.61 m3 was as a result of shore tank Dip variation.

TABLE 5. 13: WRPC REFINERY BALANCE (AGO PRODUCT)

NAME OF REFINERY					WARRI REFINERY							
FINISHED PRODUCT		AGO			Evacuation				Unfinished/ Closing Stock	Audited Closing Stock	Variance	
Month	Opening Stock	Produced	Imported Product	Total Stock in Refinery	Road	Jetty	Pipeline	Total				
	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters	Cubic Meters
January	19,667.00	(307.34)		19,359.66	92.00	-	-	92.00	19,268.00	19,267.66	(0.35)	
February	19,268.00	6,660.84	-	25,928.84	5,058.48	-	-	5,058.48	20,870.36	20,870.36	-	
March	20,870.36	64,991.88	-	85,862.24	33,085.24	-	-	33,085.24	52,777.00	52,777.00	-	
April	52,777.00	(4,610.00)	-	48,167.00	29,196.00	-	-	29,196.00	18,971.00	18,971.00	-	
May	18,971.00	43,157.58	-	62,128.58	23,437.88	-	-	23,437.88	38,690.70	38,690.70	-	
June	38,690.70	28,118.30	-	66,809.00	26,914.00	-	-	26,914.00	39,895.00	39,895.00	-	
July	39,895.00	6,857.11	-	46,752.11	16,169.72	4,976.38	-	21,146.11	25,606.00	25,606.00	-	
August	25,606.00	8,361.06	-	33,967.06	13,674.77	4,978.66	-	18,653.43	15,313.63	15,313.63	-	
September	15,313.63	(3,129.28)	-	12,184.35	157.42	-	-	157.42	12,016.93	12,026.93	10.00	
October	12,016.93	(2,507.67)	-	9,509.26	129.42	-	-	129.42	9,379.84	9,379.84	-	
November	9,379.84	(1,672.35)	-	7,707.49	52.49	-	-	52.49	7,655.00	7,655.00	-	
December	7,655.00	13,411.34	-	21,066.34	117.94	-	-	117.94	20,948.40	20,948.40	-	
TOTAL		159,331.46	-	439,441.92	148,085.36	9,955.04	-	158,040.40	20,948.40	20,948.40		

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

The AGO production has a variance of 10 cubic meters. This was as a result of variation between last tank loading operation (26/09/18) and end of month readings.

Kaduna Refinery

TABLE 5. 14: KRPC REFINERY BALANCE (ESCRAVOS CRUDE OIL) BBLs

NAME OF REFINERY:		KADUNA REFINERY							
FEED CRUDE INTAKE		ESCRAVOS							
Month	Opening Stock (Bbls)	Fresh Crude Received (Bbls)	Total Volume In Refinery (Bbls)	Monthly Processed Volume (Bbls)	Transfer To Krpc (Bbls)	Total Processed + Transfer To Kaduna (Bbls)	Closing Stock (Bbls)	Audited Closing Stock (Bbls)	Variance
January	353,447.00	-	353,447.00	163,123.55	-	163,123.55	190,323.45	190,323.45	-
February	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
March	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
April	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
May	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
June	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
July	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
August	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
September	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
October	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
November	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
December	190,323.45	-	190,323.45	-	-	-	190,323.45	190,323.45	-
TOTAL	353,447.00	-	353,447.00	163,123.55	-	163,123.55	190,323.45	190,323.45	-

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

Kaduna refinery did not receive any crude oil from Escravos in 2018. The refinery only processed the 2017 stock from Escravos.

TABLE 5. 15: KRPC REFINERY BALANCE (UGHELLI/ SEPLAT CRUDE OIL) BBLs

NAME OF REFINERY:		KADUNA REFINERY							
FEED CRUDE INTAKE		UGHELLI BLEND/SEPLAT							
Month	Opening Stock (Bbls)	Fresh Crude Received (Bbls)	Total Volume In Refinery (Bbls)	Monthly Processed Volume (Bbls)	Transfer To Krpc (Bbls)	Total Processed + Transfer To Kaduna (Bbls)	Closing Stock (Bbls)	Audited Closing Stock (Bbls)	Variance
January	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
February	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
March	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
April	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
May	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
June	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
July	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
August	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
September	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
October	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
November	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
December	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-
TOTAL	38,995.00	-	38,995.00	-	-	-	38,995.00	38,995.00	-

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

The refinery did not receive any crude in 2018 and no processing was carried out for Ughelli blend.

TABLE 5. 16: KRPC REFINERY BALANCE (SLOP) BBLs

NAME OF REFINERY:		KADUNA REFINERY							
FEED CRUDE INTAKE		SLOP							
Month	Opening Stock (Bbls)	Fresh Crude Received (Bbls)	Total Volume In Refinery (Bbls)	Monthly Processed Volume (Bbls)	Transfer To Krpc (Bbls)	Total Processed + Transfer to Kaduna (Bbls)	Closing Stock (Bbls)	Audited Closing Stock (Bbls)	Variance
January	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
February	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
March	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
April	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
May	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
June	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
July	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
August	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
September	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
October	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
November	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
December	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-
TOTAL	239,660.00	-	239,660.00	-	-	-	239,660.00	239,660.00	-

Source: NNPC-PPMC-NPSC Profile and NEITI 2018 Templates

See appendix 9- Downstream Report for further details on refinery balances.

5.2. PPPRA Appropriate Pricing Framework

The Appropriate Pricing Framework (APF) replaced the Petroleum Support Fund (PSF). APF is a regulatory tool introduced by PPPRA which enables eligible marketing companies to notify the PPPRA of their proposed petroleum products import plans (Quantity Notification) prior to products importation in line with the approved guidelines. The procedures and guidelines are for coordinating operational activities in the downstream sector in Nigeria and are meant to be reviewed periodically with government policy initiatives in the sector. The APF came into effect in May 2016, to free the market and make PMS prices reflective of prevailing exchange rate. This is to allow the Marketers source for foreign exchange for importation of petroleum products.

See appendix 15- Appropriate Pricing Framework.

5.2.1. Products Supplied (Truck-out) in 2018

NNPC imported 32.583 million liters of DPK (representing 98% of total import) and was the sole importer of PMS (total of 20.002 billion liters) in 2018. Table 5.17 shows the summary of imported products in 2018.

TABLE 5. 17: IMPORTED PRODUCTS IN 2018

Products	NNPC	Other Marketers	Total
	Liters (Thousands)	Liters (Thousands)	Liters (Thousands)
PMS	20,001,717.86	-	20,001,717.86
AGO	1,168,129.35	2,991,226.41	4,159,355.76
DPK	323,583.56	5,813.37	329,396.93
ATK	263,787.87	546,785.11	810,572.98
Base Oil	-	244,326.89	244,326.89
Bitumen	-	117,690.66	117,690.66
LPFO	21,172.51	53,950.31	75,122.82

Source: PPPRA and NEITI 2018 Templates

Table 5.18 is the comparison of total truck-out quantity and total imported products for 2018.

TABLE 5. 18: TOTAL TRUCK-OUT QUANTITY AND TOTAL IMPORTED PRODUCTS FOR 2018

	AGO	ATK	Base Oil	Bitumen	DPK	LPFO	PMS	SRG
	Liters'000	Liters'000	Liters'000	Liters'000	Liters'000	Liters'000	Liters'000	Liters'000
Truck-out	4,563,468.07	773,119.05	108,990.95	79,847.11	622,716.25	143,253.03	19,527,490.79	8,644.75
Imported	4,159,355.76	810,572.98	244,326.89	117,690.66	329,396.93	75,122.82	20,001,717.86	-
Percentage of Truck-out	109.72%	95.38%	44.61%	67.84%	189.05%	190.69%	97.63%	N/A
No of Trucks	139,720	20,035	3,693	2,989	21,669	4,118	489,763	288

Source: PPPRA and NEITI 2018 Templates

CHAPTER 6

6. Social & Economic Spending

This section provides information on infrastructure provisions, social expenditures, quasi-fiscal expenditure, contribution of the industry to the economy and environmental impact and expenditures.

6.1. Infrastructure Provisions and Barter Arrangement

Infrastructure provision and barter arrangement means any 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 the year under review, there were no established cases of infrastructure provisions in lieu of receipt from federation crude oil and gas sales proceeds.

6.2. Social Expenditures

Companies in Nigeria carry out social expenditures in their locations of operations as part of corporate social responsibility. These expenditures are either mandatory or non-mandatory expenditure. Mandatory social expenditure is payment made to NDDC or the NCDMB in line with their respective Acts⁷. Non-mandatory social expenditure is the voluntary social payment made by companies in the host communities and across the Federation.

The non- mandatory social expenditures in the sector cover the following areas:

- Social amenities (road, borehole water, health centres, etc.)
- Education (Scholarships – Primary, Secondary and Tertiary)
- Skills acquisition (fashion designing, hairdressing, cobbling etc.)
- Agriculture support (provisions of seedlings, fertilisers, fishing gears, etc.)

In 2018, total social expenditure (mandatory and non-mandatory) was US\$902.665million. This consisted of non-mandatory contribution of US\$59.272million (6.57%) and mandatory contribution of US\$

⁷ Section 14(b) of the NDDC Act, mandates the commission to collect 3% of the total annual budget of any oil producing companies operating onshore and offshore in the Niger Delta area. While Section 104 of the NOGICD Act of 2010 provides that 1% of every contract in the upstream sector of the Nigerian oil and gas industry shall be deducted at source and paid to the NCDMB.

843.393million (93.40%). Mandatory contribution was made up of NDDC's 3% levy⁸ of \$683.383million and NCDMB's 1% levy⁹ of \$160.010million.

Table 6.1 is the summary of non-mandatory social expenditure in 2018.

TABLE 6. 1: SUMMARY OF NON-MANDATORY SOCIAL EXPENDITURE

S/N	Name of Company	No of Projects	Amount \$
1	Agip Energy and Natural Resources Nig Ltd	4	107,646.48
2	Belema Oil Producing Limited	6	5,835,830.48
3	Chevron Nigeria Limited	68	11,221,699.30
4	Mobil Producing Nigeria Unlimited	78	1,434,284.78
5	Pillar Oil Limited	6	254,332.96
6	Platform Petroleum Ltd	5	90,301.15
7	Shell Nigeria Exploration & Prod Coy Ltd	38	1,002,272.91
8	Shell Petroleum Development Company	120	6,617,029.26
9	Sterling Oil Exploration & Energy Prod Ltd	7	20,588,734.66
10	Total E&P Nigeria Ltd	12	11,847,276.43
11	Universal Energy Ltd		271,193.79
12	Walter smith Petroman Oil Ltd		1,309.33
	TOTAL	344	59,271,911.51

Source: NEITI 2018 Templates

See appendix 16 (Schedule of Voluntary Social expenditure) for further details.

6.3. Quasi-Fiscal Expenditures

Quasi-fiscal expenditures include expenditure where the SOE undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process.

In the year under review, the IA identified three (3) items which were spent without appropriation. They were cost of under recovery for imported petroleum products, cost of crude and products losses and part of pipeline maintenance and management cost—as stated below:

- N722.256billion was spent as cost of under recovery for imported petroleum products.
- N28.329billion was spent on crude and products losses.

⁸ Details of companies that paid NDDC Levy is in section7

⁹ Details of companies that paid NCDMB Levy is in section7

- N48.909billion resulting from the spending of N138.945billion on pipeline maintenance and management as against N90.036billion provision in the approved national budget.

6.4. Contribution of the Industry to the Economy

The contributions of the industry to the economy of Nigeria in 2018 is summarized under the following headings:

- a) Size of the industry to the GDP: The flows in the industry accounted for US\$32.703billion in absolute terms. This represents 7.8% of the total GDP (US\$ 418.123billion)¹⁰.
- b) Total flows to the total government revenues: Total government revenues generated in the industry (including taxes, royalties, bonuses, fees and other payments) accounted for US\$29.245billion in absolute terms. This represents 93.5% of total federal government generated revenues (US\$ 31.266Billion)¹¹ derived as oil and non-oil revenues.
- c) Industry exports to the total exports: Exports from the Industry accounted for US\$ 19.129 billion in absolute terms. This represents 30.6% of total exports (US\$62.493billion)¹².
- d) Employment in the industry: Employment in the Industry accounted for 19,820 employees in absolute terms. This represents 0.03% of the total employment (69.54million)¹³ in Nigeria. In aggregate, employment distribution in the industry was 18% (3,595) female and 82% (16,225) male.

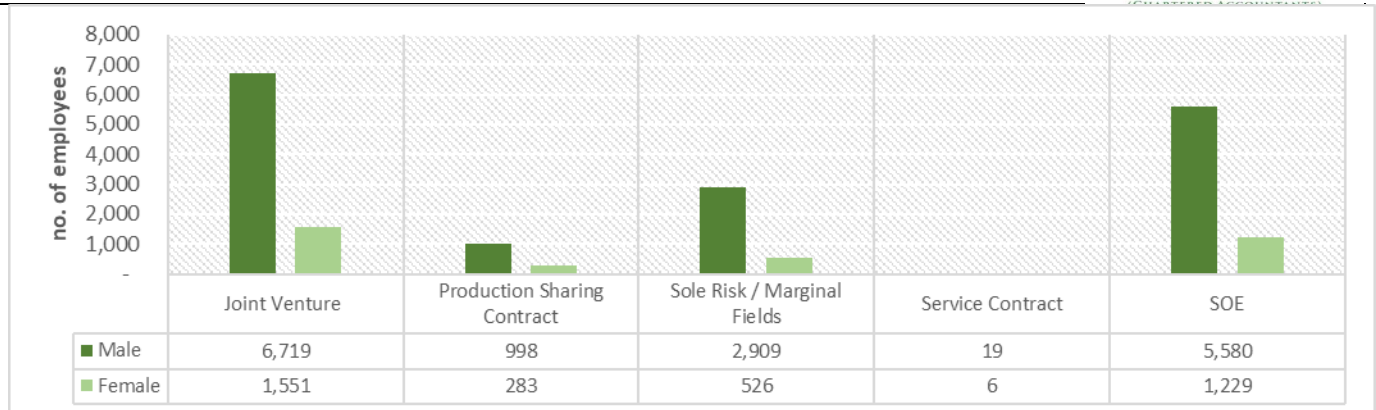
FIGURE 6. 1: EMPLOYMENT IN THE INDUSTRY

¹⁰ N127.737 trillion converted at N305.5: Nigerian Gross Domestic Product Report Q3 2019 Page 88. Publication of the National Bureau of Statistics.

¹¹ N9.552 trillion converted at N305.5: 2018 Statistical Bulletin- Table B.1.1: Summary of Federal Government Finances (N' Billion)

¹² N19.092trillion converted at N305.5: Central Bank of Nigeria Annual Report—2018, page 227.

¹³ "The total number of people in employment (i.e. with jobs) increased from 68.4 million in Q3 2015, to 68.72 million in Q3 2016, to 69.09 million in Q3 2017 and 69.54 million in Q3 2018"- NBS Labor Force Statistics - Volume I: Unemployment and Underemployment Report (Q4 2017-Q3 2018)—Page 1.



Source: NEITI 2018 Template

6.5. Environmental Impact of the Industry Activities

Crude oil and gas Exploration and Production (E&P) activities in Nigeria have impacted the environment since 1937 when exploration commenced in Nigeria. The impacts include alteration of the ecosystems, loss of vegetation, landscape degradation and radiation emission. In recognition of these, the Nigeria government has over the years, established the following organs to manage the negative effects of E & P activities.

6.5.1. Environment Regulatory Agencies

1. Federal Ministry of Environment

The Federal Ministry of Environment was established in 1999 by merging the Federal Environmental Protection Agency (FEPA) and other relevant Departments in other Ministries. FEPA was established through Decree 58 of 1988 and 59 (amended) of 1992. FEPA was then charged with the overall responsibility for environmental management and protection.

Subsequently, the Environment Ministry is charged with the responsibility of protecting the environment, conservation of natural resources and sustainable development. It is also mandated to ensure quality environment conducive for good health and well-being of fauna and flora, and to generally promotes sustainable use of natural resources for the benefit of all citizens.

The following are some of the agencies under the Ministry:

- a) **National Oil Spill Detection and Response Agency (NOSDRA):** NOSDRA was established by the National Assembly of the Federal Republic of Nigeria Act of 2006 as an institutional framework to co-ordinate the implementation of the National Oil Spill Contingency Plan (NOSCP) for Nigeria in accordance with the International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC 90) to which Nigeria is a signatory. The Agency ensures compliance with the

NOSCP in the Nigerian Petroleum Sector through embarking on joint investigation visits, ensuring the remediation of impacted sites and monitors oil spill drill exercises and facilities inspection.

Some of the objectives of NOSDRA are highlighted below;

- i. To establish a viable national operational organization that ensures a safe, timely, effective and appropriate response to major or disastrous oil pollution.
- ii. To identify high-risk as well as priority areas for protection and clean up
- iii. To establish the mechanism to monitor and assist or where expedient direct the response, including the capability to mobilize the necessary resources to save lives, protect threatened environment, and clean up to the best practical extent of the impacted site.
- iv. To maximize the effective use of the available facilities and resources of corporate bodies, their international connections and oil spill cooperatives i.e. Clean Nigeria Associates (CNA) in implementing appropriate spill response.
- v. To activate the National Oil Spill Contingency Plan (NOSCP) and Regional Oil Spill Contingency Plan (ROSCP).
- vi. To ensure funding, appropriate and sufficient pre-positioned pollution combating equipment and materials, as well as functional communication network system required for effective response to major oil pollution.
- vii. To provide a program of activation, training and drill exercises to ensure readiness to oil pollution preparedness and the management of operational personnel.
- viii. To co-operate with the International Maritime Organization and other national, regional and international organizations in the promotion and exchange of results of research and development program.

Further details of the environmental regulations and the activities of NOSDRA, see link [here](#).

b) National Environmental Standards and Regulations Enforcement Agency (NESREA):

The Federal Government in line with section 20 of the 1999 Constitution of the Federal Republic of Nigeria, established the National Environmental Standards and Regulations Enforcement Agency (NESREA), a parastatal of the Federal Ministry of Environment. By the NESREA establishment Act 2007, the Federal Environmental Protection Agency Act Cap F 10 LFN 2004 has been repealed.

The Bill for an Act establishing NESREA was passed by the National Assembly, signed into law and published in the Federal Republic of Nigeria Official Gazette No. 92. Vol. 94 of 31st July 2007. The Agency is responsible for the protection and development of the environment, biodiversity conservation and sustainable development of Nigeria's natural resources (in general and environmental technology). Also, NESREA coordinates and liaises with relevant stakeholders within and outside Nigeria on matters of enforcement of environmental standards, regulations, rules, laws, policies and guidelines.

NESREA enforces compliance with the provisions of international agreements, protocols, conventions and treaties on the environment including climate change, biodiversity conservation, desertification, forestry, oil and gas, chemicals, hazardous wastes, ozone depletion, marine and wild life, pollution, sanitation and such other environmental agreements as may from time to time come into force.

The Federal government through NESREA has developed the about Thirty-three (33) Environmental Regulations which have been published in the Federal Republic of Nigeria Official Gazette. Further details of the environmental regulations and the activities of NESREA, see link [here](#).

Example of special environmental programme and guidelines to address high impact environmental issues that arose from the industry is the Hydrocarbon Pollution Remediation Project (HYPREP). HYPREP is an initiative to champion the remediation of the Ogoni land. The HYPREP implementation framework is modeled on the recommendation of the United Nations Environment Programme (UNEP) Report. To ensure proper Stakeholder participation in the Programme, four (4) Ad hoc Committees were inaugurated on 24 May 2016 to commence preparation for activities on the clean-up project. These are Committee for the Centre of Excellence and the Integrated Contaminated Soil Management Centre; Committee for Training and Livelihood; Committee on Communication and Strategy; and Committee on Emergency Measures. Each Committee had 16 members who are representatives of local communities.

On 16th February 2017, the ground-breaking ceremony was performed for the construction of the Integrated Contaminated Soil Management Centre in Bori New City in Khana Local Government Area (LGA). In addition, twelve (12) project for Demonstration of Clean-up Technology was launched in five LGA.

For further details of the activities of HYPREP, see link [here](#).

2. Department of Petroleum Resources (DPR)

DPR has the statutory responsibility of ensuring compliance to petroleum laws, environmental regulations and guidelines in the Industry. The DPR has been developing environmental guidelines and standards since 1981. These cover the control of the pollutants from the various petroleum exploration, production and processing operations. Furthermore, it ensures that petroleum industry operators do not degrade the environment during their operations. To effectively carry out these regulatory activities, the Department has been developing environmental guidelines and standards since 1981.

Highlights of the environmental initiatives administered by DPR are:

- a) Environmental Guidelines and Standards for the Petroleum Industry in Nigeria (EGASPIN): this covers environmental control of various petroleum activities in Nigeria, including exploration, production, terminal operations, hydrocarbon processing plants, oil and gas transportation and marketing.

EGASPIN addresses the environmental issues along the industry value chain. The treatment and control of wastes are addressed under the following thematic:

- i. Seismic activities: quarterly submission of report to the DPR on use of authorized explosives while specifying the method of carrying out seismic activities. In addition, noise and vibration associated with seismic operations are to be carried out in line with the guidelines.
- ii. Exploration and Development: this addresses practices in relation to required atmospheric emissions, handling of drilling fluids (such as water based fluids and oil based fluids), solid wastes (such as drill cuttings, metals and plastic containers), managing the deck drainage, sanitary wastes, oil spillage and chemical/hazardous wastes.

Furthermore, the EGASPIN defined the Environmental Management System (EMS) which requires licensees/ operators to institute planned and integrated environmental management practices aimed at ensuring that unforeseen, identified and unidentified environmental issues are contained and brought to an acceptable minimum. The EMS is implemented in line with the Environmental Management Systems Manual (EMSM). The manual requires that organizations operating in the industry should establish environmental frameworks as stated below:

- i. Develop environmental policy and ensure that the policy is appropriate to nature, scale and environmental impacts of its activities, products or services. This includes a commitment to continual improvement and prevention of pollution and to comply with relevant environmental legislation and regulations, and with other requirements to which the organization subscribes. Furthermore, the policy is to provide the framework for setting and reviewing environmental objectives and targets.
- ii. Plan and identify the relevant environment aspects peculiar to the organization by establishing and maintaining procedures to identify direct and indirect significant aspects on impacts on the environment, aligning with legal and other requirements that are applicable to the activities, products or services of the organization, and setting up environmental management programmes to achieve environmental objectives and targets.
- iii. Implement and operationalized the environment policy by defining, documenting, and communicating in-house structure and responsibility. That facilitate effective environmental management. In addition, ensuring training, awareness and competence amongst its workforce. Others include, ensuring effective communication, documentation and operational control, and emergency preparedness and response.
- iv. Check and initiate corrective action through setting up a mechanism for monitoring and measurement, and taking proactive actions on non-conformance, corrective and preventive

action. Furthermore, ensuring proper recording, regular environmental management system audit.

- v. Review environmental management system at regular interval. This is to ensure its continuing suitability, adequacy and effectiveness.

As part of measure to ensure proper implementation of the environmental policy established by the licensees/operators, it is imperative that there are mechanisms for receiving timely feedbacks from the environment. The EMSM identified environmental audits and review as the key mechanism to obtaining feedbacks from the audit.

Environmental audits are management audit (every four years), quarterly compliance audit and site/facility/ plant audit (every 2 years). These audits, which can be 1st, 2nd and /or 3rd party audits, are carried out by competent and certified auditors registered by the DPR. The audit reports as well as the list of the environmental audits carried out by the licensees/ operators are expected to be submitted to the DPR.

See [here](#), for further details on the EGASPIN.

- b) Flare Gas (Prevention of Waste and Pollution) Regulation promulgated in 2018 by the National assembly and administers by the Gas division of the DPR under the Nigerian Gas Flare Commercialization Programme. The regulation provides a new legal framework to support the policy objectives of the Federal Government for the reduction of GHG emissions through the flaring and venting of natural gas.

The regulation is to;

- i. increase the current meager flare payments (penalties) of N10 per thousand standard cubic feet---in the case of any one producing 10,000 barrels of oil or more, to USD \$2.0 per thousand standard cubic feet of gas and, in the case of anyone producing less than 10,000 barrels of oil per day, to USD\$0.50 per thousand standard cubic square feet of gas.
- ii. There are mandatory additional payments by the producer of USD\$2.50 per thousand standard cubic feet of gas for:
 - Failure to produce accurate flare data.
 - Failure to provide access to flares or flare sites
 - Failure to sign a Connection Agreement

In the event of continuous or egregious breaches, there is a possibility of suspension of operations, or a termination of the producer's license. Furthermore, the regulation will help discourage gas flaring while encouraging flare gas to be passed-on for commercial purpose—thereby creating a win-win situation. The actual practices of the Flare Gas (Prevention of Waste and Pollution) Regulation 2018 in the year under review are stated below:

- i. DPR issued four (4) Guidelines on the implementation of the NGFCP namely:
 - Guidelines for Grant of Permit to Access Flare Gas.
 - Guidelines for Flare Gas Measurement, Data Management and Reporting Obligation.
 - Guidelines for Flare Payments.
 - Guidelines for Producers' Associated Gas Utilization Projects.
- ii. DPR issued an invitation for Expression of Interest on Gas Flare Commercialization.

For further details of the activities of the NGFCP, see link [here](#).

6.5.2. Assessment of the Environment by the IA

In the year under review, the IA performed the following activities with respect to understanding the environmental impact of the industry:

- 1) Literature review and scoping study on the regulatory agencies and regulations on environment in Nigeria.
- 2) Environment Data templates were designed and distributed to the CEs—this was structured to capture data in three (3) categories namely, Environmental Impact Assessment (EIA), Environmental Monitoring & Evaluation (EME) and Environmental Disaster Management (EDM).
- 3) Analysis of populated templates on environment to established environmental payments as well as collecting agencies.
- 4) Questionnaires on environment were administered to covered companies.

Key findings

- 1) Total environment expenditure of **US \$17.507 million** was made to Ministry of environments.
- 2) Responses from administered questionnaires on environment are summarized below.
 - a) Environment Impact Assessments (EIA) and Environmental Evaluation Reviews (EER) are undertaken in the process of acquiring a license either through a bid round or license transfer. The EIA and EER are contained in FEPA guidelines (FMENV) and EGASPIN (DPR).
 - b) Environment payments are made to Federal Government Treasure Single Account (TSA) for processing regulatory permits (EIA) required for projects. The rates are regulatory and gazetted in the FME website.
 - c) Environment Management Plans (EMP) and Environmental Compliance Monitoring (ECM) are mechanisms for monitoring the environmental impact of organization's activities. Furthermore, organizations do conduct Impact Mitigation Monitoring (IMM) exercises.
 - d) Licensees/ operators' Impact Assessments procedures are those contained in the FEPA guidelines (FMENV), EGASPIN (DPR) and Licensees/ operators' internal policy.
 - e) Environmental rehabilitation and remediation programmes are contained in project/asset specific EMP.

- f) Asset Decommissioning/Abandonment is the last phase in the E & P cycle and follows same business processes to execute. The cost of Decommissioning/Abandonment just like in other JV projects is paid for by the JV.

CHAPTER 7

7. Outcomes and Impact

7.1. Updates on Past Recommendations from NEITI 2017 Oil and Gas Report

Past NEITI oil and gas industry Reports have identified several issues and recommendations-- the issues range from financial, physical to process. This Report has identified the reoccurring issues such as NPDC legacy liabilities, operation & management of Cash-calls, remittances of domestic crude sales proceeds, and liabilities of royalty and taxes by E&P companies. to address the reoccurring remedial issues, NEITI in collaboration with NNPC set up a joint committee on remediation and mainstreaming to tackle the challenges identified. Furthermore, a civil society organization developed and launched a mobile application named “Remtrack” with the primary goal of enabling stakeholders to monitor the remedial issues and track the level of effort directed at resolving existing remedial issues by concerned companies and government agencies. Table 7.1 Summary of the update on past recommendations from NEITI Reports.

TABLE 7. 1: UPDATE ON PAST RECOMMENDATIONS FROM NEITI REPORT

S/N	Issues	Details of the Issue (Findings)	Recommendation	Status of Implementation (Yes/No/Ongoing)
1	NPDC Legacy Liability	Liability status on Good and Valuable Consideration (GVC) in respect of SPDC and NAOC divested assets to NPDC.	The payment terms as agreed by NNPC should be adhered to, while DPR and FIRS should carry out close monitoring and quarterly reconciliation with the concerned entity in order to ensure compliance with the agreed repayment plan.	Yes As at September 2019, NPDC has made a total payment of USD578,505,294.00 as GVC in respect of SPDC assets. It has also utilized gas sales revenue on 60 series (OMLS 60-63) of USD2,487,109,161.78 (as at December 2019) and crude over lift by the federation of USD366,357,528.59 to offset balance of GVC for the SPDC assets and the NAOC assets due to DPR.
2	Operation & Management of Cash-calls	Non-JV Cash call expenses and outstanding Cash-calls liabilities.	There should be full implementation of the new JV self –funding model that has been approved (Agreement between NNPC & IOCs).	Ongoing Following extensive discussion with NNPC, it has become apparent that while NEITI had hitherto considered funding for cash call as funding to be applied only to development of JV assets, cash call was made to include NAPIMS administrative

S/N	Issues	Details of the Issue (Findings)	Recommendation	Status of Implementation (Yes/No/Ongoing)
				costs and funding of other government priority projects. On renegotiated liabilities, payments are made using incremental production as agreed. As at March 2019, the local JV liabilities had been paid 100% while total debt to IOCs is US\$3.66billion as at December 2018.
3	Export Crude (NNPC Lifting)	There was a variance of volumes reported by NNPC production planning unit and NNPC Sales unit.	The two departments should reconcile and harmonize their records to reflect, the actual lifting profile of NNPC, while NPDC lifting should be distinct from the federation record of lifting.	Yes This issue has been resolved.
4	Domestic Crude Sales	NNPC did not apply market rate as advised by CBN to convert the sales proceeds received in US dollars. NNPC explanation is that conversions were done at FAAC official rate as against the CBN rate.	NNPC should refund N260.43 million to the Federation Account. NNPC should always use market rate to convert proceeds received from the third party in US\$. The use of FAAC rate should be limited to Government proceeds.	Yes CBN was engaged on the appropriateness of the exchange rate used by NNPC in converting domestic sales proceeds invoiced and received in USD to Naira. It was confirmed that it is appropriate for NNPC to convert using government official rate (adopted for FAAC reporting).
5	First line deductions from federation domestic crude sales proceeds	NNPC classifying downstream deductions as first-line charges. Downstream deductions include, cost of pipeline repairs and maintenance, cost of under recovery and cost of crude and product losses.	a. A periodic audit by the federal government to verify the utilization of amount deducted for pipeline maintenance and repairs should be undertaken. b. Government should consider the following options: ✓ Allocating specific crude volume to NNPC to cater for their operational costs. ✓ Consider a specific percentage of their revenue collection to cater for their costs. ✓ Define the ceiling to be expended in defraying their costs.	Ongoing NNPC still deducts from the sales proceeds of domestic crude oil. However, the sum of N90.036billion for pipeline maintenance and management was appropriated for in the approved national budget.
6	NLNG Dividend, Loan repayment and interest payment	NLNG dividend and related payments are being warehoused in NNPC designated bank accounts and not Federation accounts.	The Federal Government should make a public pronouncement on treatment of all categories of payments from NLNG	Ongoing Documentary Evidence showing what NLNG income should be used solely for (As directed by the Presidency) was made available for sighting. The statement of status and utilization of funds

S/N	Issues	Details of the Issue (Findings)	Recommendation	Status of Implementation (Yes/No/Ongoing)
				from the account was made available for sighting by the team.
7	Signature Bonus	Payment of license renewal fees into signature bonus account. The non-classification, in some instances, of payments into this account made it difficult to ascertain the purpose of some payments.	Henceforth, companies should properly classify payments made into the signature bonus account. In addition, DPR may consider opening a separate account for license renewals to ensure accountability.	No In 2018, license renewals were still paid into signature bonuses account. However, DPR clarified inflows into the account.
8	Gas Flare Penalties	Outstanding gas flare penalties		Ongoing See appendix 14- financial liabilities for details on outstanding liabilities.
9	Gas Royalty	Outstanding liabilities for gas royalty		Ongoing See appendix 14- financial liabilities for details on outstanding liabilities.
10	Oil Royalty	Outstanding liabilities for gas royalty		Ongoing See appendix 14- financial liabilities for details on outstanding liabilities.
11	Losses from Crude Theft and Sabotage	Incessant crude losses in the industry	<ul style="list-style-type: none"> a. NNPC should ensure proper surveillance (land based, and aerial satellite photography and geo-phones trenched pipelines) to minimize vandalisation and crude oil theft, and the pipeline networks need to be updated. b. The Federal Government needs to ensure the success of oil and gas industrial parks in the Niger Delta region; This will ensure the development of oil and gas infrastructure in the oil-producing states. It will create employment for the populace in the Niger Delta. 	Ongoing Losses from crude theft and sabotage is receiving attention at the highest level of Government. The National Economic Council, in September 2019 constituted a 13-member adhoc-committee chaired by the Governor of Edo State to address the impact of vandalization, oil theft, and illegal bunkering.
12	Pipeline transportation revenue	Non-disclosure of revenue from pipeline transportation by NNPC.	NNPC and SPDC should provide the basis for the computation of amount payable to ensure that government receive what is due while NNPC should account for the difference.	NNPC Response Reconciliation meeting was held sometimes late 2019 between NNPC and SPDC. The sum of N30.56 billion were identified to have been erroneously paid into wrong account. Management approval has already been secured to transfer the said sum to Federation account.
13	PPT liabilities	Outstanding PPT liabilities	FIRS should carry out tax audit of these defaulting	Ongoing

S/N	Issues	Details of the Issue (Findings)	Recommendation	Status of Implementation (Yes/No/Ongoing)
			companies. There is need for the Federal Ministry of Finance to task FIRS to provide a status update on all companies and their outstanding liabilities till date.	
14	Delays in the preparation audited financial statements	This has implication on the quality of data in line with established data quality assurance procedures for the Report.	We recommend that the Corporate Affairs Commission (CAC) ensures the enforcement of this section of the Law.	Ongoing

7.2. Observations and Recommendations for 2018

Table 7.2 is the summary of the observations and recommendations for 2018.

TABLE 7. 2: OBSERVATIONS AND RECOMMENDATIONS FOR 2018

S/N	Observations/ findings	Implication	Responsibility	Entity's Response	Recommendations
1	Delay in remittance of net domestic crude sales proceeds to the federation account It is evident that the NNPC consistently delayed in remitting sales proceeds from crude oil proceeds based on the sales terms of ninety (90) days—the delay ranges from 21 days to 55 days.	The opportunity cost of the delay is N17.5 billion.	NNPC	The NNPC remits into the CBN/NNPC Crude Oil and Gas Revenue Naira accounts on a monthly basis	NNPC to ensure that payments are made as and when due.
2	Under-utilization of the National Refineries Of the total quantities of crude allocated for domestic utilization, only 13% (13.581 million barrels) was delivered to and utilized by the refineries.	This implies that the refineries operated at only 8% ¹⁴ of installed capacity.	NNPC		The Federal Government should evolve innovative ways of optimizing the utilization of existing refineries.

¹⁴ 8% is the percentage of 2018 refinery deliveries (13.581million barrels) against total expected input capacity level (160.2million barrels).

S/N	Observations/ findings	Implication	Responsibility	Entity's Response	Recommendations
3	<p>Oil and Gas revenue budget presented on a net basis</p> <p>The NASS approved budget revealed that no line item provision for cash call was made and the total expected oil revenue was disclosed on net basis (i.e. differentials of total oil revenue and cost recovery).</p>	<p>The non-disclosure of major cost/expenditure item(s) such as cash call in the National budget has significant implications on transparency and accountability in the budgeting process of the NNPC.</p>	NNPC	<p>National Assembly Budget was presented on "net recovery" basis. Cash call was not disclosed as a line item, but the net recovery was derived by deducting the expected cash call from the expected gross revenue from oil and gas. This may not be unconnected with Government intention to exit Cash Call. As a result, its prioritized JV cash call as a first line charge.</p>	<p>It is appropriate that NNPC presents the oil and gas budget on gross basis (total receipt, total payments and net surplus/deficit). This is in compliance with the full disclosure requirement of IPSAS 24—Presentation of Budget Information in Financial Statements.</p> <p>In addition, IPSAS 2- Cash Flow Statements encourages government entities to present cash flow in a way that discloses major classes of gross cash receipts and gross cash payments.</p>
4	<p>Computation of Under Recovery by the NNPC</p> <p>NNPC deducted the sum of N722.256billion as Under Recovery cost in 2018. The cost is incurred when government augments the landing cost of imported white products (PMS) to the country. The recovered sums are determined exclusively by the NNPC.</p>	<p>Since these sums are computed end-to-end by the NNPC, it is our considered opinion that the process may be prone to abuse, therefore rendering the process not transparent.</p>	NNPC		<p>The Report proposes that the PPPRA, an agency of government with the mandate (by Law) and requisite capacity, to participate in the under/over recovery computations.</p> <p>This collaboration provides a form of check and balance. It will improve the overall transparency and accountability required by the process.</p>
5	<p>Outstanding Liabilities</p> <p>The report reveals companies with outstanding liabilities as at 2018-year end. For details, see Appendix 14 Financial Liabilities in 2018 (Companies)</p>	<p>The nonpayment of these funds as and when due resulted to a revenue loss to the Federation (in both absolute terms and opportunity cost on commercial terms).</p>	Companies		<p>Respective government agencies to intensify efforts to recover the debt.</p>