



NEITI 2020

OIL AND GAS INDUSTRY REPORT



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Foreword

Nigeria's journey towards deliberate policy search for transparency, accountability, and good governance of her abundant natural resources in oil, gas and mining is directly linked to 2003 when the country signed onto the membership of the global Extractive Industries Transparency Initiative (EITI). This resulted in the establishment of the Nigeria Extractive Industries Transparency Initiative (NEITI) in 2004 as a major component of the National Economic Empowerment Development Strategy (NEEDS) and the domestication EITI principles under the NEITI Act 2007.

The implementation of EITI principles and standards have over the years been aligned with economic reform policies of successive administrations in Nigeria and have significantly led to increasing public demands for reforms in the extractive industries. Notably, NEITI's annual reports have provided ground breaking public disclosures, timely information and data on revenue earnings, management and short comings, physical and process issues, compliance, incentives as well as legal and remedial actions that require policy and/or legislative interventions in the short, medium and long term.

The evolution of NEITI through its Reports on the extractive industries in Nigeria is unique in content, context and comprehension because its multi-stakeholders approach strives on protecting overarching public interest, dialogue, coalition, and consensus among representatives of government, companies and the civil society. The 5th National Stakeholders Working Group (NSWG) which I currently head, has therefore steered the multi-stakeholders framework by providing the required leadership and guidance for the production of this 2020 Industry Report which is the first since it was constituted by His Excellency, Muhammadu Buhari, President, Federal Republic of Nigeria, in July, 2021.

In keeping with the EITI principles and compliance with the NEITI ACT 2007, this report is entirely the product of an independent assessment under the NSWG guidance and we affirm the reliability of the assessments, its findings, recommendations as well as the integrity of report.

I am delighted that NEITI is releasing the 2020 Industry Report on financial and process issues that underpinned major transactions in the oil and gas sector at such a time when the oil sector is undergoing massive reforms under the Petroleum Industry Act, which is itself, a direct product of recommendations from previous EITI/NEITI Reports.

The NSWG is glad about the passage of the Petroleum Industry Act (PIA) after twenty years of efforts at reforms and is pleased that NEITI sits as an institutional member of the Presidential Steering Committee on PIA Implementation. We are confident that NEITI's involvement will help to aggregate views and citizens' expectation of an oil and gas sector that works for national development and poverty reduction.

The 5th NSWG remains committed to deepening implementation of all emerging issues in EITI as key components of NEITI reports, going forward. The NSWG is also committed to ensuring that NEITI Reports support government's efforts at maximizing revenue generation while leading the advocacy for oil & Gas sector reforms in a manner that will eliminate the traditional opaqueness and attract the inflow of foreign investment through transparency, accountability and competitiveness.

The NSWG appreciate the Federal Government for ensuring the independence of NEITI and commends the Secretariat, the Civil Society and the Companies, for their cooperation and valued contributions.

The 2020 Report will be available to the Executive and Legislature as required by law and to all Nigerians, multi-stakeholders as well as the global community. Most significantly, it presents an opportunity to use its contents to generate public discussions and dialogue, push the boundaries of on-going oil and gas industry reforms, serve as a tool for effective planning and for holding government(s) and companies accountable.

Olusegun Adeyemi Adekunle, Esq, KJW
Chairman
National Stakeholders Working Group (NSWG)

February, 2022

Statement By The Executive Secretary/CEO

Reforms in the extractive industry do not happen. It is caused. Neither government, companies nor the civil society alone can easily cause the needed reforms to happen. But working together with multi-stakeholders of government, companies, and the citizens represented by the civil society, implementation of reforms that allows transparency, accountability, and good governance to thrive in the sector is easier to attain. The Nigeria Extractive Industries Transparency Initiative represents this principle and more in the on-going efforts to reform, reposition the oil, gas, and mining sector to ensure that revenues from the industry support national development and poverty reduction.

The objective of NEITI and its interventions in the sector through its annual independent audit of physical, process and financial reconciliation of revenues and issues in the sector are to provide crucial facts, information and data required by the citizens to promote constructive engagements, public debates, discussions, dialogue, and advocacy to push for the needed reform. The independent audit of the solid minerals sector is consistent with NEITI's mandates in this direction and in fulfilment of the principles and standards of the global Extractive Industries Transparency Initiative (EITI) as an implementing country. The reports are also in compliance with the law that sets up NEITI and the attendant national obligations.

I am therefore honoured to welcome you into the new world of information and data built on substance, material issues and events that shaped the Nigeria Oil and Gas Sector in the year 2020. This report is Nigeria's 13th EITI report in oil and gas industry. It carefully examined the quantities of oil and gas produced, utilized, and exported during the period under review. It also looked at the revenue flows within and among the oil and gas companies, verified and reconciled the classes of transactions and the balances paid by companies as against receipt by relevant government agencies.

Similar painstaking reviews and steps were also conducted on oil and gas production, process issues to ascertain appropriateness of payments made with regards to royalties, taxation, crude sales, product importation, crude losses, gas flare penalties and on feedstock and all revenues streams, subsidy management, on profits and relevant funding arrangements with companies for consistency. The exercise was comprehensive in line with the terms of reference and scope of coverage. It was also firm, careful, and decisive in establishing processes and procedures in the sector among other applications of EITI principles of transparency and accountability.

One of the striking features of the Report is in its detailed findings and recommendations on fiscal, physical and process issues that guided major transactions in the oil and gas industry during the period under review. For instance, from the report, Nigeria has earned over seven hundred and twenty on billion dollars from the oil and gas industry since the country's return to democracy between (1999 to 2019). The annual break downs of earnings are provided in the report including the current earnings in 2020. This area of the report reflects the depth of the assignment and its relevance to deepen on-going reforms in the industry. The findings and recommendations as outlined in the report speak for themselves.

It is important to state that the conduct of this report did not come easy in view of challenges encountered. The time it took to get information from companies and government agencies, the non-responsiveness of companies, process issues in the management of the sector and the incessant insecurity in key mining host communities in the country that continues to underline the need for deployment of technology to improve NEITI's audit management process. And this is a challenge the NEITI management and the Board- the National Stakeholders Working Group are set to tackle under the new NEITI 5- year Strategic Plan. NEITI is also set to introduce creative policy initiatives to drive much more impactful visible public value through the use of its industry reports like the one in reference to improve government revenues, drive governance and institutional reforms that ensure the transformation of the oil and gas sector as both complementary and alternative sources of revenue generation.

I, therefore, humbly convey our special thanks to President Muhammadu Buhari's administration for all the exceptional support so far extended to NEITI. Of utmost importance to us is the administration's policy of non-interference with our work. The National Stakeholders Working Group, (the NSWG) deserves every commendation for its strong leadership, policy direction and oversight. We are also indebted to EITI International Board and EITI International Secretariat based in Oslo, Norway, and our development partners for all the support. I wish to acknowledge with thanks the immense roles played by the various stakeholders – government, companies, and civil society in guiding the implementation of EITI in Nigeria over these years. The Independent Administrator-Taju Audu & Co. (Chartered Accountants) is a fast-growing indigenous firm that we proudly appreciate for their competence and professionalism in conducting this assignment. I remain proud of our technical team, the staff and management of NEITI Secretariat for the teamwork and collective responsibility during this project.

Finally, I commend this work and its information and data content to the hands and minds of government, companies, and civil society as an important tool for fellow citizens to use to hold government and companies accountable as a means to enthrone good governance in Nigeria's oil and gas industry.

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

14th February 2022

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Abbreviations and Acronyms

ABBREVIATION	DESCRIPTION
ACCA	Association of Chartered Certified Accountants
AENR	Agip Energy and Natural Resources (Nigeria) Limited
AF	Alternative Funding
AFS	Audited Financial Statements
AGO	Automotive Gas Oil
AMNI	Amni International Petroleum Development Company Limited
APDNL	Addax Production Development Nigeria Limited
APENL	Addax Production and Exploration Nigeria Limited
APF	Appropriate Pricing Framework
ATK	Aviation Turbine Kerosene
BBL	Barrels
BPD	Barrels Per Day
BOPD	Barrels of Oil Per Day
BO	Beneficial Ownership
BSCF	Billion Standard Cubic Feet
BTU	British Thermal Unit
CAC	Corporate Affairs Commission
CAMAC	Camac Nigeria Limited
CAPEX	Capital Expenditure
CBN	Central Bank of Nigeria
CDU	Crude Distillation Unit
CEs	Covered Entities
CGT	Capital Gains Tax
CIT	Company Income Tax
CNL	Chevron Nigeria Limited
COMD	Crude Oil Marketing Division (NNPC)
COVID-19	Coronavirus Disease
DCA	Domestic Crude Allocation
DPK	Dual Purpose Kerosene
DPR	Department of Petroleum Resources
DSDP	Direct Sale Direct Purchase
E&P	Exploration and Production
EDT	Education Tax
EEPN(OE)L	Esso Exploration and Production Nigeria (Offshore East) Limited

EEPNL	Esso Exploration and Production Nigeria Limited
EGASPIN	Environmental Guidelines and Standards for the Petroleum Industry in Nigeria
EGTL	Escravos Gas-to-Liquids
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EMS	Environmental Management Systems
EMSM	Environmental Management Systems Manual
EPC	Engineering, Procurement and Construction
FAAC	Federation Accounts Allocation Committee
FDPs	Field Development Plans
FEPA	Federal Environment Protection Agency
FEPDCL	First Exploration & Production Development Company Limited
FHN	First Hydrocarbon Nigeria Limited
FIRS	Federal Inland Revenue Service
FGP	Flare Gas Payment
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FMOE	Federal Ministry of Environment
GDP	Gross Domestic Product
GSA	Gas Sales Agreement
GVC	Good and Valuable Consideration
HGO	Heavy Gas Oil
HHK	Household Kerosene
IA	Independent Administrator
ICAN	Institute of Chartered Accountants of Nigeria
IOC	International Oil Company
ISA	International Standards on Auditing
ISRS	International Standards on Related Services
JOA	Joint Operating Agreement
JV	Joint Venture
JVAFA	Joint Venture Alternative Funding Arrangement
JVCC	Joint Venture Cash-call
KRPC	Kaduna Refining and Petrochemical Company Limited
LCO	Light Cycle Oil
LGO	Light Gas Oil
LNG	Liquefied Natural Gas
LPFO	Low Pour Fuel Oil

LPG	Liquefied Petroleum Gas
MBBLS	Thousand Barrels
MBTU	Thousand British Thermal Unit
MCA	Modified Carried Agreement
MF	Marginal Field
MMBBLs	Million Barrels
MMSCF	Million Standard Cubic Feet
MMSCFD	Million Standard Cubic Feet per Day
MPN	Mobil Producing Nigeria Unlimited
MT	Metric Tons
MMT	Thousand Metric Tons
NAE	Nigerian Agip Exploration Limited
NAOC	Nigerian Agip Oil Company Limited
NAPIMS	National Petroleum Investment Management Service
NASS	National Assembly
NBS	National Bureau of Statistics
NCDMB	Nigerian Content Development and Monitoring Board
NCTL	Nembe Creek Trunk Line
NDDC	Niger Delta Development Commission
NDPR	Niger Delta Petroleum Resources
NEITI	Nigeria Extractive Industries Transparency Initiative
NEPL	Newcross Exploration and Production Limited
NESREA	National Environmental Standards and Regulations Enforcement Agency
NESS	Nigerian Export Supervision Scheme
NETCO	National Engineering & Technical Company Limited
NFSFS	National Fuel Subsidy Fund Scheme
NGFCP	Nigerian Gas Flare Commercialization Programme
NGL	Natural Gas Liquids
NGMC	Nigeria Gas Marketing Company Limited
NIPEX	Nigerian Petroleum Exchange
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
OML	Oil Mining Lease
OPCOM	Operating Committees
OPL	Oil Prospecting License
OPTS	Oil Producers Trade Section
OSP	Official Selling Price
PAF	Payment Assurance Facility
PAYE	Pay as You Earn
PHRC	Port Harcourt Refining Company
PIA	Petroleum Industry Act
PLATFORM	Platform Petroleum Limited
PMC/OE	Project Management Consultant/Owner's Engineer
PMS	Premium Motor Spirit
POOC	Pan Ocean Oil Corporation 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
RA	Repayment Agreement
RDP	Reserves Development Project
RPC	Refinery Project Coordinator
SBUs	Strategic Business Units
SC	Service Contract
SEEPCO	Sterling Oil Exploration and Energy Production Company Limited
SEPLAT	Seplat Petroleum Development Company Limited
SG	Specific Gravity
SGORL	Sterling Global Oil Resources Limited
SNEPCO	Shell Nigeria Exploration and Production Company Limited
SOW	Scope of Work
SPDC	Shell Petroleum Development Company
SQ.KM	Square Kilometer
STAR DEEP	Star Deepwater Petroleum Limited
SWIFT	Society for Worldwide Interbank Financial Transactions
TECOM	Technical Committee

TEPNG	Total Exploration and Production Nigeria Limited
THDA	Thermal Hydrodealkylation
TOR	Terms of Reference
TUPNI	Total Upstream Nigeria Limited
US\$	United States Dollar
VAT	Value Added Tax
VDU	Vacuum Distillation Unit
VGO	Vacuum Gas Oil
WAEP	West Africa Exploration & Production Company Limited
WHT	Withholding Tax
WRPC	Warri Refining and Petrochemical Company Limited



Executive Summary

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1. Background

NEITI engaged the services of **Messrs Taju Audu & Co.** as the Independent Administrator (IA) for the 2020 Financial, Physical and Process Audit, of the Nigeria's Oil and Gas Industry. This report is prepared in line with the Extractive Industries Transparency Initiative (EITI) Standard 2019 and the Nigeria Extractive Industries Transparency Initiative (NEITI) Act, 2007. It consists of nine (9) sections, listed below:

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

This report should be read in the context of the Petroleum Act, 1969 (as amended) which was the primary oil and gas legislation for the period of reporting. However, with the enactment of Petroleum Industry Act, the Petroleum Act was repealed in 2021 along with some other legislations.

2. Objectives

The key objectives of the audit include the following:

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

3. Scope and Materiality

A total of ten (10) revenue streams with a minimum contribution of 1.5% of total revenue were found to be material for reconciliation. In addition, thirteen (13) other revenue streams were included in the scope of the report on the basis of Section 3(f) of NEITI Act. All revenue streams except NESS Fees, PAYE and Miscellaneous Income were reconciled by the IA.

A total of sixty-nine (69) companies and the NLNG were identified at inception as companies to be covered in the report. Twenty-five (25) out of sixty-nine (69) companies fell within the criteria for reconciliation and their payments represented 96.45% of total payment by companies. Thirteen (13) Government Entities and One (1) State Owned Enterprise (SOE) were also covered.

4. Methodology and Work Approach

The primary tasks of the IA were to;

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

5. The Contribution of the Oil and Gas Sector to the Economy in 2020

The contribution of the oil and gas industry to the economy in 2020 is captured and described below under contribution to: GDP and export; Government revenues; and Employment.

Contribution to GDP and Exports

In 2020, the sector contributed 8.16% to the total real GDP of US\$432.3 billion. This was a decrease of 0.46% compared to the previous year's figure of 8.62% or (US\$475.293billion)¹, as reported by the National Bureau of Statistics.

Crude oil contributed 9.44 trillion Naira (US\$ 26.49 Billion) to the country's total exports of 12.52 trillion Naira (US\$ 35.13 Billion) in 2020. This represented 75.42%² of the total export in that year and a 1.08% decrease compared to 2019 figure which was 76.5% . Considering the fact that all the crude produced in 2020 were all exported either directly or indirectly through DSDP, the total export value/figure of US\$27.01billion reported by the Bureau of Statistics seem to reflect or agree with the 648,483.64mbbls identified or reconciled by the audit as the volume of crude lifted in 2020, and were calculated at an average equity crude price of US\$41.65 /bbl.

¹ National Bureau of Statistics: Nigerian Gross Domestic Product Report (Expenditure and Income Approach) (Q1, Q2, Q3 & Q4 2019). See [here](#)

² National Bureau of Statistics - Foreign Trade in Goods Statistics- Q4 2019. See [here](#).



Contribution to Government Revenues

The total revenue generated by government in 2020 was reportedly 9.30 trillion naira, and to which the oil and gas sector contributed 4.73 trillion naira. This represents about 51% of the total revenue³.

Contribution to Employment

Employment data was requested from the 69 Companies and the SOE covered in the 2020 audit. Out of the 70 entities, 10 companies failed provide the required information. A total of 18,712 were employed by the 60 entities that provided employment data for the 2020 audit. Of this number, 15,266 (82%) were male while 3,446 (18%) were female.

Regarding the occupational level or quality of the employment positions offered by the entities in 2020, of the 18,712 total employees, 1495 (8%) were top level employment, 9,475 (51%) were middle level while 7,742 (41%) were lower level employment. Eighty-eight percent (88%) of employees were from the local/state/ host communities, 9% were employed from other areas/states, while 3% of the newly recruited workforce were expatriates. Tables 1 and 2 present the employment data received from the entities that populated the templates. Appendix 11 also shows the the details of the employment data submitted by covered companies.

Table 1 – Summary of occupational level of employees employed by companies/SOE

Description	Top	Middle	Lower	Total
Number of Male Employees	1,195	7,676	6,395	15,266
Number of Female Employees	300	1,799	1,347	3,446
Total	1,495	9,475	7,742	18,712

Source: NEITI 2020 Audit Templates

Table 2 – Summary of nationality / origin of employees employed by companies/SOE

Description	Local/ State/Host Communities	Non-Local/ Other States	Foreign (Expatriates)	Total
Number of Male Employees	13,507	1,329	430	15,266
Number of Female Employees	2,986	424	36	3,446
Total	16,493	1,753	466	18,712

Source: NEITI 2020 Audit Templates

6. Summary of Production and Lifting

i. Production

a. Crude Oil Production

The total fiscalised crude oil production for 2020 was 646.79mmbbls. This is a 12.03% reduction from the volume produced in 2019 which was 735.24mmbbls. Table 3 below compares the production volume by production arrangement for years 2019 and 2020.

Table 3 - Total Fiscalised Crude Oil Production

Descriptions	2020	2019	Change
	mmbbls	mmbbls	%
Joint Venture (JV)	271,418.16	310,284.88	-12.53%
Production Sharing Contract (PSC)	253,781.76	312,041.61	-18.76%
Service Contract (SC)	1,099.73	1,330.61	-17.35%
Sole Risk (SR)	99,839.56	89,824.41	11.15%
Marginal Field (MF)	20,648.23	21,762.64	-5.12%
Total Production	646,787.44	735,244.15	-12.03%

Sources: DPR Sign-Off & NEITI 2019 Audit Report

b. Gas Production

The total gas production for the year was 3,013,639.73 mmscf. This was 1.11% lower than the 2019 production which was 3,047,507.33 mmscf. Table 4 below shows that for year 2020, JV arrangement was the largest contributor to the total gas production with 2,060,150.42 mmscf and it accounted for 68.36% of total gas production for the year. It was followed by PSC

³ Central Bank of Nigeria (CBN) 2020 Statistical Bulletin: Public Finance Statistics. See [here](#)



arrangement with 564,626.95 mmscf, accounting for 18.73%. Marginal Field was the least contributor to the total gas production with 73,014.15, accounting for 2.42% of the total gas production for the year.

Table 4 - Total Gas Production per Arrangement

Descriptions	2020	2019	Change
	mmscf	Mmscf	%
Joint Venture (JV)	2,060,150.42	2,133,073.56	-3.42%
Production Sharing Contract (PSC)	564,626.95	624,930.74	-9.65%
Service Contract (SC)	0	1,494.40	-100.0%
Sole Risk (SR)	315,848.21	211,010.04	49.68%
Marginal Field (MF)	73,014.15	76,998.59	-5.17%
Total Production	3,013,639.73	3,047,507.33	-1.11%

Sources: NEITI 2020 Audit Template || NEITI 2019 Audit Report || DPR 2020 signed-off Reports

ii. Lifting

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

Crude Oil Lifting by All Parties in the Upstream Sector

The total crude lifting for the year 2020 was 648,484 mmbbls. This was 11.85% lower than the volume lifted in 2019. Closing stock as at end of 2020 was 15,013.22mmbbls.

Table 5 -Total Crude Oil Lifting

Description	2020	2019	Change
	mmbbls	mmbbls	%
Opening stock	16,709.42	17,126.12	-2.43%
Total production for the year	646,787.44	735,244.15	-12.03%
Total stock available for lifting (A)	663,366.72	752,370.27	-11.83%
NNPC Lifting			
Export Lifting:			
Joint Venture operator	56,719.76	83,077.73	-31.73%
Production Sharing Contract	60,539.69	74,982.16	-19.26%
Marginal Field Operators	230.00	464.78	-50.51%
Service Contract	100.00	886.36	-88.72%
Subtotal - Export - (B)	117,589.45	159,411.03	-26.24%
Domestic Lifting (Refinery & DSDP)			
Joint Venture	103,941.87	98,530.30	5.49%
Production Sharing Contract	3,744.45	8,709.13	-57.01%
Marginal Field	60.00	-	



Subtotal -Refinery & DSDP - (C)	107,746.33	107,239.43	0.47%
Total - NNPC Lifting - (D= B + C)	225,335.78	266,650.46	-15.49%
Company Lifting			
Joint Venture	117,793.03	122,863.12	-4.13%
Production Sharing Contract	191,892.21	227,977.15	-15.83%
Sole Risk	94,801.40	95,814.30	-1.06%
Marginal Field	18,661.22	21,855.82	-14.62%
Service Contract	-	500.00	-100.00%
Total- Company Lifting- (E)	423,147.86	469,010.39	-9.78%
Total Crude Oil lifting - (F= D + E)	648,483.64	735,660.85	-11.85%
Closing stock - (G = A - F)	15,013.22	16,709.42	-10.15%

Source: NEITI 2020 Templates and DPR 2020 Signed off Reports

For the year 2020, the Federation through the NNPC lifted a total of 225.34 mmbbls while companies lifted 423.15 mmbbls.

7. Summary of Government Revenue from the Oil and Gas Sector

The total revenue from the oil and gas sector in 2020 from the 23 revenue streams was **US\$ 20,430,387,000** and the breakdown of the collections is shown in Table 6 below. There was an overall decrease of 40% in collections when compared with 2019 revenue. Total collections from sales of crude oil, gas and feedstock was \$10,783,072,000, representing 53% of the total collections.

Table 6 - Summary of Revenue Collection from the Oil and Gas Sector

Description	2020 US\$ 000	2019 US\$ 000	% Change
Sales of Federation Crude Oil and Gas			
Proceeds from the sales of Federation equity crude oil	4,373,676	14,806,880	-70%
Proceeds from the sales of domestic crude oil	5,026,027	2,685,384	87%
Proceeds from the sales of profit oil	161,061	709,624	-77%
Proceeds from the sales of Federation equity gas	713,391	641,001	11%
Proceeds from the sales of Feedstock	508,917	864,854	-41%
Total Sales of Federation Crude Oil and Gas (i)	10,783,072	19,707,743	-45%
*PSCs / MCAs In-Kind Payments			
Petroleum Profit Tax- MCAs	248,419	329,407	-25%
Petroleum Profit Tax - PSCs	1,192,013	3,241,455	-63%
Company Income Tax (CIT) Feedstock- MCAs	10,096	-	100%
Royalty Feedstock – MCA	2,575	-	100%
Royalty (Oil) - MCAs & RA	153,426	278,826	-45%
Royalty (Oil) - PSCs	582,358	528,045	10%
EDT Feedstock- MCA	1,579	-	100%



EDT Oil- MCA	632	13,582	-95%
Concession rentals- PSCs	183	37	394%
Total PSCs / MCAs/ Other in-Kind Payments (ii)	2,191,281	4,391,352	-50%
Subtotal (A)=(i)-(ii)	8,591,791	15,316,391	-44%
Other Specific Financial Flows to the Government			
Petroleum Profit Tax	3,273,564	6,784,862	-52%
Royalty (Oil)	4,639,138	4,513,417	3%
Royalty (Gas)	277,690	126,777	119%
Flare Gas Payment (FGP)	256,985	307,591	-16%
Concession Rentals	9,873	2,658	271%
Miscellaneous Income	293,687	308,640	-5%
Transportation Revenue	121,178	455,152	-73%
Signature Bonus & License Renewal	333,858	925,181	-64%
Total Other Specific Financial Flows to Government (iii)	9,205,973	13,424,278	-31%
Other Flows to Government			
Company Income Tax	268,839	1,167,980	-77%
Value Added Tax	491,581	1,195,367	-59%
Dividend from NLNG	545,133	915,646	-40%
Pay as You Earn	12	293,163	-100%
Capital Gain Tax	54,413	4,400	1137%
Withholding Tax	436,134	625,581	-30%
Education Tax	404,011	423,586	-5%
Total Other Flows to Government (iv)	2,200,123	4,625,723	-52%
Subtotal (B)=(iii)+(iv)	11,406,096	18,050,001	-37%
Flows to other Entities			
Niger Delta Development Commission (NDDC) 3% Levy	289,676	721,275	-60%
Nigerian Content Development and Monitoring Board (NCDMB) Levy	77,475	94,319	-18%
NESS Fee	65,349	36,495	79%
Subtotal (C)	432,500	852,089	-49%
Grand Total (A)+(B)+ (C)	20,430,387	34,218,481	-40%

8. Summary of Reconciliation

Table 7 below shows the revenue streams covered in the reconciliation exercise with their initial and final reconciliation positions. The total reconciled revenue was US\$20,069,231,000 representing 98.23% of the total receipts while the total unreconciled revenue was US\$2,106,000 representing 0.01% of the total receipts. The total unilaterally disclosed revenue was US\$359,049,000 representing 1.76% of the total revenue receipt. Proceeds from crude oil and gas sales were 100% validated from records of NNPC to the Federation account.

The percentages of the total unreconciled discrepancies and the volume of reconciled revenue were within the set threshold of 0.05% and 94.07% respectively, as set out in the inception report (see Appendix 3).



Table 7 - Summary of Reconciliations

Revenue Streams	Government	Company	Initial Template	Difference	Adjustment		Adjusted Figures			Contribution on %	
					Government	Company	Receipts by Govt	Payment from Company	2020 Unsolved Difference		2019 Unsolved Difference
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	
Proceeds from the sales of Federation export crude oil							2,182,395	2,182,395	-	-	10.68%
Proceeds from the sales of domestic crude oil							5,026,027	5,026,027	-	-	24.60%
Proceeds from the sales of profit oil							161,061	161,061	-	-	0.79%
Proceeds from the sales of Federation equity gas							713,391	713,391	-	-	3.49%
Proceeds from the sales of Feedstock							508,917	508,917	-	-	2.49%
Petroleum Profit Tax (PPT)	2,079,243	2,977,756	-898,513	1,194,321	295,808	3,273,564	3,273,564	-	-	16.02%	
Royalty (Oil)	2,564,432	4,384,584	-1,820,152	2,074,706	253,904	4,639,138	4,638,488	650	-	22.71%	
Royalty (Gas)	60,633	275,917	-215,284	217,057	1,773	277,690	277,690	-	-	1.36%	
Flare gas Payment	229,955	252,087	-22,132	27,030	4,431	256,985	256,519	466	-	1.26%	
Concession Rental	9,566	9,504	61	307	287	9,873	9,791	82	-	0.05%	
Transportation Fees	42,537	145,714	-103,177	78,641	-24,521	121,178	121,194	16	183,067	0.59%	
Signature Bonus and License Fees	330,638	20,215	310,423	3,220	313,643	333,858	333,858	-	-	1.63%	
Company Income Tax (CIT)	240,502	286,311	-45,809	28,337	-17,472	268,839	268,839	-	-	1.32%	
Value Added Tax	492,491	493,955	-1,464	-910	-2,503	491,581	491,452	130	-	2.41%	
Dividend from NNLC	-	-	-	-	-	545,133	545,133	-	-	2.67%	
Capital Gain Tax (CGT)	-	54,413	-54,413	54,413	-	54,413	54,413	-	-	0.27%	
Education Tax (EDT)	414,220	417,535	-3,315	-10,209	-13,525	404,011	404,011	-	-	1.98%	
Niger Delta Development Levy (3%)	252,671	258,199	-5,527	37,004	31,477	289,676	289,676	-	-	1.42%	
Nigerian Content Development & Monitoring Board (1%)	81,355	77,471	3,884	-3,880	73	77,475	77,544	69	-	0.38%	
Withholding Tax (WHT)	441,043	444,571	-3,528	-4,909	-7,743	436,134	436,828	694	-	2.13%	
Subtotal from Reconciliation (A)	7,239,285	10,098,232	-2,858,947	3,695,128	835,633	20,071,337	20,070,789	2,106	2,106	98.24%	
Pay-As-You-Earn (PAYE)	12	12	-	-	-	12	-	-	-	N/A	
Ness Fee	16,775	25,275	-8,501	48,575	40,074	65,349	-	-	-	0.32%	
Miscellaneous Income	-	-	-	-	-	293,687	-	-	-	N/A	
Subtotal - Unilateral Disclosed (B)	16,787	25,287	-8,501	48,575	40,074	359,049	-	-	-	1.76%	
Total (A + B)	7,256,072	10,123,520	-2,867,448	3,743,703	875,707	20,430,386	20,070,789	2,106	-	100.00%	



9. Summary of Government Receipts from the Sector (Federation Account)

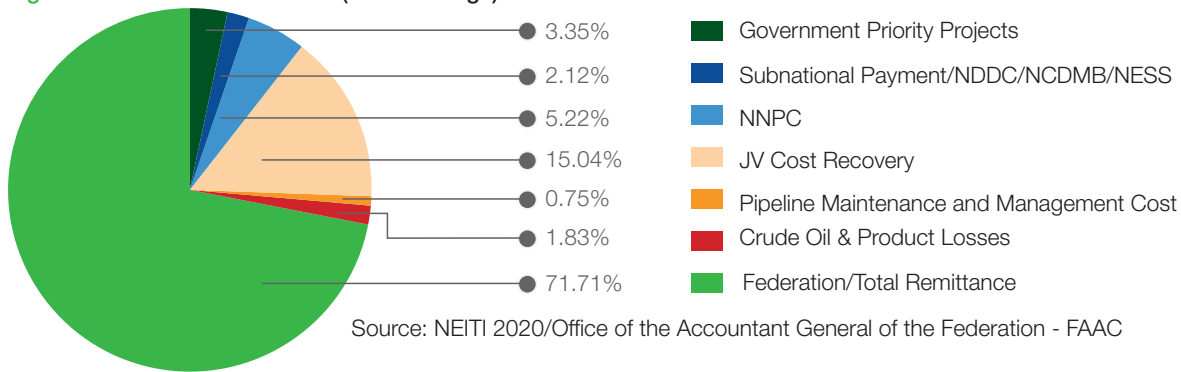
The total sum of US\$20.430Billion revenue from the Oil and Gas sector in 2020 was inclusive of the payments to sub-national entities and deductions made by NNPC from the sale of Federation crude oil and gas prior to remittance to the Federation Account. The total amount of oil and gas receipts paid into the Federation account was in the sum of US\$14.650Billion (71.71% of total revenue). The deductions made by NNPC prior to remittance were;

- JV Cost Recovery of US\$ 3.07billion (15.04% of total revenue),
- Pipeline maintenance and management cost of US\$152.88million (0.75%),
- Crude oil and product losses in the sum of US\$373.32million (1.83%)
- Government Priority projects US\$683.64million (3.35%)
- Amount retained in NNPC accounts is US\$1.07billion (5.21%)

The Subnational Payments totalled US\$432.50million (2.12%);

The sub-national payments are direct payments made to NCMD, NDDC and the NESS under the FMFBNP. Amounts retained with the NNPC included NLNG payments and the Naira component of transportation revenue. The distribution of total revenue is represented pictorially below.

Figure 1 – Revenue Distribution (in Percentage)



The Strategic holding cost, pipeline management cost and pipeline operation cost are all embedded in Pipeline maintenance and management cost. PMS under-recovery, crude oil and product losses and value loss due to deregulation are part of crude oil and product losses shown in the Figure 1 above.

As stated above, the total amount of oil and gas receipts paid into the Federation account was US\$14.650billion (71.71% of total revenue). This was shared under the subsisting Revenue Sharing Formula in which the federal government takes 52.68%, the states 26.72% and the local governments, 20.60 %; with 13% derivation revenue going to the oil producing states as a first line charge before revenue sharing amongst the three tiers of government. The oil-producing states are Abia, Akwa-Ibom, Bayelsa, Delta, Edo, Imo, Iagos, Ondo and Rivers.

10. Summary of Observations and Recommendations for 2020 Audit

S/N	Observations/Findings	Implication	Responsibility	Entity's Response	Recommendations
1	<p>Compliance with NEITI Audit</p> <p>The audit observed that out of the 69 companies covered by the report, four (4) companies failed to submit information and data for reconciliation. The value of the revenues from these four companies was US\$1,198,570, which represents 0.006% of the total revenue (US\$20.43Billion). Also, some entities did not comply with the requirements of providing the Audited Financial Statements to the IA.</p>	<p>Non-cooperation of some entities indicates lack of commitment to the NEITI reconciliation process.</p>	<p>Companies and NEITI</p>		<p>NEITI should take measures to ensure full compliance of covered entities with the annual audit process, in view of revenue implications to the Government. It may also be necessary for NEITI to activate its sanctions mechanisms.</p>
2	<p>Effect of COVID-19 Pandemic on the Audit Process</p> <p>It was also noted that the pandemic had some impact on the IA's project completion timeline. However, in spite of restrictions, especially on physical contacts with covered entities, the use of modern ICT tools in data gathering and reconciliations helped in conducting the audit successfully and in accordance with relevant accounting and audit standards.</p>	<p>The use of modern ICT tools in data gathering and reconciliations will enhance seamless conduct of audit procedures in accordance with relevant accounting and audit standards.</p>	<p>Covered Entities and NEITI</p>		<p>NEITI should intensify efforts towards the completion of the NEITI Audit Management System (NAAMS), which has facilities for electronic submission of information, data aggregation and initial reconciliation.</p>
3	<p>Beneficial Ownership</p> <p>It was observed that majority of the oil companies in Nigeria exhibit complex structures that shield the real identities of their owners. Identifying the natural persons behind the companies which is the objective of beneficial ownership disclosure, is still challenging.</p>	<p>The ultimate of objective of beneficial ownership disclosure to disclose the natural persons behind the companies is still challenging.</p>	<p>Companies, NUPRC and NEITI</p>		<p>The PIA provides that a public register of the Beneficial Owners of leases, licences, permits and authorizations issued be kept and made available by the NUPRC. NEITI should encourage CAC to speed up the establishment of the BO register in line with Nigeria's commitment to BO disclosure.</p>



<p>4.</p> <p>Transfer of Assets to NPDC</p> <p>The audit revealed that NAPRIMS represented the Federation in 13 Joint Ventures with at least 50% equity interest in each Joint Venture. However, the Federation's interest in Pan Ocean Oil Company and Newcross exploration & Production Ltd were transferred to NPDC on 1 August 2019 and 17th October 2019 respectively. These transactions took effect in 2020. It was further observed that:</p> <p>i. The amount determined as GVC by DPR of the transferred Newcross JV (OML 24) was US\$309.1million. There was however, no evidence of payment of this amount.</p> <p>ii. Cash Call payment to the tune of US\$69,738,640 was made by the Federation with respect to the Newcross JV in 2020.</p> <p>iii. Cash Call payment to the tune of US\$69,738,640 was made by the Federation with respect to the Newcross JV in 2020.</p> <p>iv. The sum of US\$125,952,000 was the crude oil sales revenue realized from Newcross JV production funded through the Federation cash-call and to be accounted for by NPDC.</p>	<p>The Federation's equity interest has been reduced to 11 assets in the JV arrangements, which translates to revenue short-fall from crude oil and gas proceeds accruable to the Federation.</p>	<p>NNPC Ltd, NUPRC and NETI</p>		<p>1. NUPRC and NETI to investigate the re-assignments to ensure that necessary payments and refunds with respect to GVC and cash calls are made to the Federation.</p> <p>2. NNPC Ltd should stop the practice of funding assets transferred to NPDC from Federation cash call account.</p> <p>3. NUPRC should endeavor to use fair market prices in similar transactions in the future.</p>
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<p>5. Production from PSC Blocks In 2020, the following were the observations: — Only 12 (33%) of the PSC blocks recorded production while 24 other blocks, representing 67% of total numbers of PSC blocks did not produce. — Total production from the PSCs, which was 253,781,760 mbbls represents 39.24% of total production of the 646,787,440mbbls, whereas the total production from the JVs was 214,836,540 mbbls representing 33.22%. — The PSC arrangements, which contributed highest to the total production volumes operated only 33% of the total allocated blocks.</p>	<p>The PSC arrangements which contributed highest to total production volumes operated only 33% of the total allocated blocks.</p>	<p>NUPRC and NNPC Ltd</p>		<p>There is the need for NUPRC, and NNPC Ltd. to review the technical and operational constraints limiting production from the idle PSC blocks with the view of optimising production from the PSC arrangements.</p>
<p>6. Gas Production and Utilisation This report acknowledges a relative increase of 3.90% in gas utilisation in spite of the decrease of 1.1% in gas production in 2020 compared to 2019. Nigeria however has tremendously high volume (approx. 5.8 trillion cubic meters) in gas reserves that has not been tapped.</p>	<p>The current level of gas production and utilisation requires greater enhancement.</p>	<p>Companies, NUPRC</p>		<p>NUPRC and the companies should ensure compliance with the various provisions of PIA on gas production and utilisation.</p>
<p>7. Nigeria-Sao Tome and Principe Joint Development Authority. A bilateral treaty between Nigeria and Sao Tome & Principe has existed since 2001. In 2020, the report disclosed that there was no significant exploration, production or export activities in the JDZ. The only revenues recorded in the zone was US\$588,000 from three companies. This lack of activity has been the reported situation in the past NEITI Audits.</p>	<p>Nigeria has not realised the objectives of the treaty for over a decade of the existence of the JDZ.</p>	<p>JDA, NUPRC</p>		<p>The Federal Government should review the activities of JDZ with the view of identifying possible challenges and proffer solutions that will enhance the realisation of the objectives for which the NSTPJDA was established.</p>



<p>8.</p> <p>Crude losses</p> <p>The total volume of Crude losses reported by twenty-two (22) Companies was 39,162,836 bbls valued at about US\$1.63billion, at the annual average selling price per barrel of Federation Equity crude oil reported in this audit.</p>	<p>Incessant crude oil losses in the industry as a result of theft, sabotage and metering errors remains a major cause of revenue losses to the Federation.</p>	<p>NANPC should ensure proper pipeline security surveillance using satellite imagery and other sophisticated ICT tools to ensure real time monitoring and decisive actions on pipeline vandalism. The companies should also work with the Federal Government to ensure the implementation of fiscal provisions in the PIA for the welfare of Host Communities and thus strengthening responsibility for communal ownership of crude oil pipelines.</p>
<p>9.</p> <p>Quasi-Fiscal Expenditure</p> <p>In 2020, the total sum expended as quasi-fiscal expenditure amounted to US\$526.20million (equivalent N176.07billion). These amounts were deducted from Federation's revenue before remittance without appropriation by National Assembly.</p>	<p>These amounts were deducted from Federation revenue before remittance without appropriation by National Assembly.</p>	<p>National Assembly and NNPC.</p>
<p>10.</p> <p>Outstanding Liabilities payable to the federation</p> <p>The total outstanding taxes payable to FIRS as at 30th September, 2021 was US\$79.20million while the total amount of outstanding Federation revenue payable to DPR as at 31st December, 2020 was US\$3.10billion. See Appendix 12 for more details.</p>	<p>The non-payment of these funds as at when due is a constraint on revenue flow to the Federation.</p>	<p>Companies, FIRS and DPR</p>
<p>Companies should promptly pay outstanding liabilities while the respective government agencies are to intensify efforts to recover the debt.</p>		



<p>11.</p>	<p>Pre-export financing and Project Eagle A total volume of 1.799 mmbbls crude oil (valued at US\$59,225million) and 2,847 mmbbls crude oil (valued at US\$116,980million) was lifted from OML 119 (Okono fields) and sold for Pre-export financing and Project Eagle agreement. See section 3.2.1.4 of this report. These amounts were for repayment of loans taken in the past to settle Marketers under the Petroleum subsidy scheme, which are being recovered from the monthly Federation revenue proceeds. The circumstances under which the subsidies were incurred and the beneficiaries are not clear.</p>	<p>The repayment of the loan constitutes a heavy burden on the Federation and a constraint on revenue flow to the Federation.</p>	<p>NNPC/EFCC</p>	<p>In 2012, the Pipeline and Products Marketing Company Limited (PPMC) a subsidiary of NNPC, was owing circa US\$3.5bn to the suppliers of refined petroleum products. The debt arose principally as a result of Federation's delay or inability to refund PPMC subsidy incurred on the sale of the products, value of product losses to pipeline vandalism, costs incurred on security etc.</p> <p>— To stop the suppliers of petroleum products from taking NNPC to court, NNPC negotiated the debt to US\$3B and restructured it under two equal tranches of Pre-Export Trade Finance (PXF 1 for US\$1.5B and PXF2 for US\$1.5B) loans. The repayment of the loan was secured with 20, 000bopd Okono/Okpoho crude oil productions belonging to NPDC's OML 119.</p> <p>— PXF1 has been fully repaid. However, early this year due to protracted challenges with crude oil productions from the Okono/Okpoho fields and the attendant constraints to debt service, the US\$665M outstanding on PXF2 loan was converted to the subsequent debt of Project Eagle loan thereby freeing the initial 20,000bopd of Okono/Okpoho fields.</p> <p>— The total debt service made on the US\$1.5B PXF1 loan till full repayment and all the debt service on PXF2 loan till conversion to Project Eagle was made with the proceeds of NPDC crude oil productions which NPDC would need to recover from NNPC.</p> <p>— Since the PXF1 & PXF2 loans and the first debt service on the subsequent debt tranche of Project Eagle Loan repaid by NPDC belonged to the Federation, NNPC has obtained approval to recover them from the Federation in a bid to make NPDC whole. Annual budgetary provisions has been duly approved for the repayment/recovery of the total debt service on PXF1 and 2 and repayment commenced by the Federation</p>	<p>NNPC should transparently disclose details of the subsidy and the beneficiaries of the payments, in addition to rendering accounts on the loan transaction. The transaction should be extensively reviewed / investigated.</p>
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<p>12</p> <p>NILNG Payments</p> <p>NILNG Dividend and other related payments remained an issue in 2020 as payments are being warehoused in NNPC designated bank accounts.</p>	<p>Funds that can be used in the development of the Nation may be left idle.</p>	<p>NNPC and FAAC</p>		<p>NNPC Ltd. should transparently disclose and account for NILNG payments in the Corporation's Financial Statements while future dividends should be paid to the Federal Government as the investor.</p>
<p>13</p> <p>Transportation revenue</p> <p>Transportation revenue received by NNPC was lumped with other revenues and classified as Miscellaneous Income. In addition, there was no disclosure of tariff rate and volumes of transported commodities</p>	<p>Opacity in accounting for transportation revenue.</p>	<p>NNPC and Companies</p>		<p>NNPC Ltd. and the Companies should provide basis and separately report transportation revenue as a line item and not as part of Miscellaneous revenue as currently being practiced.</p>
<p>14</p> <p>Under-recoveries and Value Loss</p> <p>The total amount of subsidy claim by NNPC in 2020 was NGN133.74billion (US\$375.22million), out of which NGN106.99billion (US\$300.19million) was recovered from the Federation in 2020, leaving an outstanding balance of NGN26.74billion (US\$75.03million) to be recovered from the Federation in 2021, through budgetary provision. There is however no report of an independent validation of these figures.</p>	<p>Subsidy remains a heavy cost to Federation Revenue remittance.</p>	<p>NNPC/FAAC</p>	<p>NNPC Response</p> <p>Following the deregulation in March, it obtained presidential approval to recoup the differential/loss from the Federation in order to keep marketers whole on volumes already purchased from the Federation (via NNPC) at higher prices. This is to ensure a harmonious implementation of the new pricing policy. Thus, PPPRA duly validated the national PMS stock on March 19, 2020 of 1,649,803,803.06 and the value/loss differential due to the downward revision of price amounted to NGN 32,092,512,643.16.</p> <p>NNPC then phased the recovery of this amount over a period of six (6) months (N5, 348,752,107.19 per month) effective June 2020. The first recovery of deduction was made in June, 2020 and the outstanding amount will be recovered once included in the budget.</p>	<p>Federal Government should fully deregulate the downstream sector and savings made from the stoppage of the subsidy regime should be used to improve the life of citizens. The PIA is expected to address this issue.</p>
<p>15.</p> <p>Disclosure of transactions that lead to revenue payments</p> <p>No record was presented for the basis of total sum of N70.773billion (US\$198.561million), being share of equity gas deposited in the NNPC/CBN Gas Revenue Naira Account.</p>	<p>The audit was not able to ascertain the transactions that led to this payment and therefore raise the issue of transparency.</p>	<p>NNPC</p>	<p>NNPC Response</p> <p>The payment of N70.773billion (US\$198.561million) relates to domestic gas sales from NNPC's JV and PSC participation on behalf of the Federation. Substantial part of the revenue has to do with sale of gas to the Power Sector as evidenced by the payments made by GACN and First Independent Power Limited</p>	<p>NNPC should properly document transactions leading to revenue payments to ensure complete transparency.</p>



<p>16</p>	<p>Variance in PMS Stock Volumes There was a huge variance between the volumes of PMS stock reported by NNPC and what was reported by PPPRA. Both entities could not provide any explanation for the variance.</p>				<p>NMDPPRA should investigate the discrepancy in the PMS stock volumes reported by NNPC and PPPRA.</p>
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01

Introduction

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1.1. Background - NEITI

Nigeria is a country very rich in natural resources. All its 36 states are endowed with at least one mineral resource in commercial quantity. Nigeria has vast fertile agricultural land, with abundant human capital. Some of its citizens are presently counted among the best in the world in different spheres of life. However, Nigeria's economy is described as developing. It is expected that Nigeria's vast natural resources should support the country's national development endeavours or plans and improve citizens' standard of living while reducing poverty. In a bid to accelerate the country's development process, ensure prudent management of its natural resources, address problems of resource curse and opacity in its extractive sector, Nigeria in 2003 voluntarily signed up to the global Extractive Industries Transparency Initiative (EITI). It established the Nigeria Extractive Industries Transparency Initiative (NEITI) in 2004 and backed it by law in 2007 through the NEITI Act 2007. NEITI is therefore the national chapter of the global EITI. The agency was set up to facilitate and promote prudent management of revenues from Nigeria's abundant natural resources, ensuring that there is transparency and accountability in the use of these resources to reduce poverty and ensure sustainable development.

NEITI operates a multi-stakeholders framework like its parent body, the global EITI. This framework comprises of representatives of the government, companies and civil society, and it is described as the 'magic triangle'. It is also known as the National Stakeholders Working Group (NSWG). The NSWG is also known as the 'Board' and governs the operations of the NEITI. A brief history of NEITI can be found here⁵.

1.1.1. The National Stakeholders Working Group (NSWG) Structure

The NSWG is made up of 15 members drawn from the following groups;

- Extractive Industries Companies
- Civil Society
- Labour Unions in the extractive sector
- Extractive Industries Experts
- The six geo-political zones of Nigeria.

More information on the governing structure of NEITI can be found here⁶.

1.1.2. The NEITI 2020 Oil & Gas Report

The EITI Standards and the NEITI Act 2007 require that NEITI engages an Independent Administrator (IA) to conduct annual audits of Nigeria's extractive sectors that involve the reconciliation of extractive industry payments and revenues to government's receipts. Comprehensive reports that give insight into the processes and outcomes of the audit exercise or covering a full disclosure of the extractive industry revenues, are produced by the IA thereafter. The IA is also required to apply international professional standards in the production of the reports.

For its 2020 oil and gas report, NEITI engaged the services of **Messrs Taju Audu & Co.** as the IA. The NEITI 2020 oil and gas report was prepared in line with the provisions of the EITI 2019 Standard and the NEITI Act, 2007.

1.2. Objective

The main objective of the assignment is to produce the NEITI 2020 Oil and Gas Industry report in compliance with the EITI Standard 2019 and NEITI Act 2007, as spelt out in the Terms of Reference (TOR) and detailed in Appendix 1. In that regard, it aims to carry out the following tasks:

- To review and provide an overview of processes within the sector
- To conduct an independent assessment or reconciliation of financial transactions (receipts and payments) and make recommendations to further improve transparency and accountability within the sector.
- To report on the revenue flows amongst the Covered Entities and any investment by the Federation in the oil and gas industry
- To undertake special verification work on certain transactions
- To report on balances payable / receivable at the end of the audit period for certain financial flows
- To reconcile the physical/financial transactions reported by payers and recipients
- To present the audit findings including the recommendations of the previous reports, to aid and encourage policy-making and reforms

See appendix 1 (section 3 of the Terms of Reference for the assignment) for more information.

1.3. Basis and Period of Reporting

Basis of Reporting

The IA exercised professional judgement and applied appropriate international professional standards to develop procedures, including audit planning and obtaining of audit evidence. This provides a sufficient basis for a comprehensive and reliable EITI Report. The standards and Audit regulations that were considered include but not limited to:

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

⁵ A brief history of NEITI - <https://neiti.gov.ng/about/brief-history-of-neiti>

⁶ The governing Structure of NEITI - <https://neiti.gov.ng/about/governing-structure>



Total receipt from industry is presented on a cash basis in the report while crude oil and gas sales receivables as at 31st December, 2020 were also reported.

This report should be read in the context of the Petroleum Act 1969 (as amended) which was the primary oil and gas legislation for the period of reporting. However, with the enactment of the new Petroleum Industry Act (PIA) in 2021, the above Petroleum Act was repealed. This report also highlights some notable changes in the legal, governance and fiscal frameworks of the Nigerian Petroleum Industry brought about by the PIA.

Period of Reporting

This report will be the thirteenth (13th) audit report by NEITI covering the period January 1, 2020 to December 31, 2020.

Currency of Reporting

The Reporting Currency is US Dollars (US\$). For payments made in Naira, the IA used average exchange rate from the Central Bank of Nigeria (CBN)⁷ to convert them into US Dollars. This applied to mostly payments received by government entities. The NNPC used FAAC's monthly average rate of conversion for all revenues it collected.

Table 8 - Average Exchange Rate by CBN

Year	(US\$) Dollars	US\$/ Naira (N)	US\$/Euro (€)	US\$/British Pound (£)
2020	1	356.4267	0.8740	0.7789

Sources: CBN

Table 2 - NNPC/FAAC Monthly Exchange Rates for 2020

Month	(US\$) Dollars	Naira N to US\$
January	1	306
February	1	305.95
March	1	360
April	1	360
May	1	360
June	1	360
July	1	360
August	1	379
September	1	379
October	1	379
November	1	379
December	1	379

Source: FAAC Monthly Reports

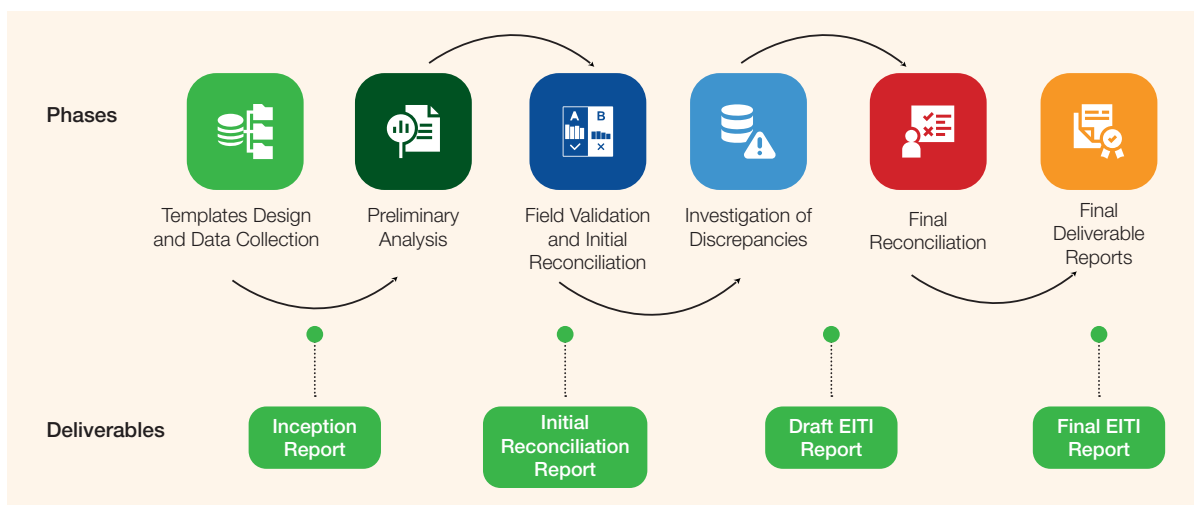
⁷ Exchange rate from CBN - <https://www.cbn.gov.ng/rates/ExchangeArchives.asp>



1.4. Scope of Work

The scope of work spanned 6 phases, as illustrated in figure 1 below. It is also in line with the EITI Requirements and the audit's Terms of Reference (see Appendix 1).

Figure 1 – The Audit Phases and Deliverables



1.4.1. Materiality and Scope for the Report

The EITI Standard defined Materiality as follows: “Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the disclosures”. The report establishes revenue streams (i.e. payments and revenues) and companies that are material for reporting. It, however, reported beyond what is material as required by the NEITI Act 2007.

Revenue Streams

In arriving at the materiality decision for the revenue streams, each revenue stream was taken as a percentage of the total revenue. The NSWG determined that ten (10) revenue streams with a minimum contribution of 1.5% to the total revenue is material for reconciliation. Based on this (1.5%) threshold, 94.07% of the total revenue was to be reconciled. The IA assessed this decision after the initial data collection and found the threshold to be sufficient. See Chapter 4 of the Inception Report for the details of the material revenue streams.

In addition to the above, thirteen (13) more revenue streams were included in the audit exercise by the NSWG on the basis of Section 3(f) of NEITI Act. This section mandates NEITI to “monitor and ensure that all payments due to the Federal Government from all extractive industry companies, including taxes, royalties, dividends, bonuses, penalties, levies and such like, are duly made”. Based on this, the NSWG decided that, to every extent possible, “all revenue streams except NESS Fees, PAYE and Miscellaneous Income shall be reconciled by the IA”. It further decided and advised that all discrepancies should be investigated to a margin of 0.05% of the aggregate revenue stream. Given the above, twenty-three (23) revenue streams were covered in this report. And twenty (20) of these were reconciled. See table 10 below for the description of the revenue streams covered in the report. See also the details of the NSWG decision in Appendix 2.

Table 10 - A description of Revenue Streams Covered in the Report

S/N	Revenue Stream	Description of Revenue	Collecting Government Entity
1	Royalty (Oil)	A percentage share of production i.e. the value derived from oil production, paid from a producing well.	Department of Petroleum Resources (DPR) now Nigerian Upstream Regulatory Commission (NUPRC) ⁸
2	Royalty (Gas)	A percentage share of production i.e. the value derived from gas production, paid from a producing well.	
3	Signature Bonus	This is a onetime fee for the assignment and securing of a licence. It is paid, irrespective of economic success of the well, by the contractor or licensee.	
4	Flared Gas Payment	Gas flare payments apply to any natural gas that is flared and/or vented at production facilities of the producers. Guidelines for flare payments can be found here ⁹ .	

8 NUPRC takes over all assets and some staff of DPR but it is only responsible for the technical and commercial regulation of upstream petroleum operations

9 Guideline for Flare Payments - <https://ngfcp.dpr.gov.ng/media/1130/guidelines-3-guidelines-for-flare-payments.pdf>



5	Concession Rentals	These are receipts of revenue from the grant extended by the Federation to permit companies to explore for and produce oil, gas or mineral resources within a strictly defined geographic area.	
6	Petroleum Profits Tax (PPT)	PPT is tax imposed on income of companies in petroleum operations. Read more about PPT here ¹⁰ .	Federal Inland Revenue Service (FIRS)
7	Companies Income Tax (CIT)	CIT tax is a tax imposed on the profit of oil and gas companies whose income is from oil and gas production.	
8	Capital Gains Tax (CGT)	CGT is a tax levied on profit from the sale of property/ assets or an investment. Read more about CGT here ¹¹ .	
9	Tertiary Education Tax (EDT)	EDT is a tax chargeable on all companies registered in Nigeria, who are expected to pay a given percentage of their chargeable profits as contribution to the Education Tax Fund which is used for the rehabilitation, restoration and consolidation of Tertiary Education in Nigeria. Read more here ¹² .	
10	Value Added Tax (VAT)	VAT is a consumption tax paid when goods are purchased and/or services rendered. Read more here ¹³ .	
11	NDDC 3% Levy	It is a mandatory social contribution levied on companies operating in the oil and gas sector. Read more about NDDC here ¹⁴ .	Niger Delta Development Commission (NDDC)
12	NCDMB 1% Levy	This is a tax imposed on all contracts in the upstream sector, to develop Nigerian Content in the Nigerian Oil and Gas Industry. Read more here ¹⁵ .	Nigerian Content Development and Monitoring Board (NCDMB)
13	Dividend from NLNG	This is NNPC's share of profits from its investment in Nigeria NLG Limited (NLNG).	Nigerian National Petroleum Corporation (NNPC)
14	Transportation Fees/ Pipeline/ Haulage Fees	This is revenue received by the NNPC in relation to transportation of oil and gas products.	
15	Proceeds from Sale of Federation Equity Crude Oil	These are revenues from the international sales of the Federation crude oil equity entitlement from JV operations. Crude oil and gas are normally allocated to the Federation from Joint Venture operations through the NNPC in accordance with the Federation's equity share or participatory interests in each of the Joint Venture operations.	
16	Proceeds from Sale of Domestic Crude Oil	These are revenues from the local sales of Federation crude oil equity entitlement from the different production arrangements. Crude oil is allocated from Federation equity crude from different production arrangements to NNPC for refining into petroleum products for local market or consumption.	
17	Proceeds from Sale of Profit Oil	These are receipts of revenue from the sale of the Federation's share of crude oil entitlement from PSC operations.	
18	Proceeds from Sale of Federation Equity Gas	These are revenues from the sale of the Federation Gas equity entitlement from JV operations.	
19	Proceeds from Sale of Feedstock	These are revenues from the sale of the Federation Feedstock equity entitlement from JV operations.	
20	Withholding Tax	Withholding Tax is income tax paid in advance. Find out more here ¹⁶ .	Federal Inland Revenue Service (FIRS)
Unilaterally Disclosed by Companies			
21	Pay As You Earn (PAYE)	PAYE is a tax imposed on individuals who are either in employment or running their own small businesses. Information on PAYE can be found here ¹⁷ .	Federal Inland Revenue Service (FIRS)

10 Information on Petroleum Profits Tax - <https://www.firs.gov.ng/petroleum-profits-tax-ppt/>

11 Information on Capital Gains Tax - <https://www.firs.gov.ng/capital-gains-tax-cgt/>

12 Information on Tertiary Education Tax - <https://www.firs.gov.ng/tertiary-education-tax-edt/>

13 Information on Value Added Tax - <https://www.firs.gov.ng/value-added-tax-vat/>

14 Information on NDDC - <https://www.nddc.gov.ng/mission.aspx>

15 Information on NCDMB - <https://ncdmb.gov.ng/ncdf-frequently-asked-questions/>

16 Information on Withholding Tax - <https://www.firs.gov.ng/withholding-tax-wht/>

17 Information on PAYE - <https://lirs.gov.ng/tax-information/tax-types>



Unilaterally Disclosed by Government			
22	Nigerian Export Supervision Scheme (NESS) Fee	This is an administrative charge required to be paid by exporters of crude oil for the administration of the Pre-Shipment Inspection of Exports Scheme. The essence of Pre-Shipment Inspection is to ascertain the quantity, quality and price comparison of oil by virtue of section 2 of the Pre-shipment Inspection Act. The act can be found here ¹⁸ .	Federal Ministry of Finance, Budget & National Planning
23	Miscellaneous Income	This includes bank interest receipts, insurance claims and other share of revenue from the oil and gas sector.	Nigerian National Petroleum Corporation (NNPC)

Total Revenue from the Oil and Gas Sector in 2020

The report shows that the total receipts from the twenty-three (23) revenue streams was US\$20,430,386,000 in 2020. Table 11 below shows what portion of total receipts were reconciled and what portion was unilaterally disclosed. See chapter 5 of this report for details of revenue collection from the sector.

Table 11 - Summary of Reconciliation Position

S/N	Reconciliation Position	Amount (US\$)	%
1	Reconciled Revenue	20,069,231,000	98.23
2	Unreconciled Revenue	2,106,000	0.01
3	Unilaterally Disclosed Revenue	359,049,000	1.76
4	Total Revenue	20,430,386,000	100

Companies

All companies that made payments for concession rentals, licenses, signature bonuses, royalty, and oil and gas taxes were selected by NSWG as companies to be covered in the report. A total of sixty-nine (69) companies and the NLNG were therefore identified at inception.

To arrive at or determine the material companies for reconciliation, the IA reviewed the list of companies along with the initial data received from the companies (before initial reconciliation). Each company's payment was taken as a percentage of the total payments by companies. All companies that made payments above US\$50m to government were determined to be material for reconciliation. Based on this, 25 out of the 69 selected companies fell within the criteria for reconciliation, and their payments represent 96.45% of the total payment by companies. See table 12 below for list of companies and their respective contributions to the total payment by companies.

Table 12 - Companies Covered in the Report

While table 12 shows the companies covered in the report, those in the highlighted box are the material companies.

S/N	Entities	Payment by Companies (\$'000)	% Contribution to Total Payment
1	Nigeria Petroleum Development Company Ltd	3,480,252	32.69744%
2	Mobil Producing Nigeria Unlimited	782,790	7.35442%
3	Shell Nigeria Exploration and Production Company Limited	688,576	6.46926%
4	Star Deep Water Petroleum Limited	679,796	6.38677%
5	Shell Petroleum Development Company	648,907	6.09657%
6	Total Exploration and Production Nigeria Ltd	628,547	5.90529%
7	Chevron Nigeria Ltd	545,853	5.12836%
8	Total Upstream Nigeria Limited	514,462	4.83344%
9	Esso Exploration and Production Nigeria Ltd	451,356	4.24055%
10	Nigeria Agip Oil Company Ltd	270,802	2.54422%

¹⁸ Pre-Shipment Inspection of Exports Act



11	AITEO Eastern Exploration and Production Ltd	251,575	2.36359%
12	Equinor Nigeria Energy Company Limited	249,434	2.34347%
13	Famfa Oil Ltd	197,121	1.85198%
14	Esso Exploration and Production (Offshore East) Nigeria Ltd	138,896	1.30495%
15	Addax Petroleum Development Limited	96,524	0.90686%
16	Amni International Petroleum Ltd	86,066	0.80860%
17	Sterling Oil Exploration and Energy Production Company Limited (SEEPCO)	83,598	0.78542%
18	Shoreline Natural Resources Ltd	74,916	0.70385%
19	Seplat Petroleum Development Company	67,870	0.63764%
20	Nigerian Agip Exploration Limited	59,100	0.55525%
21	ND Western Limited	57,783	0.54287%
22	Oriental Energy Resources Ltd	54,754	0.51442%
23	Neconde Energy Limited	53,306	0.50082%
24	Oando Oil Ltd	52,988	0.49783%
25	Eroton Exploration and Production Company Ltd	51,135	0.48042%
26	Elcrest Exploration and Production Limited	43,477	0.40847%
27	Addax Petroleum Exploration Nigeria Limited	40,049	0.37626%
28	Midwestern Oil & Gas Limited	33,061	0.31061%
29	Newcross Exploration and Production Limited	31,387	0.29488%
30	Moni Pulo Ltd	25,878	0.24312%
31	Sahara Field Production Limited	24,671	0.23179%
32	Prime 127 Limited (Petrobras Oil and Gas Ltd)	20,733	0.19479%
33	Panocean Oil Nigeria Limited	17,276	0.16231%
34	Continental Oil and Gas Limited	13,747	0.12916%
35	First Hydrocarbon Nigeria	13,250	0.12449%
36	Energia Limited	9,838	0.09243%
37	Yinka Folawiyo Petroleum Limited	9,109	0.08558%
38	Green Energy International Ltd	8,533	0.08017%
39	Platform Petroleum Ltd	8,532	0.08016%
40	Niger Delta Petroleum Resources Limited	8,061	0.07573%
41	Frontier Oil Ltd	7,318	0.06876%
42	Belema Oil Producing Limited	6,584	0.06186%
43	Enageed Resources Ltd	6,517	0.06122%
44	Pillar Oil Ltd	6,063	0.05696%
45	Conoil Producing Ltd	5,670	0.05327%
46	Agip Energy and Natural Resources Limited	5,143	0.04832%



47	Sterling Global Oil Resources Limited	4,633	0.04353%
48	First Exploration and Production Limited	4,347	0.04084%
49	Waltersmith Petroman Oil Ltd	4,157	0.03906%
50	Network Exploration & Production Ltd	2,549	0.02395%
51	Chorus Energy Limited	2,494	0.02343%
52	South Atlantic Petroleum Ltd	2,198	0.02065%
53	Brittania U Nigeria Ltd	2,185	0.02053%
54	Universal Energy Limited	1,792	0.01683%
55	China National Offshore Oil Corporation	1,742	0.01636%
56	All Grace Energy Limited	1,196	0.01123%
57	Brasoil Oil Services Company Nigeria Limited	1,006	0.00945%
58	Dubril Oil	840	0.00789%
59	Texaco Nigeria Outershelf Ltd	751	0.00706%
60	Excel Exploration and Production Limited	726	0.00682%
61	Lekoil Limited	466	0.00438%
62	Bilton Energy Limited	350	0.00329%
63	Orient Petroleum Resources Limited	300	0.00282%
64	Millenium Oil & Gas Limited	250	0.00235%
65	Suntrust Oil Company Nigeria Limited	140	0.00131%
66	Chevron Producing Nig Ltd	138	0.00129%
67	Sterling Exploration Limited	82	0.00077%
68	Nexen Petroleum Nigeria Limited	82	0.00077%
69	Summit Oil International Ltd	80	0.00075%
	Entities' Initial Total Payment (Inclusive of In-Kind payments)	10,643,804	100.00000%

Non-responsive Companies

Out of the 69 selected companies and NLNG, four (4) of them (Sterling Exploration Limited, Lekoil Limited, Bilton Energy Limited and Orient Petroleum Resources Limited) did not submit any information to the IA for reconciliation but made payments. The combined contributions of these four (4) companies amounted to US\$1,198,570, representing 0.006% of the total revenue. These four (4) companies did not fall within the materiality threshold set out above.

1.4.2. Government Entities

The NSWG determined that a total of Thirteen (13) Government Entities and One (1) State-Owned Enterprise (SOE) should be covered in the audit (see table 13). Six (6) of the thirteen (13) entities were agencies that receive revenue.



Table 13 - Government Entities Covered by the report

State Owned Enterprise (SOE)	
	Nigerian National Petroleum Corporation
Receiving Government Entities	
1	Federal Inland Revenue Service
2	Department of Petroleum Resources
3	Niger Delta Development Commission
4	Federal Ministry of Finance, Budget, and National Planning
5	Nigerian Content Development and Monitoring Board
6	Nigeria Sao Tome Joint Development Authority
Other Government Entities	
7	Central Bank of Nigeria
8	Petroleum Products Pricing Regulatory Agency
9	Office of the Accountant General of the Federation
10	Federal Ministry of Environment
11	National Oil Spill Detection and Response Agency
12	Hydrocarbon Pollution Remediation Project
13	National Environmental Standards and Regulations Enforcement Agency

1.5. Methodology and Work Approach

1.5.1. Nature and Extent of Work Done

The primary tasks of the Independent Administrator were to;

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

1.5.2. Data Collection

The Covered Entities received and completed data templates designed to collect information and relevant data to enable the IA achieve the objectives of the assignment. The templates, which had the instructions for completion, were sent electronically to Covered Entities at the commencement of the exercise. The Covered Entities were also required to submit supporting documents along with the populated templates. Therefore, the populated templates and (submitted) supporting documents formed the primary source of the information/data used for the assignment.

1.5.3. Level of Disaggregation

The NSWG agreed that all data should be disaggregated by individual project (where possible), company, government entity and revenue stream.

It defined “project” as “ operational activity(ies) that is (are) governed by a single license, contract **agreement and/or any other similar legal document and form the basis for payment of liabilities with the government. These activities can be governed by an Oil Prospecting License (OPL) or Oil Mining License (OML). Where activities relating to one or more OPLs and/or OMLs are substantially interconnected and are governed by a single joint operating agreement,**



production sharing contract, service contract or other similar agreement, they may be treated as a single project”.

Though chapter 5 of the Report clearly and further indicates the revenues that are assessed or paid based on either company or project criterion, the revenue streams disaggregated by project are:

1. Concession Rental and licenses
2. Royalty (Oil)
3. Royalty (Gas)
4. Signature Bonus
5. Flared Gas Payments

1.5.4. Reconciliation and Investigation of Discrepancies

Data reconciliation exercise was carried out with the Covered Entities between 27th September and 1st October, 2021. This exercise focused on clarification of variances identified in/between data submitted by Companies and data submitted by Government Entities. All discrepancies were identified prior to the reconciliation phase and were shared with relevant parties.

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

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

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

1.6. Data Quality & Assurance

The data quality procedures relied upon by the IA were drawn from applicable legal and institutional framework for quality and assurance in Nigeria. These were mainly the Nigerian Constitution, the Companies and Allied Matters Act, the Fiscal Responsibility Act and the Financial Reporting Council Act. It has been observed that over the years some entities have failed to comply with the extant applicable laws. Based on this, the IA further established or adopted a set of data quality assurance procedures or mechanisms (listed below) that guaranteed or ensured that the data relied upon for this report were of reasonable quality and met the required standard. Appropriate international professional standards were also applied or adopted by the IA in developing the procedures that aided in producing a comprehensive and reliable Report. The Inception Report (see appendix 3) has more details on the procedural considerations and steps taken in this report with regard to data quality and assurance.

The following procedures were however taken:

1. Review of templates submitted directly by the Covered Entities to the IA to establish the completeness and relevance of data provided: The IA reviewed the Data Templates submitted by twenty-five (25) material Companies and twelve (12) Government Agencies. The IA ensured that the templates provided all the necessary information and data required for the Audit and where such information/data were not provided, the IA requested for them from the covered entities.

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

2. Obtain source documents and data templates and conduct 100% vouching of transactions with underlying records to ensure integrity, accuracy and relevance of data: The IA received supporting documents from the twenty-five (25) material Companies. The IA ensured that the source documents obtained were accurately matched with the information submitted in the Data Templates and obtained further clarification where necessary.

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

4. Obtain the 2020 Audited Financial Statement or an attestation from companies, signed by a senior official of the entity, who is a member of ICAN or ACCA, confirming that transaction figures and source documents provided to the Independent Auditors are complete, correct and adhere to requirements of IFRS/IPSA, as applicable: Upon conclusion of the reconciliation, Companies were requested to sign the reconciled company position and also attest to the completeness and



correctness of the Data provided. The IA further requested attestation from a senior member of the company who is a member of ICAN or ACCA to confirm that the data provided conforms to data used in the audited account/management account and in compliance with the requirement of IFRS/IPSAS. Companies that had provided Audited Financial Statements were not required to sign the attestation.

Of the twenty-five (25) material companies, sixteen (16) signed the attestation confirming that their internal accounting procedures was in compliance with the International Financial Reporting Standards (IFRS) while eight (8) submitted Audited Financial statements.

Assessment of the Data Assurance Procedures

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

Data Quality Procedure	Result	%	Assesment
Review all templates submitted directly by the Covered Entities to the IA to establish the completeness and relevance of data provided.	All the 25 material Companies submitted data templates and checklists. The IA reviewed all of the templates and checklists submitted.	100%	High
Obtain source documents and data templates and conduct 100% vouching of transactions with underlying records to ensure integrity, accuracy and relevance of Data.	All the 25 material Companies provided supporting documents requested.	100%	High
Reconciliation of Companies' records with records of DPR, FIRS and other Government Agencies to ensure that payments are consistent with receipts	All the Companies' payments were reconciled with government's records. Details of the result can be found here.	98%	High
Obtain AFS or an attestation from organizations, signed by a senior official of the entity, who is a member of ICAN or ACCA, confirming that transactions figures and source documents provided to the Independent Auditors are complete, correct and adhere to requirements of IFRS/IPSA, as applicable	24 companies provided either attestation or Audited Financial Statement.	96%	High

Grading of the Level of Assurance

Level of Assurance	
High	Assessment level above 79%
Medium	Assessment level between 50% and 79%
Low	Assessment level below 50%
The above result of the assessment above provides a reasonable assurance that the audit conforms with the data quality procedure set by the IA.	

1.7. Impact of COVID-19 on the Audit Process

There were limitations during the period of the audit caused by the Covid-19 pandemic, and prominent among these was the restriction on physical interactions. Many companies adopted policies that restricted visitors and the number of people allowed to congregate within a space. This therefore limited physical visits to the companies. Also, many of the covered entities were not fully staffed during the period of the audit due to the pandemic. Notwithstanding these restrictions, the IA, in cooperation with NEITI, utilized all available tools and strategies available to send and obtain data templates and supporting information. Virtual and physical (where required) meetings were both held. These approaches helped to overcome most of the challenges posed by the pandemic, especially the lack of physical interaction. However, the pandemic affected the agreed delivery timeframe of the audit.

1.8. Findings, Observations and Recommendations

Observations and Findings

1. The audit observed that out of the sixty-nine (69) companies covered by the report, four (4) companies failed to submit the requested information and data for reconciliation. The value of the revenue from these four companies was US\$1,198,570 and this represents 0.006% of the total revenue (US\$20.43Billion). Also, some entities did not comply with the requirement that obliged them to provide their Audited Financial Statements to the IA.

2. It was also noted that the pandemic had some impact on the IA's project completion timeline. However, in spite of the restrictions, particularly the lack of physical contact with covered entities, the use of modern ICT tools in data gathering and reconciliations facilitated the conducting of the audit procedures in accordance with the relevant accounting and auditing standards.



Recommendation:

1. NEITI should take measures to ensure full compliance of covered entities with the annual audit process, in view of revenue implications to the Government. It may also be necessary for NEITI to activate its sanctions mechanisms.
2. NEITI should intensify efforts towards the completion of the NEITI Audit Management System (NAMS), which has facilities such as electronic submission of information, data aggregation and initial reconciliation.





02

The Oil and Gas Sector in Nigeria

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2.1. Legal Framework and Fiscal Regime

2.1.1. Legal and Institutional Framework

Section 44(3) of the 1999 Constitution of the Federal Republic of Nigeria states that;

“The entire property and control of all minerals, mineral oils and natural gas in under or upon any land in Nigeria or in, under or upon the territorial waters and the Exclusive Economic Zone of Nigeria shall vest in the Government of the Federation and shall be managed in such manner as may be prescribed by the National Assembly.”

The above implies that the Government of the Federation owns all natural resources upon and within the Nigerian territory. Through the Federal Ministry of Petroleum Resources, it oversees the activities in the petroleum industry in the country. The ministry is headed by a minister who is appointed by the president subject to approval by the National Assembly. The Petroleum Act provides for discretionary award of licences and leases by the Minister, to operators in the industry, to win, work and dispose of crude oil, gas, condensates. The position of Minister of Petroleum resources was held by the President in 2020. The Ministry was responsible for setting policy for the sector, while other departments and agencies carried out different roles in the industry. Some of these departments and agencies are;

- The Department of Petroleum Resources
- The Nigerian National Petroleum Corporation
- The Federal Inland Revenue Service
- The Nigerian Content Development Monitoring Board
- Niger Delta Development Commission
- Petroleum Products Pricing Regulatory Agency

The Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) is the agency of Government statutorily empowered to monitor all revenue (including non-oil) accruable to the federation and the disbursement of such revenue.

See **Table 14** below for a description of the responsibilities of the Government Institutions directly involved in the oil and gas sector. The Nigerian Government (The Federation), participates in the exploration, production, refining and marketing of oil and gas through the NNPC and its subsidiaries.

The oil and gas industry was guided by quite a number of legislations in 2020; these include but not limited to;

1. Petroleum Act Cap P10 LFN 2004 (the Petroleum Act)
2. Nigerian National Petroleum Corporation Act Cap N123 LFN 2004 (the NNPC Act)
3. Associated Gas Reinjection Act 2004 and the Associated Gas Re-injection (Amendment Act) 2004 (the Associated Gas Acts)
4. Petroleum Profits Tax Act Cap P13 LFN 2004 (the PPTA)
5. Nigerian Oil and Gas Industry Content Development Act 2010
6. Niger-Delta Development Commission (Establishment Act) Amendment 2017
7. The National Oil Spill Detection and Response Agency (NOSDRA) Act 2006
8. Deep Offshore and Inland Basin PSC (Amendment) Act, 2019
9. The Nigerian Oil and Gas Industry Contents Development Act 2010
10. Companies Income Tax Act LFN 2004
11. Education Tax Act LFN 2004
12. Value Added Tax (VAT) LFN 2004
13. Petroleum (Drilling and Production) (Amendment) Regulation 2020

A compendium of Oil and Gas Industry laws and regulations can be found here¹⁹ and tax laws can be found here²⁰.

The Nigerian Oil and Gas Industry has experienced major legal and regulatory reforms with the introduction of The Petroleum Industry Act (PIA) which was still a bill as at 31st December, 2020, but was signed into law in August 2021. The Act has a lot of reforms for the sector and repealed some old legislations. Some of the repealed laws include;

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

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

- Petroleum Profit Tax Act, cap. P13, LFN. 2004 (provided the repeal shall apply from the effective date to any new acreage granted under the Act)
- The Deep Offshore and Inland Basin Production Sharing Contract Act, 2019, as amended (provided the repeal shall apply from the effective date to any new acreage granted under the Act).

¹⁹ A compendium of Oil and Gas Industry laws and regulations

²⁰ Tax Laws



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

- A part of the Department of Petroleum Resources (DPR) becoming the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). The Commission is a body corporate that oversees the upstream operations of the oil and gas sector in Nigeria.
- The establishment of a regulatory body for the midstream and downstream operations which is to be known as The Nigerian Midstream and Downstream Regulatory Authority with robust provisions for gas and liquids operations.
- The incorporation of a limited liability company known as Nigerian National Petroleum Company Limited (NNPC Limited) to which the determined assets, interests and liabilities of NNPC and its subsidiaries will be transferred.
- The introduction of the Hydrocarbon tax and the application of the Company Income Tax (CIT) to all companies operating in the oil and gas industry as these taxes will replace the Petroleum Profit Tax (PPT).
- Changes in the computation of royalties.
- Establishment of the Host Communities Development Trust for execution of projects for the benefit and sustainable development, economic empowerment opportunities, infrastructural development, health care development, etc., for the host communities .
- Mandatory disclosure of contracts and Licenses.

The Key government entities and the responsibilities of each agency in the sector are described below:

Table 14 - Responsibilities of Key Government Entities in 2020

Government Entity	Key Responsibilities
Ministry of Petroleum Resources (MPR)	The MPR has the overall mandate to formulate policies on the oil and gas sector and supervise their implementation. The key functions include; <ul style="list-style-type: none"> – Coordination and supervision of bi-lateral and multilateral relations affecting the oil and gas sector – Policy matters relating to research and development in petroleum and gas sectors of the industry – Formulation of policies to stimulate private industry investment and participation in the oil and gas sector
Department of Petroleum Resources (DPR)	The DPR was the technical arm of the Ministry of Petroleum Resources with broad responsibility of implementing government policies, ensuring regulatory compliance, licensing of petroleum operations and managing collection of oil and gas revenues. The key functions of DPR are highlighted below; <ul style="list-style-type: none"> – Processing of Application fees and monitoring the operations along the entire oil and gas value chain – Advise government on policy matters affecting the management of Petroleum Resources – Conduct basal assessments and carry out lease administration – Ensure compliance with applicable laws and statutes – Regulate and monitor the activities of all licensees, lessees and permit holders in the oil and gas industry <p>As at the date of the report, The DPR had been split into two; a part to form the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the other part to join Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), as established by the Petroleum Industry Act, 2021.</p>
Nigerian National Petroleum Corporation (NNPC)	NNPC is the State-Owned Enterprise of Nigeria. NNPC Carries out Exploratory Activities and operational functions such as refining, transportation and marketing of crude oil. NNPC also manages the interests/assets of the government in the industry. NNPC has 12 Strategic Business Units (SBUs) through which it operates in the sector. Read more about NNPC and its SBUs here ²¹ . <p>As prescribed by the PIA, NNPC is now known as NNPC Limited with the Federation having 100% share ownership at incorporation, held on its behalf by the Ministry of Finance Incorporated and the Ministry of Petroleum resources Incorporated.</p>
Federal Inland Revenue Service (FIRS)	The FIRS is responsible for the administration of taxes in the sector. This function is derived from four (4) principal legislations, depending on the nature and scope of the company. These legislations are the Petroleum Profits Tax Act, Companies Income Tax Act, Education Tax and Value Added Tax. Read more about the functions of FIRS here ²² .
Niger Delta Development Commission (NDDC)	NDDC was set up to offer a lasting solution to the socio-economic difficulties of the Niger Delta Region and to facilitate the rapid and sustainable development of the Niger Delta into a region that is economically prosperous, socially stable, ecologically regenerative and politically peaceful. More about NDDC can be found here ²³ .
Nigerian Content Development and Monitoring Board (NCDMB)	NCDMB is vested with the mandate to make procedures that will guide, monitor, coordinate and implement the provisions of the Nigerian Oil and Gas Industry Content Development Act which is summarily to promote the development and utilization of in-country capacities for the industrialization of Nigeria. More about NCDMB can be found here ²⁴ .

21 NNPC Website

22 Functions of FIRS

23 Information on NDDC

24 Functions of NCDMB



Federal Ministry of Finance, Budget, and National Planning (FMFBNP)	The FMFBNP is responsible for economic policy formulation, control and monitoring of the Federation's revenues and expenditures. more details on FMFBNP can be found here ²⁵ .
Nigeria-Sao Tome and Principe Joint Development Authority (NSTPJDA)	The NSTPJDA is the institution charged with the responsibility of managing the activities relating to the exploration and exploitation of petroleum resources in the joint development zone between Nigeria and Sao Tome and Principe located in the Gulf of Guinea.
Other government institutions and their roles can be found here ²⁶ .	

2.1.2. Fiscal Regime

The government of Nigeria generates revenues from companies operating in the Oil and Gas sector in the form of royalty and taxes and also through sales of crude oil by the NNPC. Various laws and regulations guided the fiscal regime in 2020 and the major laws have been mentioned in section 2.1.1 above. Table 15 below highlights the fiscal regime for 2020;

Table 15 - Nigeria's Oil and Gas Fiscal Regime in 2020

Fiscal Regime	
1. Royalty	
Crude Oil (onshore)	20%
Crude Oil (offshore)	
— 100metres water depth	18.5%
— 101-200 metres water depth	16.5%
— >201 metres water depth	10%
— Frontier Basins	7.5%
— Inland Basins	7.5%
Additional Royalty computation: royalty rates based on an increase in price that exceeds US\$20 per barrel shall be determined for crude oil condensates	
US\$0 - US\$20 per barrel	0%
US\$21 - US\$60 per barrel	2.5%
US\$61 - US\$100	4%
US\$101 - US\$150	8%
>US\$151	10%
Royalty on Gas	
— Onshore	7% of gas sale
— Offshore	5% of gas sale
2. Flared Gas Payments	
— >10000 bbls of crude oil per day	US\$2 per thousand standard cubic feet of gas
— <10000 bbls of crude oil per day	US\$0.50 per thousand standard cubic feet of gas
3. Petroleum Profit Tax (PPT)	
— PPT Rate for JV & Sole Risk (Year 1 – Year 5 of operations)	66.75% of Chargeable Profit
— PPT Rate for JV & Sole Risk (After 5 years of operations)	85% of Chargeable Profit

²⁵ <https://www.finance.gov.ng/#/>

²⁶ Roles of Government Institutions in the oil and gas sector - <https://neiti.gov.ng/legal>



– PPT Rate for Companies under the Production Sharing Contract	50% of Chargeable Profit
4. Companies Income Tax (CIT)	
CIT Rate	30% of Total Profit
5. Niger Delta Development Commission (NDDC)	
– NDDC Levy	3% on total annual budget of Oil producing (including gas processing) companies operating in the Niger-Delta
7. Nigerian Content Development and Monitoring Board (NCDMB)	
NCDMB Levy	1% on total contract value in any project or transaction in the upstream sector of the Nigerian Oil and gas Industry
Changes in the Oil and Gas Fiscal Regime through the Enactment of PIA (2021)	

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

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

– Chargeable Tax shall be a percentage of aggregate chargeable profit for the accounting period. For holders of PMLs, with respect to offshore and shallow water areas, chargeable tax shall be 30% of crude profits while for the holders of PPLs, with respect to offshore and shallow water areas, chargeable tax shall be 15% of crude oil profits (Section 267 of the PIA)

– Changes in Royalty Rates to both Production/Terrain Based Royalties and Price Based Royalties

1. Production/Terrain Based Royalties Computation

Crude Oil and Condensates

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

* Where production in Deep Offshore Fields is $\leq 50,000$ bopd - 5%

** Where production in Onshore, Shallow Offshore, Frontier and Marginal Fields is $\leq 10,000$ bopd

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

Gas and NGLs

* Irrespective of the terrain gas is produced - 5%

* Where the gas is utilized in-country - 2.5%

2. Price Based Royalties

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

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

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

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

Other fiscal changes include:

- Ascertainment of crude oil revenue (Sections 262(1) & 262(2) of the PIA)
- Allowable deductions (Section 263 of the PIA)
- Non-allowable deductions (Section 264 of the PIA)



- Chargeable profits and allowances (Section 264 of the PIA)
- Consolidation of Costs and Taxes
- Change in Penalty Regime (Sections 277, 297 and 302)

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

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

The licenses / Leases under the Petroleum Act include:

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

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

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

Contracts

The operating contracts in the Nigeria oil and gas industry operational in year 2020 were the following; Joint Venture Agreements (JVs), Production Sharing Contracts (PSCs), Sole Risk (SR), Service Contracts (SCs), the Modified Carry Agreements (MCAs) and Repayment Agreements (RA). The SCs is a variation of the PSC arrangement while MCA and RA are funding arrangements for JVs (See Figure 2).

Figure 2 - Production Contract Arrangements

JOINT OPERATING AGREEMENT (JOA)	<ul style="list-style-type: none"> – Joint Ventures (JVs) are governed by a Joint Operating Agreement (JOA) which covers issues such as appointment and duties of operator, audit rights, formats and periodicity of reports, control of Bank accounts, nominations for crude liftings etc. – Partnership Between NNPC & IOCs funded by Cash Call – Production shared on equity basis
Production Sharing Contract (PSC)	<ul style="list-style-type: none"> – 100% funding by PSC contractors – Production shared based on entitlements in the contract – Crude Oil and Gas allocated for Royalty, Tax, Cost and Profit
Other Financing Arrangements	<ul style="list-style-type: none"> – Modification Carry Agreements (MCA) by JV partner (Operator) – Repayment Agreements (RA): Crude allocation to operator for the settlement for pre 2016 cash call arrears – Crude Allocation to defray Financing and compensation
Independents Production/ Sole Risk	<ul style="list-style-type: none"> – These are participatory rights by the Federal Government of Nigeria to contractors with respect to OMLs – Crude owned by operators while the operators pay Royalty and PPT
Farm-Out Agreement	<ul style="list-style-type: none"> – This is an agreement to “farm-out” marginal fields from an OML – The Marginal fields were hitherto part of OML held other companies but reallocated to indigenous companies. – They are targeted at abandoned or unproductive fields in lease areas covered by OMLs. – Crude oil and gas are owned by operators while the operators pay Royalty and PPT – Government reserves the right to participating interest at any time (Back-in right).



<p>Service Contract (SC)</p>	<ul style="list-style-type: none"> – An adaptation of PSC (100% funding by Contractor) – Contract covers a single service area and remuneration of service contractor only based on commercial production – The only service contractor is AENR but the underlying asset has been transferred to NPDC, the upstream subsidiary of NNPC. – Crude Allocation to cover agreed remunerations.
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DPR was the agency responsible for the issuance and regulation of the licenses listed above and also keeps a listings of licenses and the type of contractual arrangements in license register. The NNPC usually signs the agreement on behalf of the Federation and has copies of the agreements entered on behalf of the Federation. Details of contracts and licenses involved in the various arrangements as at 2020 can be found here.

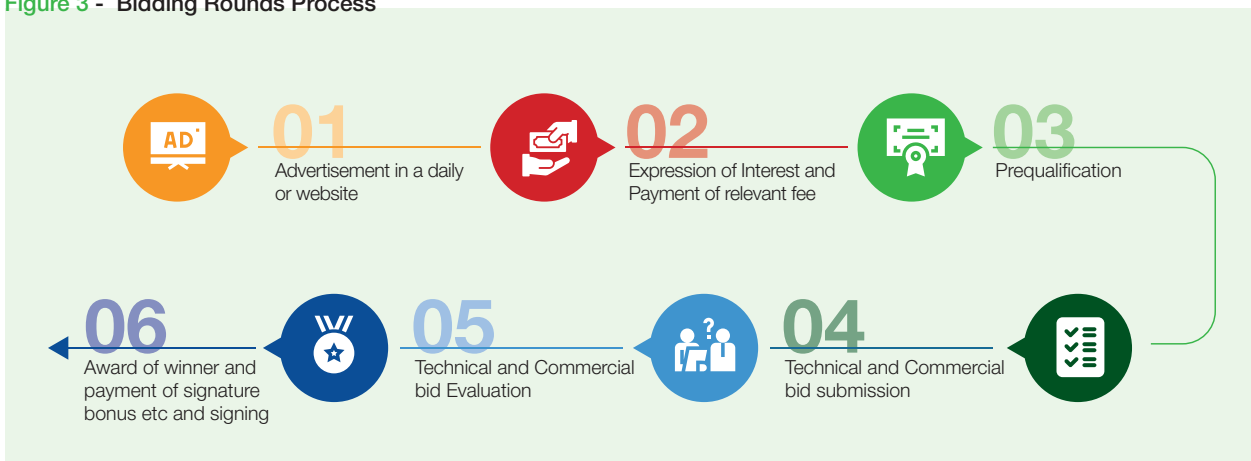
2.2.1. Contracts and License Allocation

The Petroleum Act of 1969 (as amended) provides the legal basis for the license allocation system in Nigeria. Section 2 (1)(b) of the law provides for discretionary award by the Minister. However, DPR, has in the last few decades, managed the process of licence allocation through the conduct of bid rounds under guidelines set by the Department and are updated from time to time to provide a level playing field. Bid rounds are held for the award of OPLs or for agreements to operate marginal fields.

2.2.1.1. Bidding Rounds Process

The bidding process starts with an official advert signifying blocks available. Below is Figure 3, which summarizes the process of bidding for Licenses.

Figure 3 - Bidding Rounds Process



2.2.1.2. Marginal Field Bid Round Process

According to DPR’s Guidelines for the Award and Operations of Marginal fields in Nigeria, a Marginal Field “is any field that has been discovered and left unattended for not less than ten (10) years, from the date of first discovery, or such fields as the president may from time to time, identify as a marginal field”. Marginal fields have unique characteristics as listed in the guidelines, some of which include;

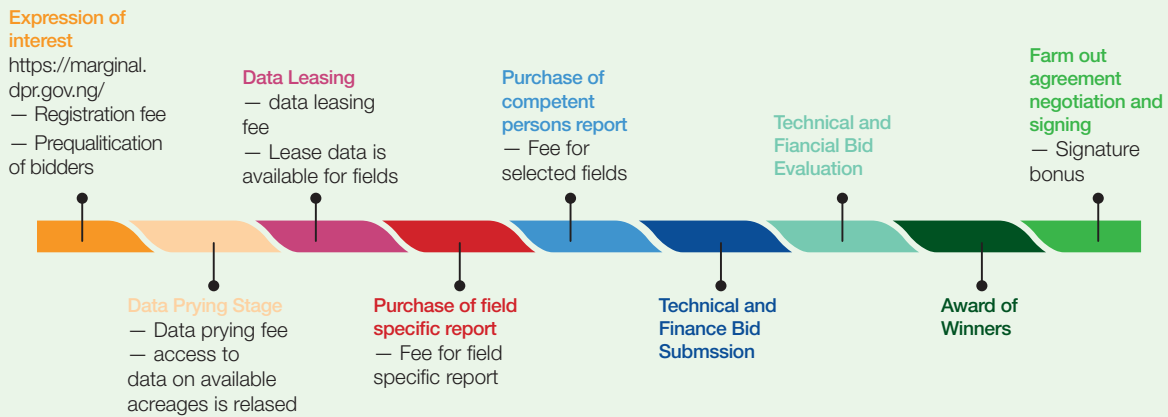
- fields that are undeveloped due to assumed marginal economies
- crude characteristics different from the type with high viscosity and low API gravity
- high gas and low oil reserves²⁷

In June 2020, a marginal field bid process involving 57 fields was announced under the guidelines set by the DPR, see [here](#)²⁸ for details. The Marginal Field award process was managed through an electronic portal and is depicted in the figure below;

²⁷ Guidelines for the Award and Operation of Marginal Fields in Nigeria
²⁸ Guidelines for the Award and Operation of Marginal Fields in Nigeria



Figure 4 – Marginal Field Award Process



Source: DPR's marginal fields website²⁹

As at December 2020, 161 of the 600 companies that applied had advanced to the next and final stage of the process for the 57 marginal fields on offer³⁰.

2.2.2. Licences and leases granted in 2020

Two licences were granted in 2020 pursuant to Section 2(1)(b) of the Petroleum Act. Details of the licences are in table 16 below:

Table 16 – Licences issued in 2020

S/N	Licence Type	Companies / Stakes	Asset Number	Date of Grant
1	Oil Prospecting License (OPL)	Equator Exploration Limited (64%) Owel Petroleum Ltd (26%) Tulip Energy Resources (10%)	OPL321	October 20, 2020
2	Oil Prospecting License (OPL)	Equator Exploration Limited (78.6%) Owel Petroleum Ltd (11.4%) NJ Exploration Limited (10%)	OPL323	October 20, 2020

Source: DPR

2.2.3. Licences and Leases transferred in 2020

Table 17 below shows the Licences transferred in 2020. Interests in OML 17 and OML 113 were transferred in 2020.

Table 17– Licences Transferred in 2020

S/N	Assignor	Assignee	Asset Number	Interest Transferred	Date of Grant
1	The Shell Petroleum Development Company Nigeria, Total E&P Nigeria Limited, Nigeria Agip Oil Company Limited	TNOG Oil & Gas Limited	OML 17	45%	July 9, 2020
2	Energy Equity Resources (Colobus) Nigeria Limited	ADM Energy Plc. (MX Oil Plc.)	OML 113	2.25%	November 5, 2020

Source: DPR

The process for the awards of Licenses and leases granted in 2020 was in accordance with the guidelines and procedures for obtaining Minister's consent to the assignment of interests in the oil and gas assets which can be found here³¹. There was no evidence of any deviation from the applicable framework.

29 Marginal field process explained by DPR

30 December 2020 bid round status - <https://www.thecable.ng/dpr-shortlists-161-companies-final-stage-marginal-oilfield-bid-round>

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



2.3. Register of Licenses

DPR has custody of information on all licenses and leases granted in the Oil and Gas Industry. It includes information such as:

- The licence number
- The licence type
- The Field name
- The area covered by the licence
- The type of commercial arrangement
- The date the licence was granted
- The Name(s) of the licence holder(s)
- Details of equity holding, etc.

From the information provided by DPR in the data collection template, there were 61 Oil Prospecting Licences and 109 Oil Mining Leases in 2020, details of the licences/leases can be found in Appendix 4.

2.4. Disclosure of Contracts & Licenses

2.4.1. Government Policy & Legal Framework

Before the enactment of the PIA 2021, there was no law mandating the disclosure of contracts in Nigeria. However, section 5.2.3 of the National Petroleum Policy provides for the disclosure of contracts in the sector. Although, in practice, there were no contracts publicly disclosed by companies or government as at 2020. The IA collected data templates that included information on contract terms attached to the exploitation of oil and gas, from the companies. The contract data templates collected information like the; type of commercial arrangements, shareholding structure between companies in the arrangement, OPL/OML number and royalty rate applied etc. See appendix 8 for more details.

2.4.2. Sector Efforts so far

The enactment of the PIA has greatly enhanced sector efforts at strengthening the system for contract disclosure. Section 83 of the Act provides for a mandatory disclosure of full text of any existing contract, license or lease and any amendment or side letter thereon to the regulatory commission which shall be published immediately following the signing of such text³².

2.5. Beneficial Ownership (BO)

Companies are registered for the purpose of executing the interest of individual shareholders i.e. beneficial owners of Companies. These Beneficial owners enjoy the proceeds and profits accruing from the activities of the Company. For the purpose of transparency and Corporate Governance, companies ought to disclose their individual Beneficial owners rather than hide them under the cloak of corporate ownership.

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

2.5.1. Beneficial Ownership Definition

According to the EITI Standard 2019, A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity. The Companies and Allied Matters Act 2020³³, also defines anyone with 5% holding in a company as persons with significant control of the Company. The NSWG agreed to adopt the former definition for beneficial ownership which is still consistent with the EITI Standard.

2.5.2. Government Policies and Current Reforms on BO Disclosure in Nigeria

Nigeria has made efforts at establishing a public register that discloses natural persons who own and control an entity in Nigeria. The Open Government Partnership, joined by the current administration, aims at establishing a central public register of beneficial owners of companies in Nigeria, by partnering with several government agencies to be led by the Corporate Affairs Commission (CAC) Registry³⁴.

The Corporate Affairs Commission keeps a clear record of all shareholders of the Companies registered in Nigeria and also requires that all companies maintain a register of members at their Registered offices. Prior to the enactment of the Companies and Allied Matters Act 2020³⁵, there was no law requiring Companies to disclose their natural owners, but the introduction of Section 119 of the Companies and Allied Matters Act 2020 has changed the regime by providing as follows:

“every person with significant control over a company shall, within seven days of becoming such a person, indicate to the company in writing the particulars of such control”

This section mandates any person who holds at least 5% of the company's shares to notify the company of details of the shareholding while the Company in turn notifies the Corporate Affairs Registry of the interest. Section 119 of CAMA 2020 now mandates all companies to disclose their beneficial ownership at the point of registration while all existing companies must disclose

32 Full text of the PIA can be found [here](#).

33 The Full text of the Companies and Allied Matters Act 2020 can be found [here](#)

34 The Open Government Plan (Nigerian National Action Plan) Report can be found [here](#).

35 The Full text of the Companies and Allied Matters Act 2020 can be found [here](#).



persons with significant control when filing yearly annual returns at the Corporate Affairs Registry.

Furthermore, in a bid to achieve transparency and more accountable governance in the oil and gas sector, the Department of Petroleum Resources which is responsible for the registration of oil licenses and regulation of the Oil industry has also created an online data base of the beneficial ownership of oil and gas companies titled: the Nigerian Oil and Gas Asset Beneficial Ownership Register (NOGABAR), which, according to DPR, was ready for deployment as at the time of this report. NOGABAR is an online public register that is expected to show the beneficial owners of all corporate entities that operate and invest in Nigeria's extractive industry.

NEITI is also committed to ensuring overall compliance with the EITI Standard on disclosure of beneficial owners of oil companies by ensuring continuous partnership with DPR and CAC to ensure that the real persons who, through their companies, exercise control of the extractive industry in Nigeria are revealed. The NEITI Beneficial ownership portal³⁶ developed in 2019 is a demonstration of this effort.

The recently enacted PIA also provides that a public register of the Beneficial Owners of leases, licenses permits and authorizations issued, be kept by the newly created Nigerian Upstream Petroleum Regulatory Commission (NUPRC).

2.5.3. Beneficial Ownership Data Collected from Covered Companies

A Beneficial Ownership Data template was designed by the IA to collect information from companies. The template was divided into five sections including guidance notes to assist the companies on how to fill the correct and adequate information of their Beneficial Owners.

The Beneficial Ownership Data templates were sent to all the covered companies and only 32 companies provided all the information required in the templates. 11 companies did not provide any information on beneficial ownership while 26 did not provide complete information, most especially the owners (natural persons) of the companies. Most of the companies that submitted BO information provided the required attestation by a senior management officer or senior legal counsel of the company as to the validity of the information provided. Table 18 below shows the companies that did not provide necessary information on Beneficial Ownership while appendix 5 and 6 have more details on BO information submitted by the entities.

Table 18 – List of Companies that did not provide required information on Beneficial Ownership information

S/N	COMPANIES THAT DID NOT PROVIDE ANY INFORMATION ON BO
1	All Grace Energy Ltd.
2	Bilton Energy Ltd.
3	Conoil Producing Ltd.
4	Continental Oil and Gas Company Ltd.
5	Enageed Resources Ltd.
6	Energia Ltd.
7	Equinor Nigeria Energy Company Ltd.
8	Lekoil Oil Ltd
9	Orient Petroleum Ltd.
10	Suntrust Oil Company Nigeria Ltd.
11	Sterling Exploration Limited
S/N	COMPANIES THAT DID NOT PROVIDE INFORMATION REQUIRED ON NATURAL PERSONS
1	Addax Petroleum Development Nigeria Ltd.
2	Addax Petroleum Exploration Nigeria Ltd.
3	Agip Energy And Natural Resources (AENR)
4	Aiteo Eastern E&P Co Ltd.
5	Chevron Nigeria Ltd.
6	Chevron Petroleum Nigeria Ltd.
7	China National Offshore Oil Corporation Ltd
8	Chorus Energy Ltd.
9	Dubri Oil Ltd.

³⁶ NEITI's Beneficial Ownership Portal



10	Elcrest Exploration & Production Nigeria Limited
11	First Hydrocarbon Nigeria
12	Midwestern Oil and Gas
13	Millenium Oil & Gas Limited
14	Neconde Energy Limited
15	Newcross Exploration and Production Limited
16	Nigeria Agip Exoloration(NAE)
17	Nigeria Agip Oil Co Ltd
18	Panocean Oil Nigeria Limited
19	Seplat Petroleum Development Company
20	Shell Nig. Exp &Prod.Co Ltd (SNEPCO)
21	Shell Petroleum Development Company
22	Star Deep Water Petroleum Company
23	Texaco Nigeria Outer Shelf Limited
24	Universal Energy Limited
25	Nexen Petroleum Ltd
26	Yinka Folawiyo Petroleum Ltd

2.6. State Participation

The State-Owned Enterprise (SOE) that was involved in commercial activities in both downstream and upstream sectors of oil and gas and whose activities gave rise to material payments was the Nigerian National Petroleum Corporation (NNPC). The Corporation evolved from the defunct Nigerian National Oil Corporation by the enactment of the NNPC Act 1977. The Act empowered the corporation to engage in all commercial activities relating to the Petroleum industry.

The NNPC is the Nigerian government's representative in the oil and gas industry. It represents the government in Joint Venture (JV), Production Sharing Contract (PSC) agreements and other production arrangements. The Corporation is responsible to the Ministry of Petroleum Resources and participates on behalf of the Federation in the exploration and exploitation of petroleum reserves, processing, import/export and sale of crude oil and products. Related revenue flows with NNPC include crude oil and gas sales.

2.6.1. Legal Framework of NNPC

Section 1 of the NNPC Act³⁷ establishes NNPC as a corporation, which is a body corporate with perpetual succession that can sue and be sued; governed solely by the Act and not the other laws regulating other companies, such as the Companies and Allied Matters Act (CAMA).

Section 5 of the NNPC Act empowers NNPC to engage in all activities of the oil and gas industry in Nigeria from oil exploration to running of fuel stations. More importantly, NNPC is empowered to do anything required for giving effect to the agreements entered into by the Federal Government of Nigeria (FGN), with a view to securing participation by the FGN in the activities connected with petroleum.

The Act gives NNPC financial latitude in discharging its statutory duties of protecting the interests of the FGN in the oil industry. Section 7 provides for the maintenance of a fund by NNPC **into which it may receive money and defray all expenses it incurs during its operations from such fund.**

2.6.2. Operations, Structure and Governance of NNPC

The NNPC is run through its subsidiaries and Strategic Business Units, covering the entire spectrum of Nigeria's oil industry and gas operations: exploration and production, gas development, refining, distribution, petrochemicals, engineering, and commercial investments. The group also has interests in shipping, insurance, medical services and telecommunications.

³⁷ Full Text of the NNPC Act can be found [here](#).



Operations and Structure of NNPC

The NNPC Group operates through its corporate arm and 24 other subsidiaries shown in Table 19 below.

Table 19 - NNPC Subsidiaries

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

Source: NNPC Group Audited Financial Statement 2020



The rules and practices regarding the operations and financial relationships between the government and NNPC are derived from the NNPC Act. As clearly stated above, the NNPC is allowed to engage in all aspects of commercial activities across the oil and gas value chain. All oil and gas upstream assets belonging to the State are held and managed by NNPC through the Corporation's investment arm called The National Petroleum Investment and Management Services (NAPIMS) and the Nigerian Petroleum Development Company (NPDC) Limited, an upstream subsidiary of NNPC.

The NPDC is registered as a separate legal entity unlike NAPIMS, and over the years, the Minister of Petroleum Resources who is empowered by the Petroleum Act has transferred several OMLs previously held by NAPIMS on behalf of the Federation to NPDC for the purpose of building the capacity of the company in the upstream sector of the industry. Major recurring issues with transferred assets have been:

- Below-market price value at which the assets are offered to NPDC, often described by DPR as “Good and Valuable Consideration” (GVC).
- Funding of transferred assets by the Federation even though the proceeds of production has ceased to accrued to the Federation.

NPDC operates like other upstream companies in the sector and enters into and participates in various production arrangements with other companies. The company is also expected to pay taxes and levies as obtainable for upstream companies. NAPIMS, on the other hand, is not a legal entity separate from NNPC but an investment arm of the Corporation. NAPIMS is the custodian and manager of OMLs that are considered as Federation assets. NAPIMS is also the Federation's representative in JVs, where the Federation has equity holdings and pays cash calls (Chapter 7 has details of cash calls).

Another important arm of NNPC is the Crude Oil Marketing Department (COMD). The NNPC-COMD is responsible for the marketing of the Federation Crude for which it issues Official Selling Price (OSP) (recognized as Posted Price by the Petroleum Profit Tax Act). This OSP is usually circulated by NNPC-COMD to producing companies, which they use for the determination of Fiscal Value for PPT. This makes NNPC both a price giver and a price taker.

Governance of NNPC

The Minister of Petroleum Resources is the Chairman of the NNPC Board of Directors and other Board members are either statutorily mentioned in the NNPC Act or appointed by the Council of Ministers as provided by the Act.

Board membership prescribed by the NNPC Act is as follows;

- a. Representative from the Federal Ministry of Finance
- b. The Group Managing Director of the Corporation and
- c. Three persons to be appointed by the National Council of Ministers, being persons who by reason of their ability, experience or specialized knowledge of the oil industry or of business or professional attainments are capable of making useful contributions to the work of the Corporation.

2.6.3. NNPC's Financial Relationships and Transactions

The financial relationship and transactions of NNPC with the government is guided by the provisions of the NNPC Act which empowers NNPC to receive all monies due to the Federation into the Corporation's account and defray all expenses it incurs during its operations from such fund.

The above forms the basis for NNPC's deductions from revenue, of certain expenditures, some of which could be described as quasi-fiscal. These expenditures, as classified by NNPC and reported to Federation Accounts Allocation Committee (FAAC) in 2020, include the following:

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

Other financial provisions in the Act are as follows;

- a. The Corporation is to keep proper accounts and proper records in a form, which shall conform with the best commercial standards.
- b. The Corporation is to produce audited Financial Statements at the end of every year in accordance with the guidelines laid down by the Auditor-General of the Federation.
- c. The auditors shall, on the completion of the audit of the accounts of the Corporation for each financial year, prepare and submit to the Corporation reports setting out-
 - General observations and recommendations of the auditors on the financial affairs of the Corporation for the year and on any important matters which the auditors desire to bring to the notice of the Corporation; and
 - Detailed observations and recommendations of the auditors on all aspects of the operations of the Corporation for that year.
- d. The Corporation shall submit to the National Council of Ministers, not later than three months before the end of each financial year, estimates of its expenditure and income relating to the following financial year.



The Constitution of the Federal republic of Nigeria does not give the Auditor General of the Federation a direct mandate to audit NNPC. It establishes the appointment of the Auditor General to audit public accounts and offices of the Federation but it explicitly excludes the accounts of government statutory corporations such as NNPC from the scope of the Auditor General's mandate.

NNPC in its over forty years of establishment published an audited account for the first time in 2020 (for 2018 and 2019), in line with the EITI requirement 2.6 which expects SOEs to publicly disclose their audited financial statements, or the main financial items (i.e. balance sheet, profit/loss statement, cash flows). The Corporation also declared surplus for the first time in 2020.

2.6.4. Federation Resource Assets Held by NNPC

Joint Ventures (JV)

NNPC represented the Federation in 13 Joint Ventures (JV) with at least 50% equity interest in each joint Venture³⁸. However, Federation's interest in Pan Ocean Oil Company (Nigeria) and Newcross Exploration & Production Limited OML assets were transferred to NPDC on 1 August 2019 and 17 October 2019 respectively which took effect in the 2020 financial year. What this means is that only 11 JVs were under the Federation as at the end of 2020. The JVs operated by Amni International Petroleum Development Company (Amni) and West African Exploration and Production Company Limited (WAEP) did not produce in 2020.

Table 20 – Federation's 2020 Upstream Petroleum Operations Joint Venture Arrangements

OPERATOR	OPL/(OML)	FEDERATION'S INTEREST	
		2020 (%)	2019 (%)
Shell Petroleum Development Company of Nigeria Limited	17, 20, 21, 22, 23, 25, 27, 28, 31, 32, 33, 35, 36, 43, 45, 4674, 77, 79	55	55
Chevron Nigeria Limited	49, 51, 89, 91, 86, 88, 90, 95	60	60
Total E&P Nigeria Limited	99, 100, 102, 58	60	60
Mobil producing Nigeria Unlimited	104, 67, 68, 70	60	60
Aiteo Exploration and Production Limited	29	55	55
Eroton Exploration and Production Company Limited	18	55	55
First E & P Development Company Limited	83, 85	60	60
Seplat Petroleum Development Company	53	60	60
West African Exploration and Production Company Limited	71, 72	55	55
Amni International Petroleum Development Company	52	60	60
Belema Oil Producing Limited	55	60	60
Newcross Exploration and Production Limited			55
Pan Ocean Oil Company (Nigeria)			60

Source: NAPIMS 2020 Audited Financial Statement

Production Sharing Contracts (PSCs)

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

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

In 2020, 12 of the PSC blocks made production while 17 blocks did not produce. There were also 7 inactive blocks. Tables 21, 22 and 23 below show companies under each classification.

Table 21 - Producing PSC Blocks

S/N	CONTRACTOR	OPL/(OML)	Date of First Oil	Expiry Date
1	Addax Petroleum Development (Nigeria) Limited – (Antan)	OPLs 98/118 (OMLs 123/124)	1998	2028
2	Nigerian Agip Exploration (Nigeria) Limited - (Abo)	OPL 316 (OML125)	2003	2023

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3	Addax Petroleum Exploration (Nigeria) Limited – (Okwori)	OPLs 90/225 (OMLs 126/137)	2005	2028
4	Shell Nigeria Exploration and Production Company – (Bonga)	OPL 212 (OML 118)	2005	2023
5	Esso Exploration and Production Nigeria Limited (Erha)	OPL 209 (OML 133)	2006	2023
6	Star Deep Water Petroleum Limited – (Agbami Unit)	OPLs 216/217 (OMLs 127/128)	2008	2038
7	Total Upstream Nigeria Limited (Akpo)	OPL 246(OML 130)	2009	2025
8	Sterling Global Oil Resources Limited – (okwuibome)	OPL 280 (143)	2012	2032
9	Essa Exploration and Production Nigeria Limited (Usan)	OPL 222 (OML 138)	2012	2036
10	Enageed Resources Limited	OPL 274 (Unit Area) (OML 148)	2017	2035
11	Sterling Global Oil Resources Limited – (Agu)	OPL 277 (OML 146)	2018	2031
12	Pan Ocean Oil Corporation – (Obi Anyima)	OPL 275 (OML 147)	2019	2033

Source: NAPIMS 2020 Audited Financial Statement

Table 22 - Non-producing PSC Blocks

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

Source: NAPIMS 2020 Audited Financial Statement

Table 23 - Inactive Producing PSC Blocks

S/N	Contractor	OPL/(OML)	Contract Year
1	GEC Petroleum Development Company Limited (GPDC)	OPL 2009	2008
2	GEC Petroleum Development Company Limited (GPDC)	OPL 2010	2008
3	Nigerian Agip Oil Company (NAOC)	OPL 135	2006



4	Nigerian Agip Oil Company (NAOC)	OPL 282	2006
5	Nigerian Agip Exploration (NAE)	OPL 211 (OML 134)	1993
6	Monipulo Limited	OPL 231	2011
7	Essa Exploration and Production Limited	OPL 226	2006

Table 13 - List of Producing PSC Blocks

Source: NAPIMS 2020 Audited Financial Statement

S/N	CONTRACTOR	OPL/(OML)	Date of First Oil	Expiry Date
1	Addax Petroleum Development (Nigeria) Limited – (Antan)	OPLs 98/118 (OMLs 123/124)	1998	2028
2	Nigerian Agip Exploration (Nigeria) Limited - (Abo)	OPL 316 (OML 125)	2003	2023
3	Addax Petroleum Exploration (Nigeria) Limited - (Okwen)	OPLs 90/225 (OMLs 120/107)	2005	2028

Carry Agreements or Alternative Funding Agreements

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

Table 24 - Carry agreements between NAPIMS and some of its partners in the JOAs

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

Source: NAPIMS 2020 Audited Financial Statement

Modified Carry Agreement (MCA)

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

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

2.7. Observations, Findings and Recommendations

Observations and Findings

The audit revealed the existence of 61 Oil-Prospecting Licenses and 110 Oil Mining Leases (see Appendix 4). It was observed that majority of oil companies in Nigeria exhibit complex structures that shield the identity of their real owners. Identifying the natural persons behind the companies which is the objective of beneficial ownership disclosure, is still challenging.

Recommendations

NUPRC and NEITI should ensure compliance with the provisions of the PIA which has made full disclosures of existing contracts, licenses and leases mandatory. The PIA provides that a public register of the Beneficial Owners of leases, licenses permits and authorizations issued, be kept and made available by the NUPRC. NEITI should also encourage CAC to speed up the establishment of the BO register in line with Nigeria's commitment to BO disclosure.





03

Exploration, Production and Export

3.1.	Exploration	59
3.2.	Production and Exports	60
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Oil exploration and field development in Nigeria commenced in 1937 and has made continuous progress over the years. The oil and gas value chain encompass Exploration and Production (E&P) of oil and gas, transportation, and storage, refining and marketing of oil, processing, and marketing of gas, as well as related activities such as oilfield services and petrochemicals.

According to OPEC 2020 data published in OPEC Annual Statistical Bulletin 2021, Nigeria had the largest gas reserves and second largest (behind Libya) oil reserves in the African region, with around 37 billion barrels of crude oil (36.910 billion) and 5.8 trillion cubic meters of gas (5.750 trillion). Some of the major players in Exploration and Production activities in Nigeria include, the NNPC, Royal Dutch Shell Plc, Total Energies Nigeria, Chevron Corporation and Exxon Mobil Corporation.

3.1. Exploration

Exploration involves the process of searching for hydrocarbon resources beneath the earth's surface using technological processes such as acquiring seismic data and drilling of exploration wells.

According to NNPC, a total of 81 wells were drilled in 2020: 76 Development wells and 5 Exploratory wells. Exploration activities in 2020 were negatively affected by the COVID-19 pandemic that ravaged the world³⁹. Table 25 gives a summary of drilling activities during the year.

Table 25 - Breakdown of Exploration & Drilling Activities

2020	Exploration	Development	Drilling Rigs
Oil	2	66	49
Gas	0	6	0
Dry Hole	0	0	0
Others	3	4	0
Total	5	76	49

Source: NNPC 2020 Annual Statistical Bulletin

3.2. Production and Exports

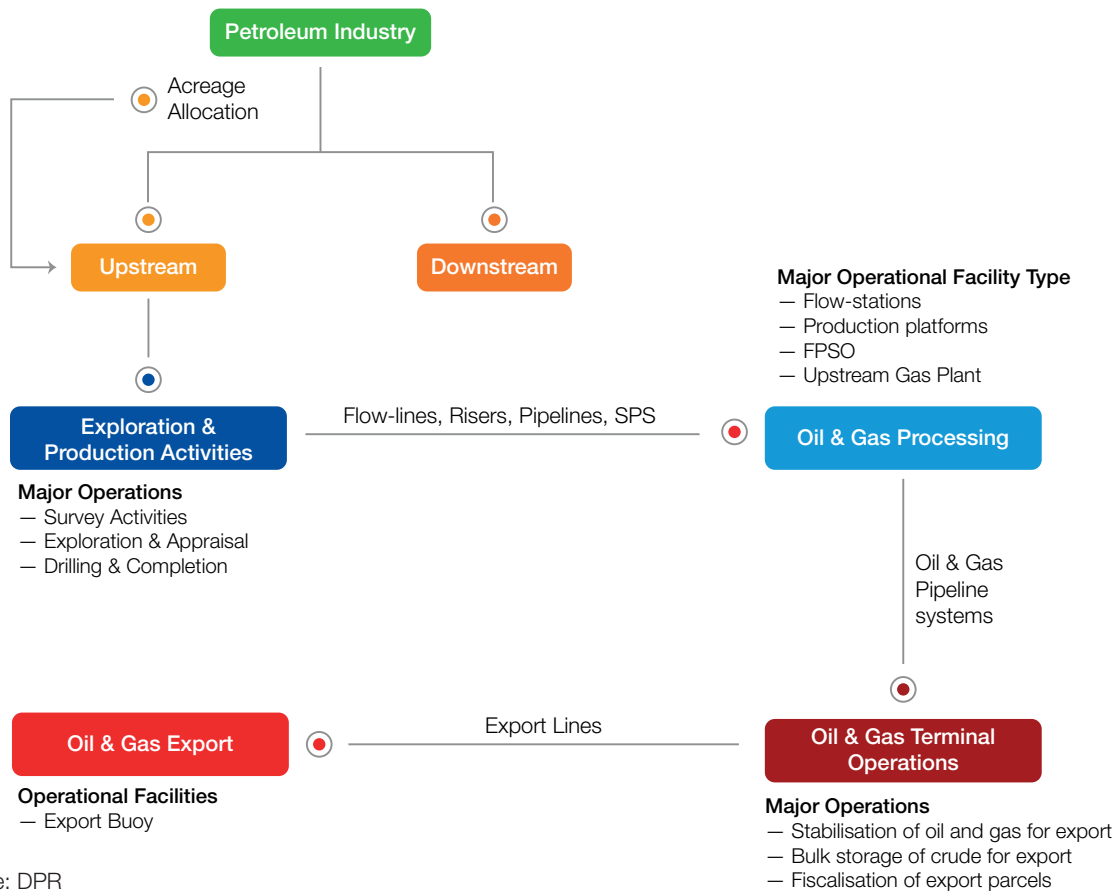
Production as defined by DPR and in accordance with the law is “the safe withdrawal of hydrocarbon from the subsurface in accordance with technical and conservation considerations so as to minimize waste and ensure optimum recovery”. The nations production is typically measured in barrels (volume) and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

DPR was responsible for the regulation and monitoring of oil and gas activities from exploration, through production and exports from the terminals. Figure 5 below shows the major field operation activities between exploration, production and export.

³⁹ NNPC 2020 Annual Statistical Bulletin. Link can be found [here](#).



Figure 5 - Flow of Production to Exports



Source: DPR

Production Arrangements

Production in the year was carried out under the Joint Venture (JV) arrangement, Production Sharing Contract (PSC), Sole Risk (SR), Service Contract (SC), and the Marginal Fields (MF). Production was also recorded through the Modified Carried Agreement (MCA) and Repayment Agreements which was structured for offsetting Cash-Call legacy liabilities. See section 3.2 for full description of all the arrangements.

Joint Development Zone (JDZ)

In addition to the national production arrangements mentioned above, Nigeria also operates a unitized zone with Sao Tome and Principe referred to as the JDZ. The zone lies approximately 200km offshore Nigeria, where large petroleum discoveries have been made. There has been a bilateral treaty between the two countries since 2001 to administer production from the zone, through the institution of the Joint Development Authority (JDA). There was no significant exploration, no production and export activities for the zone in 2020. The only revenue received was the sum of US\$588,000 from Total E&P Limited and Esso Nigeria-STP (Upstream) Limited as Consession Rentals. See Appendix 13 for more details.

3.2.1. Crude Oil Production and Exports

The total volumes of oil and gas production for 2020 were extracted from the DPR Sign-off documents. This document is signed by the production company, DPR and NNPC following the yearly reconciliation of production figures. For oil production, the figures used were fiscalised production which is derived by subtracting crude loses such as measurement errors, theft and sabotage from the metered production at flow station. The fiscalised production figures include both crude oil and condensates.

The total fiscalised crude oil production for 2020 was 646.79mmbbls. This is a 12.03% reduction from the volume produced in 2019 which was 735.24mmbbls. Table 26 below compares the production volume by production arrangement for years 2019 and 2020.

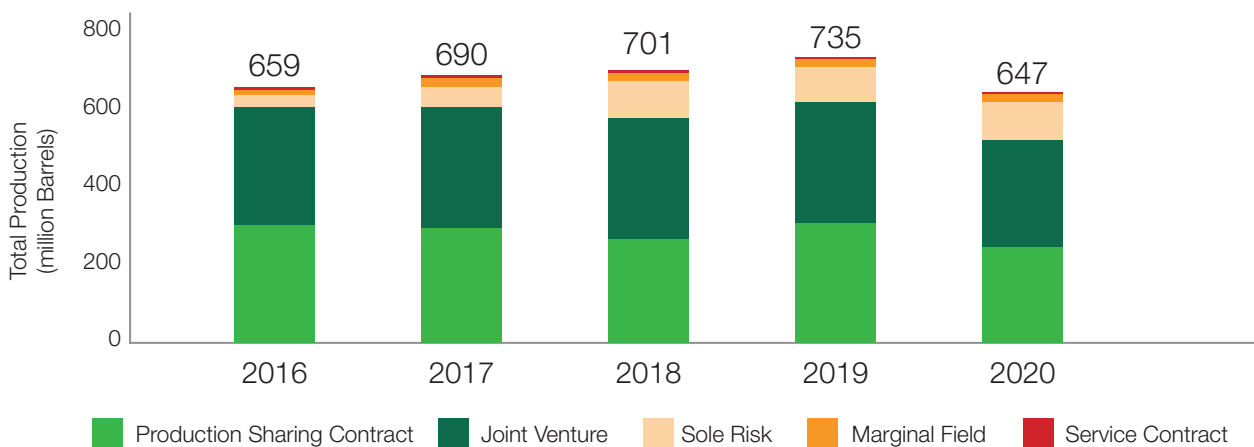


Table 26 - Total Fiscalised Crude Oil Production

Descriptions	2020	2019	Change
	mmbbls	mmbbls	%
Joint Venture (JV) - Includes MCA and RA	271,418.16	310,284.88	-12.53%
Production Sharing Contract (PSC)	253,781.76	312,041.61	-18.77%
Service Contract (SC)	1,099.73	1,330.61	-17.35%
Sole Risk (SR)	99,839.56	89,824.41	11.15%
Marginal Field (MF)	20,648.23	21,762.64	-5.12%
Total Production	646,787.44	735,244.15	-12.03%

Source: DPR Sign-Off Report and NEITI 2019 Audit Report

As figure 6 reveals, the production figure of 646.79 mmbbls in 2020 was the lowest when compared with the figures recorded in the previous four years. This is followed by year 2016 with a production figure of 659 mmbbls while 2019 had the highest production figure of 735.24 mmbbls.

Figure 6: A Five-Year Trend of Crude Oil Production in Nigeria (2016 - 2020)

34 DPR defines measurement error as losses due to application of estimated meter Factor, non-application of volume Correction Factor (VCF) and/or improper determination of Base Sediment & Water (BS&W)

Table 27 - 2020 Total Monthly Crude Oil Production by Production Arrangement

Month	Total Production	Average Production Per Day	JV	RA	MCA	PSC	SC	SR	MF
	mbbls	mbbls	mbbls	mbbls	Mbbls	mbbls	mbbls	mbbls	mbbls
January	63,889.82	2,060.96	21,645.64	2,258.40	3,149.11	26,559.50	95.72	8,464.15	1,717.30
February	60,003.31	2,069.08	19,872.86	2,169.46	3,158.59	24,775.71	90.05	8,346.70	1,589.95
March	63,664.32	2,053.69	22,361.12	2,316.43	3,286.34	25,413.22	87.27	8,463.79	1,736.16
April	61,038.24	2,034.61	20,599.13	2,470.78	3,177.29	23,872.00	87.09	9,141.14	1,690.81
May	53,910.11	1,739.04	17,481.67	2,570.29	2,215.71	20,269.54	92.20	9,292.44	1,988.26
June	50,166.45	1,672.21	17,504.55	2,399.06	2,000.44	18,369.03	92.44	8,173.24	1,627.68
July	51,323.92	1,655.61	16,873.43	2,015.99	2,521.39	19,111.87	95.86	8,888.94	1,816.44
August	51,342.80	1,656.22	16,725.08	2,061.38	2,673.32	19,883.14	95.20	8,241.21	1,663.46
September	47,964.66	1,598.82	15,362.88	1,832.40	2,438.03	18,081.18	91.53	8,436.02	1,722.61
October	50,400.55	1,625.82	16,334.69	2,015.84	2,616.85	19,290.68	98.98	8,220.52	1,822.99
November	48,410.51	1,561.63	16,526.34	2,016.77	2,367.06	18,912.11	89.18	6,942.62	1,556.42
December	44,672.76	1,441.06	13,549.16	1,664.27	1,186.42	19,243.77	84.20	7,228.78	1,716.15
Total	646,787.44		214,836.54	25,791.08	30,790.54	253,781.76	1,099.73	99,839.56	20,648.23
Percentage of Contribution			33.22%	3.99%	4.76%	39.24%	0.17%	15.44%	3.19%

Source: DPR 2020 signed-off Report



From the Table 27 above, the PSC arrangement (253.78 mmbbls) was the largest contributor to total crude production for the year 2020, accounting for up to 39.24%. The JV arrangement contributed 33.22% (214.84 mmbbls) while sole risk contributed 15.44% (99.83 mmbbls). Additionally, MCA contributed 4.76% (30.80 mmbbls), RA was 3.99% (25.79 mmbbls) and the marginal field was 3.19% (20.64 mmbbls). The highest production volume of 63.89 mmbbls (9.80%) took place in January while December had the lowest production volume with 44.67 mmbbls (6.90%).

Table 28 - Fiscalised Crude Oil Production by Terminal, Stream and Percentage Contribution

2020 Ranking	Terminal	Terminal Operator	Stream (Crude Type)	2020		2019		Year-on
				Annual	Contribution	Annual	Contribution	-year change
				Total		Total		
				mmbbls ('000)	%	mmbbls ('000)	%	%
				a		b		$c=(a-b)/b$ *100
1	Forcados	SPDC	Forcados Blend	85,671.34	13.25%	78,827.26	10.72%	8.68%
2	Bonny	SPDC	Bonny Light	73,423.94	11.35%	81,626.43	11.10%	-10.05%
3	QIT	Mobil	Qua Ibo Light	68,592.99	10.61%	81,629.27	11.10%	-15.97%
4	Egina	TUPNI	Egina	56,374.02	10.61%	61,015.38	8.30%	-7.61%
5	Escravos	Chevron	Escravos Blend	54,774.19	10.61%	58,646.38	7.98%	-6.60%
6	Agbami	Star Deep	Agbami	52,450.33	10.61%	64,821.61	8.82%	-19.09%
7	Bonga	SNEPCO	Bonga	43,007.05	10.61%	59,910.20	8.15%	-28.21%
8	Akpo	TUPNI	Akpo	35,603.96	10.61%	35,818.31	4.87%	-0.60%
9	Brass	NAOC	Brass Blend	32,231.85	10.61%	31,861.72	4.33%	1.16%
10	Odudu	TEPNG	Amenam Blend	28,803.65	10.61%	33,346.47	4.54%	-13.62%
11	Erha	Mobil	Erha	23,602.85	10.61%	35,397.57	4.81%	-33.32%
12	Usan	Mobil	Usan	13,612.31	10.61%	22,812.80	3.10%	-40.33%
13	Tulja	SEEPCO / SGORL	Okwibome	13,224.35	10.61%	13,421.43	1.83%	-1.47%
14	EA (Sea Eagle)	SPDC	EA	9,541.83	10.61%	6,198.09	0.84%	53.95%
15	Ugo	Neconde	Ugo Ocha	9,637.47	10.61%	11,573.72	1.57%	-16.73%
16	Yoho	Mobil	Yoho	9,201.33	10.61%	12,654.82	1.72%	-27.29%
17	Antan	Addax	Antan Blend	6,172.00	10.61%	7,324.19	1.00%	-15.73%
18	Abo	NAE	Abo	5,793.19	10.61%	7,056.92	0.96%	-17.91%
19	Okoro	Amni	Okoro	5,433.23	10.61%	6,210.07	0.84%	-12.51%
20	Okono	NPDC	Okono	4,987.62	10.61%	5,934.91	0.81%	-15.96%
21	Ebok	Oriental Energy	Ebok	4,711.792	10.61%	6,013.32	0.82%	-21.64%
22	Pennington	Chevron	Pennington Light	4,290.221	10.61%	6,963.59	0.95%	-38.39%
23	Otakikpo	Green Energy	Otakikpo	1,834.49	10.61%	1,899.17	0.26%	-3.41%
24	Okwori	Addax	Okwori Blend	1,429.378	10.61%	2,417.28	0.33%	-40.87%
25	Anyala Madu	First E&P	CJ Blend	722.048	10.61%	0	0.00%	100.00%



26	Aje	Yinka Folawiyo	Aje	689.096	10.61%	880.89	0.12%	-21.77%
27	Ajapa	Brittania- U	Ajapa	596.35	10.61%	287.59	0.04%	107.36%
28	Ubima	All Grace	Ubima Blend	374.574	10.61%	10.43	0.00%	3491.31%
29	Ukpokiti	Express/ Sheba	Ukpokiti	0	10.61%	502.43	0.07%	-100.00%
30	Ima	Amni	Ima	0	10.61%	181.92	0.02%	-100.00%
	Total			646,787.44	10.61%	735,244.17	100.00%	-12.03%

Source: DPR 2020 signed-off Report

Forcados and Bonny terminals which were operated by SPDC contributed the most to total crude production in 2020 with production figures of 85,671.34 mbbbls and 73,423.94 mbbbls respectively. Together, the two terminals contributed 24.60 % of total. Qua Iboe Terminal (QIT) operated by Mobil followed closely behind with production of 68,592.99 mbbbls representing 10.65% of total crude production. The remaining terminals each contributed less than 10% of the total with Atan, Abo, Okoro, Okono, Ebok, Penington, Otakikpo, okwori, Anyala Madu, Aje, Ajapa and Ubima each producing less than 1%.

Further disaggregation of oil and gas production and lifting by project (OMLs) and by region can be found in Appendix 18.

3.2.1.1. Federation Entitlement to Crude Production from JV Arrangement

The Federation, through the NNPC is entitled to share of crude in the JV production arrangements. This share is based on equity injection and the contract entered into by the NNPC with the production companies. As of 2020, the total crude entitlement to the Federation from JV productions was 158.12 mmbbls. Of this amount, Mobil JV was the largest contributor with 45.67 mmbbls while First E&P JV contributed the least with 0.43 mmbbls. Table 29 below shows Federation entitlement from JV production arrangements including companies shares.

Table 29 - Federation Entitlement from JV Production Arrangement

	TOTAL PRODUCTION		NNPC EQUITY	NNPC SHARE		COMPANY EQUITY	COMPANY SHARE		
	mbbls	mbbls	%	mbbls		mbbls	%	mbbls	mbbls
	2020	2019		2020		2019		2020	2019
AITEO	9,637.53	11,092.17	55%	5,300.64	6,100.69	45%	4,336.89	4,991.48	
BELEMA OIL	1,913.29	2,094.98	60%	1,147.97	1,256.99	40%	765.32	837.99	
CHEVRON	55,816.14	60,441.53	60%	33,489.68	36,264.92	40%	22,326.46	24,176.61	
EROTON	7,624.21	10,667.86	55%	4,193.32	5,867.32	45%	3,430.89	4,800.54	
FIRST E&P	722.05	-	60%	433.23	-	40%	288.82	-	
MOBIL (MPNU)	76,119.30	92,704.88	60%	45,671.58	55,622.93	40%	30,447.72	37,081.95	
NAOC	5,328.85	5,949.76	60%	3,197.31	3,569.86	40%	2,131.54	2,379.90	
NEWCROSS E & P	-	6,105.13	55%	-	3,357.82	45%	-	2,747.31	
POOC	-	469.73	60%	-	281.84	40%	-	187.89	
SEPLAT	2,066.59	1,393.81	60%	1,239.95	836.29	40%	826.64	557.52	
SPDC	77,321.30	78,253.68	55%	42,526.72	43,039.52	45%	34,794.59	35,214.16	
TEPNG	34,868.88	41,111.35	60%	20,921.33	24,666.81	40%	13,947.55	16,444.54	
GRAND TOTAL	271,418.14	310,284.88		158,121.73	180,864.98		113,296.41	129,419.89	

Source: DPR 2020 signed-off Report || NEITI 2019 Report NNPC 2020 || Annual Production and Lifting Report

3.2.1.2. Crude Oil Losses and Deferment

Crude oil losses occur as a result of theft, sabotage and metering error, which leads to reduction in the total volume of fiscalised crude production for a period of time. Deferment on the other hand, is the stoppage in production as a result of scheduled and unscheduled repairs and maintenances or pipeline breaks/leaks, poor equipment performance etc. Table 30 below compares fiscalised production and unilaterally disclosed crude oil losses suffered by some companies in 2020.



Table 30 - Crude Oil Losses

	Company	Fiscalized Production	Metering Error	% Of Metering To Fiscalized Production	Crude Loss (Theft & Sabotage)	% Of Crude Loss (Theft & Sabotage) To Fiscalized Production
S/N		bbls	bbls	%	bbls	%
1	AITEO	9,637,534	1,852,100	19.22%	2,804,450	29.10%
2	BELEMAOIL	1,913,287	68,297	3.57%	561,976	29.37%
3	CNL	55,816,143	-	0.00%	2,441,651	4.37%
4	EROTON	7,624,210	599,390	7.86%	2,477,375	32.49%
5	NAOC JV	5,328,852	-	0.00%	1,308,707	24.56%
6	NEWCROSS E&P	6,330,100	962,449	15.20%	2,035,483	32.16%
7	SEPLAT	2,066,593	26,511	1.28%	310,219	15.01%
8	SPDC	77,321,309	8,595,145	11.12%	20,889,461	27.02%
9	TEPNG	34,868,878	104,529	0.30%	1,118,791	3.21%
10	APDNL	3,052,295	-	0.00%	81,264	2.66%
11	NPDC ELCREST	5,884,884	55,381	0.94%	438,138	7.45%
12	NPDC FHN	3,706,795	-	0.00%	381,333	10.29%
13	NPDC WESTERN	4,918,618	206,143	4.19%	501,691	10.20%
14	NPDC NECONDE	9,953,417	1,206,242	12.12%	35,365	0.36%
15	NPDC OML 65	1,817,956	96,962	5.33%	189,044	10.40%
16	NPDC OML 98	833,494	-	0.00%	82,721	9.92%
17	NPDC SEPLAT	15,746,087	-	0.00%	1,654,538	10.51%
18	NPDC SHORELINE	11,306,773	120,787	1.07%	1,214,241	10.74%
19	PANOCEAN	915,899	-	0.00%	95,015	10.37%
20	EXCEL	293,379	-	0.00%	19,777	6.74%
21	PLATFORM	287,915	-	0.00%	79,512	27.62%
22	WALTERSMT	2,433,261	-	0.00%	442,084	18.17%
	Total	259,005,384	13,893,936	5.36%	39,162,836	15.12%

Source: NEITI 2020 Audit Template

The table above implies that total production in 2020 could have been higher by 39.16 mmbbl without the theft and sabotage. However, not all companies suffer crude losses. Usually, crude losses are suffered by companies who transport their products through pipelines where it is susceptible to sabotage. For the companies that suffer crude losses, it means their total fiscalised crude oil production for the year could have been higher by the volume of crude loss. Twenty-two (22) companies reported crude losses from theft and sabotage amounting to 39.16 mmbbls and this translates to US\$ 1.63Billion at the average price of Federation equity crude of US\$41.65/barrel in 2020. This is 15.12 % of total fiscalised production of the 22 companies and 6.10% of total fiscalised production for the year.



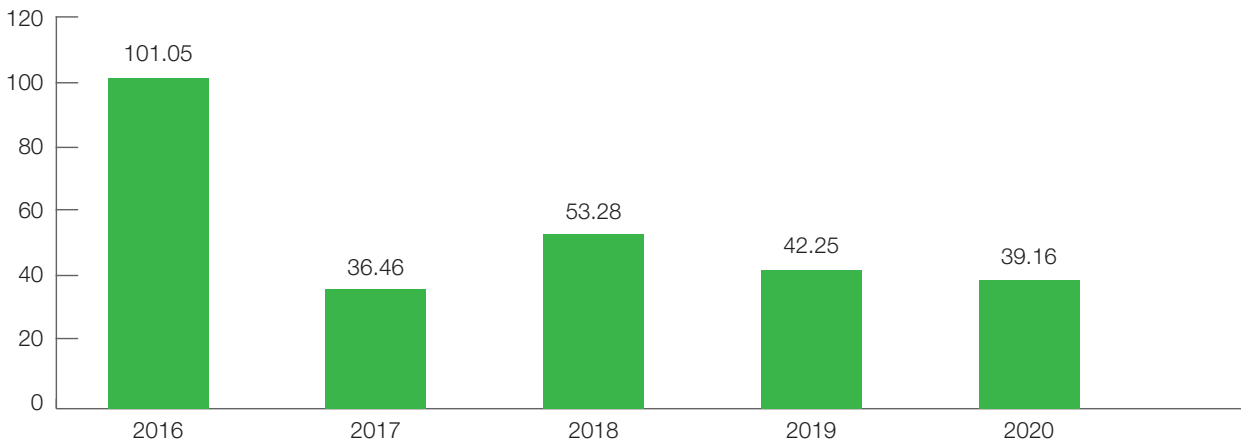
Figure 7 - A five-year trend of crude oil Losses in Nigeria (2016 - 2020)

Figure 7 above shows a five (5) year trend in crude losses. The drop in crude oil losses due to theft and sabotage between 2019 and 2020 is generally due to the drop in crude oil production during this period.

The following are some key unplanned events that contributed to the total crude oil losses in 2020:

1. Batan Flow stations at Forcados terminal was shut down in November and December (for 31 days) due to Pontoon gas generator failure and protest by community over outstanding payments respectively. Also, all flow stations in OML 30 shutdown due to community workers' protests over unpaid salaries and Opuama flow stations shutdown due to reported leaks on Trans Escravos Pipeline. The cumulative loss over 30 days in November was 816,400bbls⁴¹.
2. Addax & Seplat shut-in production due to sabotage on Izombe – Ebocha line in November 2020. Equally Platform stopped delivery into NAOC facility with shut-in of 10kbd and declared Force Majeure as a result of dynamite attack that affected 2 major trunk lines (18" Obama – Brass and Tebidaba – Brass lines) with production loss of 30kbd. Combine loss in production was 605,000 bbls⁴².
3. SPDC declared Force Majeure on 6th April following the shutdown of Trans Forcados Pipeline (TFP) April due to 2 leak points at Eweresigbene and Odidi which require sectional replacement of the line. Shut-in was for 9 days with total loss of 1,620,000 barrels⁴³.
4. At Okwori terminal, a well shut-in occurred in May for 30 days due to fire outbreak at diesel generator compartment; resulting in total power black-out and eventual shutdown of the process plant with aggregate loss of 240,000 bbls⁴⁴.
5. Jones Creek flow station at Ugo Ocha terminal was manually shut down in June due to leak on the trunk line. The flow station was again shut down in July due to low level in surge vessel and protest by surveillance personnel over non-payment of salaries. Odidi flow station shut down on July due to protest from communities. Cumulative loss of production for the period is 320,000 barrels⁴⁵.
6. In Qua Iboe Terminal, production shutdown due to fire incident in December. Cumulative loss of production within the period was 3,440,000bbls⁴⁶.

Among the key events above, fire outbreaks and protests by community workers contributed a large percentage to the cumulative loss of production in 2020. We recommend that action be taken to prevent repeated fire outbreaks. In addition, companies should ensure that community workers are paid promptly to avoid shutdowns due to protests.

Total Deferred crude production for 2020 as unilaterally disclosed by companies was 72.70 mmbbls. This is 32% higher than the previous years deferred crude production of 55.00 mmbbls. In addition to repairs and maintenance, the other reasons for the relatively higher deferred production figure can be attributed to the COVID-19 lockdown that occurred in early 2020. A total of 17 companies populated the deferred production template with SNEPCO having the highest contribution (24.55%) and Chorus the least contribution (0.01%).

41 NNPC Monthly Financial and Operations Report December 2020. The report can be found [here](#).

42 NNPC Monthly Financial and Operations Report December 2020. The report can be found [here](#).

43 NNPC Monthly Financial and Operations Report May 2020. Full report can be found [here](#).

44 NNPC Monthly Financial and Operations Report July 2020. Full report [here](#).

45 NNPC Monthly Financial and Operations Report August 2020. Full report [here](#).

46 NNPC Monthly Financial and Operations Report January 2021. Full report [here](#).

Table 31 - 2020 Crude Oil Production Deferments

Ranking	Company	Deferred Production bbls	Contribution %
1	SNEPCO	17,845,426	24.55%
2	CNL	12,183,669	16.76%
3	NAOC	11,179,088	15.38%
4	SPDC	11,001,135	15.13%
5	NPDC SEPLAT	7,400,872	10.18%
6	NEWCROSS E & P	4,152,353	5.71%
10	APENL	2,268,599	3.12%
7	CONTINENTAL	2,164,593	2.98%
8	SEPLAT	1,336,608	1.84%
11	NPDC FHN	1,248,758	1.72%
12	ENERGIA	965,893	1.33%
13	AITEO	469,716	0.65%
14	ORIENTAL	264,542	0.36%
9	APDNL	143,752	0.20%
15	CONSOLIDATED	44,210	0.06%
16	WALTERSMT	24,342	0.03%
17	CHORUS	5,115	0.01%
	TOTAL	72,698,671	100.00%

Source: NEITI 2020 Audit Template

3.2.1.3. Crude Oil Lifting

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

Crude Oil Lifting by All Parties in the Upstream Sector

Total crude lifting for the year was 648.48 mmbbls. This was 11.85% lower than the volume lifted in 2019. Closing stock as at end of 2020 was 15,013.22mmbbls.

Table 32 -Total Crude Oil Lifting

Description	2020	2019	Change
	mmbbls	mmbbls	%
Opening stock	16,709.42	17,126.12	-2.43%
Total production for the year	646,787.44	735,244.15	-12.03%
Total stock available for lifting (A)	663,366.72	752,370.27	-11.83%
NNPC Lifting			
Export Lifting:			
Joint Venture operator	56,719.76	83,077.73	-31.73%



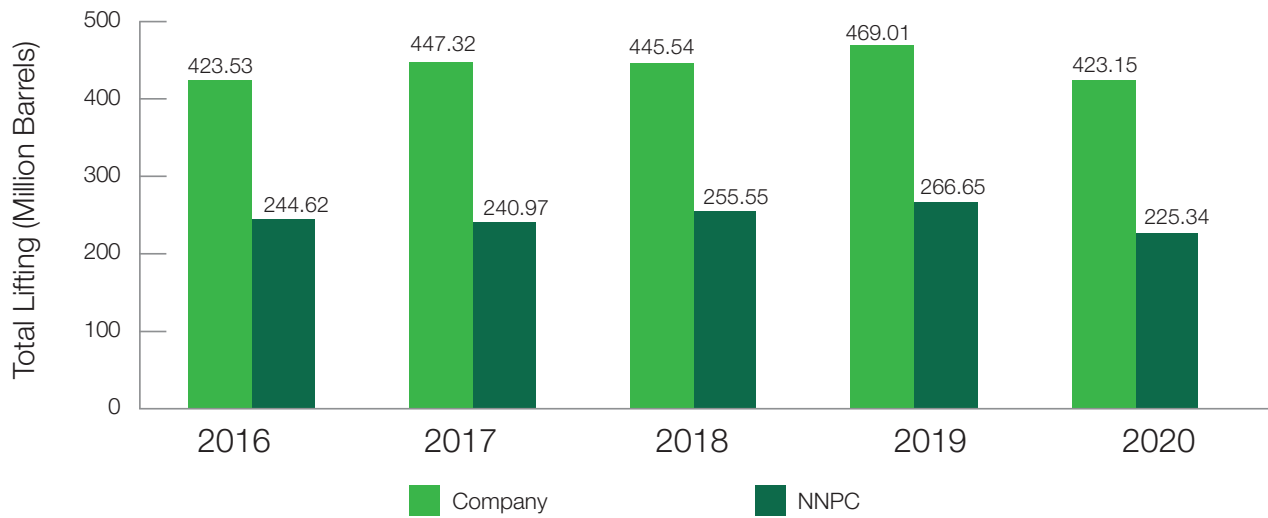
Production Sharing Contract	60,539.69	74,982.16	-19.26%
Marginal Field Operators	230.00	464.78	-50.51%
Service Contract	100.00	886.36	-88.72%
Subtotal - Export - (B)	117,589.45	159,411.03	-26.24%
Domestic Lifting (Refinery & DSDP)			
Joint Venture	103,941.87	98,530.30	5.49%
Production Sharing Contract	3,744.45	8,709.13	-57.01%
Marginal Field	60.00	-	
Subtotal -Refinery & DSDP - (C)	107,746.33	107,239.43	0.47%
Total - NNPC Lifting - (D= B + C)	225,335.78	266,650.46	-15.49%
Company Lifting			
Joint Venture	117,793.03	122,863.12	-4.13%
Production Sharing Contract	191,892.21	227,977.15	-15.83%
Sole Risk	94,801.40	95,814.30	-1.06%
Marginal Field	18,661.22	21,855.82	-14.62%
Service Contract	-	500.00	-100.00%
Total- Company Lifting- (E)	423,147.86	469,010.39	-9.78%
Total Crude Oil lifting - (F= D + E)	648,483.64	735,660.85	-11.85%
Closing stock - (G = A - F)	15,013.22	16,709.42	-10.15%

Source: NEITI 2020 Templates and DPR 2020 Signed off Reports



For the year 2020, the Federation through the NNPC lifted a total of 225.34 mmbbls while companies lifted 423.15 mmbbls.

Figure 8 - Five Year Trend of Crude Oil Lifting



Out of the 648.484 mmbbls of crude oil lifted in 2020, PSC arrangement had the highest share of lifting with 256.17 mmbbls followed by the JV arrangement with 225 mmbbls. SC had the lowest share of 0.1 mmbbls.



Table 33 2020 Total Monthly Crude Oil Lifting by Arrangement

MONTH	TOTAL	JOINT VENTURE (JV)			AF (CARRY/MCA/ TPF)			P S C			SERVICE CONTRACT (SC)			INDE-PENDENT	MARGINAL FIELDS	
		NNPC	COMPANIES	Mbbls	NNPC	COMPANIES	Mbbls	NNPC	COMPANIES	Mbbls	NNPC	COMPANIES	Mbbls		NNPC	COMPANIES
	mbbls	Mbbls	Mbbls	Mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls	mbbls
JAN	60,756,35	13,527.88	9,993,46	3,783.74	2,252.42	7,001.92	17,722.38	0.00	0.00	4,389.18	100.00	1,985.38				
FEB	60,272,35	9,273.64	9,569,05	3,155.10	2,284.35	8,385.91	18,345.07	100.00	0.00	7,269.00	0.00	1,890.23				
MAR	62,243,14	13,682.19	6,566,35	2,422.94	1,481.97	6,685.29	18,546.39	0.00	0.00	10,799.65	0.00	2,058.36				
APR	62,617,02	16,069,63	7,620,08	3,784.12	2,303.42	5,582.14	19,482,08	0.00	0.00	6,582,60	0.00	1,242,95				
MAY	56,123,94	13,091.19	7,403,02	2,462.75	832.52	4,967,88	15,141,07	0.00	0.00	10,196,23	130,00	1,899,27				
JUN	47,587,83	6,032,59	11,703,93	2,666,54	1,958,96	4,539,84	11,698,04	0.00	0.00	7,645,28	20,00	1,322,65				
JUL	53,245,94	9,917,02	10,012,56	3,264,89	1,751,69	2,589,39	17,057,26	0.00	0.00	6,912,67	20,00	1,720,46				
AUG	46,671,11	7,831,68	2,772,54	2,938,91	1,066,83	6,028,62	14,390,37	0.00	0.00	10,940,96	0.00	701,21				
SEP	47,668,98	6,753,56	9,775,06	1,986,39	1,891,12	2,321,82	15,831,79	0.00	0.00	7,275,12	0.00	1,834,13				
OCT	54,731,13	13,170,85	9,150,50	2,155,11	1,207,61	4,279,72	15,371,64	0.00	0.00	8,126,25	20,00	1,249,46				
NOV	50,369,27	10,304,08	7,728,86	3,001,96	1,688,07	7,774,25	12,176,29	0.00	0.00	6,750,40	0.00	945,38				
DEC	46,196,57	7,689,77	6,106,88	1,695,12	671,77	4,127,37	16,129,84	0.00	0.00	7,964,09	0.00	1,811,74				
TOTAL	648,483,64	127,344,07	98,402,30	33,317,56	19,390,72	64,284,14	191,892,2	100,00	0,00	94,801,42	290,00	18,661,22				

Source: NETTI 2020 Templates and DPR 2020 Signed off Reports



Crude Oil Lifting and Sales By NNPC

The Federation of Nigeria is entitled to Oil and Gas revenue from its participation in various production arrangements in the Upstream Sector of the petroleum industry. These arrangements have been explained here.

Crude oil and gas are normally allocated to the Federation from Joint Venture operations through the NNPC in accordance with the Federation's equity share or participatory interests in each of the Joint Venture operations. The Federation is also entitled to crude oil and gas from In-Kind payments for Royalty and Petroleum Profits Tax (PPT) as well as Profit Oil from Production Sharing Contract (PSC) operations in the country. Furthermore, Oil and Gas Revenue is derived by the Federation from residual crude oil and gas production from JV fields under certain Alternative Funding arrangements such as Third-Party Financing arrangements and Modified Carry Agreement (MCAs).

The NNPC-COMD is saddled with the responsibilities of lifting, marketing and sale of all Government crude oil and gas entitlements on behalf of the Federation from the various production arrangements and also on behalf of the NPDC.

The proceeds from the sale of all liftings (except those meant for NPDC accounts) are deposited into transitional bank accounts (JP Morgan Chase, JV Proceeds Account, CBN Domestic Sales Naira Account, FIRS and DPR designated bank accounts). These are subsequently transferred to JV Cash-Call, other third parties (escrow) account and the Federation Account.

The Third-Party finance lifting are Crude Oil and Gas lifting from fields that are financed using alternative finance/loan facility which require the servicing of debt obligations before remitting the balance into the Federation Account as Price Balance. Thus, the Federation equity crude oil and gas are accounted for directly by the NNPC while inter-agencies reconciliation are carried out with DPR and FIRS to ensure that proceeds of Royalty oil and PPT/CIT/EDT oil lifted on behalf of DPR and FIRS respectively are confirmed to the respective designated banks accounts. Other lifting on behalf of NPDC are deposited into the designated NPDC accounts.

The buyers of the crude oil and gas, who are selected through a competitive bidding process, are normally directed to make payments for the invoice values of their lifting of crude oil and / or gas – as the case may be – into the respective accounts, and the affected parties are informed by SWIFT messages when the transaction is completed. The Central Bank of Nigeria remains the custodian of all the funds in the Foreign and local Bank Accounts. The process of sales and remittances of proceeds into the respective accounts is shown in figure 9 below.

Tendering Process for Crude Oil Sales

NNPC manages the tendering process for sales of the Federation equity share of crude oil under the export category and the Direct Sales Direct Purchases (DSDP) under the domestic crude category. The buyers of crude in the export category in 2020 were among the international and indigenous companies selected in 2018 tendering process under a two-year sales contract covering the period between 1st June, 2018 and 31st May, 2020. The contract was however rolled over until the end of 2020. The Corporation did not commence another tendering process under this category until September, 2020.

Buyers under the DSDP arrangement were selected in 2019 tendering process in a one-year DSDP contract covering the period between 1st October, 2019 and 30th September, 2020. However, the contracts were extended by six months, consequently, there was no tendering under this category in 2020. Criteria used in the selection of successful bidders can be found on the NNPC website here⁴⁷ and here⁴⁸. See Appendix 9 for a list of 2020 DSDP crude oil term contract holders.

Pricing of Federation Crude Oil

The pricing and valuation are carried-out by the Crude Oil Marketing Division (COMD) using the Official Selling Price (OSP) and average dated Brent depending on the pricing options selected by the customers. The pricing options could be Prompt, Deferred or Advanced. Each of these pricing options is based on average of five days Dated Brent quotation from the Bill of lading (B/L) date. A buyer is granted the right to choose one of the three pricing options to determine the value of crude oil purchase from Nigeria irrespective of the destination of the cargo around the world. However, where a buyer declines to choose any of the pricing options, such buyer is said to have defaulted and NNPC will apply the Prompt Option price automatically (by default) to determine the value of the crude oil cargo. See section 7 of Appendix 14 for details.

The derived annual average selling price of Federation equity crude oil in 2020 was US\$41.65/barrel. This is 37% lower than the average selling price in 2019 (US\$65.61). The lowest 2020 monthly average price/barrel of US\$16.87/barrel was recorded in April while the highest 2020 monthly average price/barrel of US\$64.16/barrel was recorded in January.

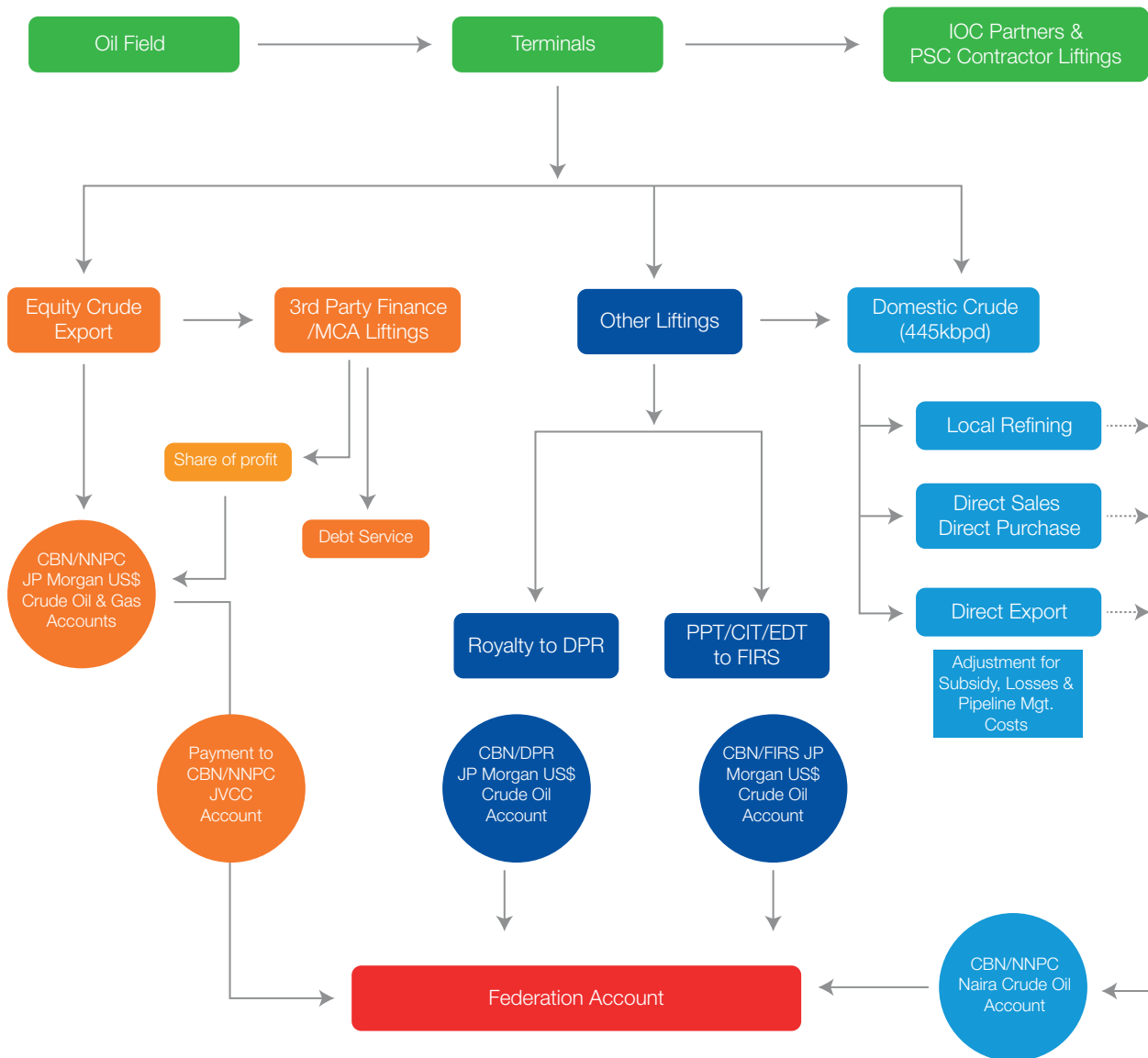
47 Selection press for successful bidders for DSDP - <https://www.nnpcgroup.com/NNPCDocuments/Bids%20and%20Advert/NNPC%20Crude%20Application%20Advert%202020.pdf>
48 Selection press for successful bidders for DSDP - <https://www.nnpcgroup.com/NNPCDocuments/Bids%20and%20Advert/DSDP%20ITT%20-%20PUBLICATION%202020%20New.pdf>



Components of Actual Crude Oil Lifted by NNPC

The revenue flows from NNPC crude oil lifting which are for the accounts of various parties such as the Federation Entitlement (Equity share), FIRS, DPR, MCA Escrow Accounts and NPDC is as depicted in figure 9 below.

Figure 9 - Process of Sales and Remittances



From validation and reconciliation carried out, find below the summarised components of actual crude oil lifted by NNPC-COMD in 2020 on behalf of the Federation, DPR, FIRS, NPDC, Repayment Agreement and entities funding MCA.

Table 34 - Components of Actual Crude Oil Lifted by NNPC

S/N	NNPC Lifting on Behalf of:	2020 Volume mbbbls	2020 Value US\$'000
1	Federation Equity Export	35,558	1,263,239
2	Domestic Sales (DSDP)	107,746	4,424,125
3	PSC (PPT)	35,489	1,405,704



4	PSC (Royalty)	20,916	879,064
5	PSC (Concession Rental)	39	1,642
6	MCA (Alternative Funding)	6,505	228,442
7	*RA (Alternative Funding)	19,084	762,207
	Sub-total: Federation lifting	225,337	8,964,423
8	NPDC (Main Account)	38,845	1,583,750
9	NPDC (FIRS settlement)	790	27,324
10	NPDC (DPR settlement)	7,947	304,560
11	NPDC GVC (OML 42)	370	20,523
12	NPDC Pre-Export Financing	1,799	59,225
13	NPDC-project eagle	2,847	116,980
	Sub-total: NPDC lifting	52,598	2,112,192
	Grand-total	277,935	11,076,785

Sources: NEITI 2020 Templates || NNPC 2020 crude lifting Profile

*The lifting includes 2.482mmbbls valued at US\$93.263million royalty due on RA

NNPC lifted total crude oil of 277.94mmbbls valued at US\$11.076billion in 2020 on behalf of different parties. See Table 34 above and Appendix 10 for details.



3.2.1.4. Crude Oil Sales Proceeds and Destination Banks

Table 35 below provides Summary of 2020 Crude Oil Sales Proceeds and Destination Bank Accounts of the beneficiaries.
Table 35 - Summary of Federation Export Crude Oil Sales Proceeds and Destination Bank Accounts

Collection from NNPC Lifting:	2020		Analysis of Collections					Beneficiary Accounts				
	Quantity	Value	Cash Received	Credit notes	Over payment	Sales Receivable	JP Morgan Chase Crude Oil Revenue Account	JV Proceeds Account (Dollars Account)	JV Partners Cash Call Arrears Account	US\$'000	US\$'000	US\$'000
NNPC Lifting on behalf of:	mbbls	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Federation Export Crude Oil:												
Federation equity crude	32,217	1,093,498	1,064,333	6,307	(1,460)	24,319	-	1,064,333	-	-	-	-
Production Sharing Contract Profit Oil	3,201	161,312	161,061	251	-	0.00	161,061	-	-	-	-	-
Marginal Field	140	8,429	8,429	-	-	0.00	8,429	-	-	-	-	-
JV Cash Call Arrears - RA Account	16,602	668,943	668,943	-	-	-	-	-	-	668,943	-	668,943
Other Collections:	-	-	-	-	-	-	-	-	-	-	-	-
Receipt from Prior Year Receivables	-	-	413,093	-	-	-	-	413,093	-	413,093	-	-
Receipt from Interest and other classified Lodgments*	-	-	104,747	-	-	-	103,799	948	-	948	-	-
Sub-total	52,160	1,932,182	2,420,606	6,558	(1,460)	24,319	273,289	1,478,374	273,289	1,478,374	668,943	668,943

Sources: NEITI 2020 Templates, 2020 Sales Profile equivalent, 2020 bank statements

From the above, the total Federation Export sales Volumes and values is **52.160 mmbbls** and **US\$1.932billion** respectively while the total cash receipts is **US\$2.421billion**. The total receipts is made up of:

The total receipts is made up of:	
receipt for Federation equity export crude	US\$1.064billion
PSC Profit oil	US\$161.061million
export from MF operation	US\$8.429million
receipt from prior year receivable	US\$413.093million
interest and miscellaneous income	US\$104.747million
Proceeds from the sales of project RA crude for settlement of pre-2016 JV cash calls liabilities	US\$668.943million
Total	US\$2.421billion

The reason for the difference between the amount of **US\$1.932billion** invoiced by NNPC-COMD and actual receipts of **US\$2.421billion** amounting to about **US\$488.423million** is as follows:

Receipt from prior year receivables	US\$413.093million
Interest and other classified lodgments	US\$104.747million
Overpayment by Shell Western Supply and Trading Company	US\$1.46 million
Credit Notes issued to the crude Traders	US\$6.558 million
Sales Receivable, which is not yet due for payment as at 31st December, 2020	(US\$24.319 million)
Total	US\$488.423million

Table 36 - Interest and Other Classified Lodgments

Description	2020 US\$'000	2019 US\$'000
Interest	44.11	79.94
Insurance claim	33,731.50	19.98
First lifting deposit	-	250.00
SPDC/NNPC JV-Ullage Revenue	62,858.05	334,341.53
CNL/NNPC JV-Ullage Revenue	20.09	-
CNL/NNPC JV-interest	922.94	-
CNL/NNPC JV-sale of Junks et al	1.14	-
Over Riding Royalty interest	-	4,033.12
Others	7,169.19	11,742.92
Total	104,747.03	350,467.49

Sources: JV Proceeds Dollar Account- (Zenith Bank, First Bank and Access Bank) and JP Morgan Chase Bank Account, NEITI 2019 Report

Table 37 - Summary of JV Proceeds (Dollar) Account

Description	2020	2019
	US\$'000	US\$'000
Balance as at 1st January (A)	501,216.91	1,152,587.41
Lodgments:		
Export Proceeds- Prior Year		-
- Crude Oil	413,097.15	225,595.35



- Gas	23,524.57	-
Export Proceeds- Current year		
- Crude Oil	1,064,331.61	3,025,457.10
- Gas	83,335.42	206,611.34
Interest and Other Classified Lodgments	948.36	3,718.20
Total Lodgment during the year (B)	1,585,237.11	3,461,381.99
Total Inflow (A+B) = C	2,086,454.02	4,613,969.41
Payments:		
Direct Transfer to GTR Sinking Fund Account	-	38,463.53
Direct Transfer to Federation Account	43,881.90	-
Direct Transfer to JV Cash call Account	1,872,167.12	4,035,188.42
Direct Transfer to FIRS PPT	72,558.76	-
Direct Transfer to DPR Royalty	19,559.34	-
Total Outflow (D)	2,008,167.12	4,112,752.50
Balance as at 31st December	78,286.90	501,216.91

Sources: JV Proceeds Dollar Account- (Zenith Bank, First Bank and Access Bank) NEITI 2019 Report

Table 38 - JP Morgan Crude Oil Revenue Dollar Account

Description	2020 US\$'000	2019 US\$'000
Balance as at 1st January (A)	-	-
Lodgments:		
Export Crude Proceeds- Prior Year	-	58,901.46
Export Crude Proceeds- Current year	169,489.95	162,476.19
Interest and Other Classified Lodgments	103,798.67	350,467.48
Total Lodgment during the year (B)	273,288.62	571,845.13
Total Inflow (A+B) = C	273,288.62	571,845.13
Payments:		
Payment to Federation Account	273,288.62	-
Transfer to Bank for International Settlement	-	571,845.13
Total Outflow (D)	273,288.62	571,845.13
Balance as at 31st December	-	-

Sources: JP Morgan Chase Bank Account, NEITI 2019 Report



A total of US\$2.359billion was the aggregate amount available for distribution from export crude oil and gas sales and miscellaneous income in 2020. This comprises of:

2019 Undistributed funds in JV proceeds Account	US\$501.217million
2019 crude sales receivable in JV proceeds Account	US\$413.097million
2019 gas sales receivable in JV proceeds Account	US\$23.525million
2020 equity crude sales in JV proceeds Account	US\$1.064billion
2020 gas sales in JV proceeds Account	US\$83.335million
Miscellaneous revenue in JV proceeds Account	US\$0.948million
2020 profit oil sales in JP Morgan Account	US\$169.490million
Miscellaneous revenue in JP Morgan Account	US\$103.799million
Total	US\$2.359billion
This amount was disbursed as follows:	
Transfer to Federation Account from JV proceeds Account:	US\$43.882million
Transfer to Federation Account from JP Morgan Account:	US\$273.289million
Transfer to JV Cash Call Account from JV proceeds Account:	US\$1.872billion
Transfer to FIRS PPT Account from JV proceeds Account:	US\$72.559million
Transfer to DPR Royalty Account from JV proceeds Account:	US\$19.559million
Total amount disbursed	US\$2.281 billion
Closing/Undistributed balance in JV proceed Account:	US\$78.287million
Total	US\$2.359billion

Table 39 - Summary of Federation Domestic Crude Oil Sales Proceeds and Destination Bank Accounts

Collection from NNPC Lifting:	2020		Analysis of Collections		
	Quantity	Value	Cash Received (US\$ Equiv.)	Sales Receivable (US\$ Equiv.)	CBN NNPC Crude Oil Naira A/C (US\$ Equiv)
NNPC Lifting on behalf of:	mbbls'	US\$'000	US\$'000	US\$'000	US\$'000
Federation Domestic Crude Oil:					
Direct Sales Direct Purchase					
Federation equity crude	103,024	4,228,314	3,096,726	1,327,399	3,096,726
Production Sharing Contract Profit Oil	3,744	158,229			
Alternative funding	918	36,613			
Marginal Field	60	969			
Other Collections:					
Receipt from Prior Year Receivables	-	-	1,929,301	-	1,929,301
Total	107,746	4,424,125	5,026,027	1,327,399	5,026,027

Source: NEITI 2020 Templates, 2020 Sales Profile, 2020 bank statement



From Table 39 above, the total domestic Crude Sales volumes and values of **107,746 mmbbls** and **US\$4.42billion (N1.54trillion)** respectively was invoiced by NNPC-COMD, whereas the total sum of **US\$5.03billion (N1.63trillion)** was transferred to NNPC/CBN Crude Oil Revenue Naira Account. The reason for the difference between the invoice value and cash received, amounting to **US\$601.902million (N88.062billion)** is as follows:

a)	Receipt from prior year receivables	US\$1.929billion (N590.377billion)
b)	Less: Current year Sales Receivable	US\$1.327billion (N502.315billion)
	Difference between invoice value and receipt	US\$601.902million (N88.062billion)

The current year receivable includes the sum of **N43.327billion** due for payment in 2020 and sum of **N458.988billion** not yet due for payment as at 31st December 2020 as a result of the 90 days credit period. A review of the NNPC/CBN Domestic Revenue Account indicates that the total amount available for distribution was N1.634 trillion. This is 10% higher than the inflow in 2019 (N1.491trillion). The total receipt of N1.634 trillion comprises of:

a)	2019 crude sales receivable (received in 2020)	N1.041trillion
b)	2020 crude sales (received)	N590.377billion
	2020 Gas Revenue received for JV PPT	N2.535billion

The distribution of the total revenue is as shown in Table 40 below. The table also shows the analysis of transactions in NNPC/CBN Domestic Revenue Naira Account

Table 40 - Analysis of CBN -NNPC Oil Revenue Naira Account

Description	2020	2019
	N'000	N'000
Balance as at 1st January (A)	0	29,587,752
Lodgments:		
Domestic Crude Proceeds- Prior Year	590,377,307	606,902,379
March 2020 Gas Revenue for JV PPT	2,534,532	-
Domestic Crude Proceeds- Current year	1,040,986,334	821,562,952
Interest and Other Classified Lodgments	-	14,182,661
Reversal	-	18,643,982
Total Lodgment during the year (B)	1,633,898,173	461,291,974
Total Inflow (A+B) = C	1,633,898,173	1,490,879,726
Payments (outflow):		
Payment to Federation Account	57,364,766	134,382,132
Pre-Export Finance Account	63,222,022	105,354,147
FIRS Petroleum Profits Tax (PPT)/Company Income Tax (CIT) Account	320,433,869	269,586,245
DPR Royalty Account	214,272,474	199,125,578
Joint Venture Cash Call	734,974,936	763,787,642
Firs JV CITA	35,336,968	-
Refinery Rehab	78,605,492	-
Reversal	-	18,643,982
Total Outflow (D)	1,504,210,527	1,490,879,726
Balance as at 31st December	129,687,646	0

Source: CBN -NNPC Oil Revenue Naira Account bank statement



Table 41 - Summary of other lifting of Crude Oil Sales Proceeds and Destination Bank Accounts

NNPC Lifting on Behalf of:	Analysis of Collections			Beneficiary Accounts				
	Quantity	Value	Cash Received	FIRS Account	DPR Account	NPDC Account	Pre-Export Finance Account	Project eagle Account
	Bbls'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
NPDC:				-	-	-	-	-
NPDC (FIRS settlement)	790	27,324	27,324	27,324	-	-	-	-
NPDC (DPR settlement)	7,947	304,560	304,560	-	304,560	-	-	-
NPDC GVC (OML 42)	370	20,523	20,523	-	20,523	-	-	-
NPDC (Main Account)	38,845	1,583,750	1,583,750	-	-	1,583,750		
NPDC Pre-Export Financing	1,799	59,225	59,225	-	-	-	59,225	-
NPDC-project eagle	2,847	116,980	116,980	-	-	-	-	116,980
Total	52,598	2,112,361	2,112,361	27,324	325,083	1,583,750	59,225	116,980

Sources: NEITI 2020 Templates, 2020 Sales Profile, 2020 bank statement

From Table 41 above, the Following were observed:

NNPC-COMD lifted and sold 790mmbbls valued at US\$27.324million and 7.947mmbbls valued at US\$304.560million on behalf of NPDC to settle PPT and Royalty respectively. Furthermore, a total volume of 370mmbbls of crude oil valued at US\$20.523million was lifted and sold by NNPC-COMD on behalf of NPDC as part payment of purchase consideration (GVC) from OML 42.

Other lifting by NNPC-COMD from NPDC controlled assets are:

- A total volume of 38.845mmbbls crude oil valued at US\$1.584billion was lifted and sold for NPDC Account.
- A total volume of 1.799mmbbls crude oil valued at US\$59.225million was lifted and sold for Pre-export financing agreement.

This is a forward sale agreement which allows a future sale of agreed quantity of 20,000 bpd of crude oil from NPDC OML 119 to a Special Purpose Vehicle (SPV) for a period of up to five years for PXF 1 (US\$1.5billion) and seven years PXF 2 (US\$1.5billion) in consideration of an advanced amount total sum of US\$3billion paid by SPV to NNPC to enable settlement of outstanding debt payable to Suppliers of imported petroleum products as at 2012 as a result of subsidized PMS. The Federation is expected to refund NPDC with the value of the amount taken to settle this outstanding subsidy payment.

3.2.2. Gas Production

The total gas production for the year was 3,013,639.73 mmscf. This is 1.11% lower than the 2019 production which was 3,047,507.33 mmscf. Table 42 below shows that for year 2020, JV arrangement was the largest contributor to the total gas production with 2,060,150.42 mmscf accounting for 68.36% of the total gas production for the year. This was followed by PSC arrangement with 564,626.95 mmscf accounting for 18.73%. Marginal Field was the least contributor to the total gas production with 73,014.15 accounting for 2.42% of total gas production for the year.

Table 42 – Total Gas Production per Arrangement

Descriptions	2020	2019	Change
	mmscf	mmscf	%
Joint Venture (JV)	2,060,150.42	2,133,073.56	-3.42%
Production Sharing Contract (PSC)	564,626.95	624,930.74	-9.65%
Service Contract (SC)	-	1,494.40	-100.00%
Sole Risk (SR)	315,848.21	211,010.04	49.68%
Marginal Field (MF)	73,014.15	76,998.59	-5.17%
Total Production	3,013,639.73	3,047,507.33	-1.11%

Sources: NEITI 2020 Audit Template || NEITI 2019 Audit Report || DPR 2020 signed-off Reports



Figure 10 below shows that the largest gas production for the past five years was in 2017 with a production volume of 4,499,695 mmscf. This declined sharply decline to 2,909,144 mmscf in 2018 and then a growth to 3,047,507 in 2019 before declining again to 3,013,640 mmscf in 2020.

Figure 10 – Five-Year Trend of Gas Production (2016- 2020)

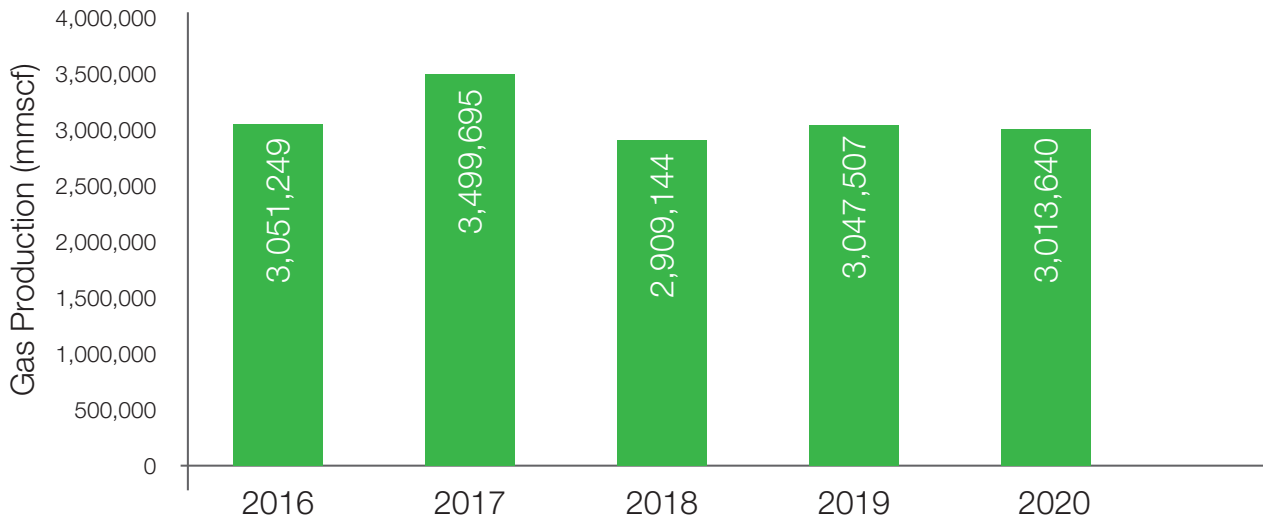


Figure 10 below shows that the largest gas production for the past five years was in 2017 with a production volume of 4,499,695 mmscf. This declined sharply decline to 2,909,144 mmscf in 2018 and then a growth to 3,047,507 in 2019 before declining again to 3,013,640 mmscf in 2020.

Figure 10 – Five-Year Trend of Gas Production (2016- 2020)

Month	Total Production	Average Production Per day	JV	PSC	SR	MF
	mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
January	274,086.22	8,841.49	184,310.01	55,567.74	27,638.41	6,570.06
February	262,469.89	9,050.69	179,298.91	51,782.22	25,217.79	6,170.97
March	253,302.88	8,171.06	170,431.86	54,077.11	22,590.33	6,203.58
April	258,322.60	8,610.75	178,063.89	47,811.20	26,949.72	5,497.79
May	256,816.86	8,284.41	176,100.67	45,084.15	28,724.87	6,907.17
June	253,392.47	8,446.42	177,908.86	42,490.98	26,315.38	6,677.25
July	256,190.41	8,264.21	178,295.52	44,258.63	27,555.79	6,080.47
August	252,594.29	8,148.20	175,697.18	46,346.51	25,363.24	5,187.36
September	242,960.73	8,098.69	169,983.49	41,665.51	26,625.48	4,686.25
October	231,881.33	7,480.04	154,323.57	44,493.88	27,508.64	5,555.24
November	241,779.98	7,799.35	164,686.19	45,343.97	25,407.71	6,342.11
December	229,842.06	7,414.26	151,050.27	45,705.05	25,950.85	7,135.89
Total	3,013,639.73		2,060,150.42	564,626.95	315,848.21	73,014.15
Percentage of Contribution			68.36%	18.74%	10.48%	2.42%

Sources: NEITI 2020 Audit Templates and DPR 2020 Signed-off Report

Further disaggregation of gas production by projects (OML) and by region can be found in Appendix 18.



The total Federation entitlement from Joint Venture and Alternative Funding Arrangements was 1,200,448.08 mmscf while the company's share was 859,702.31mmscf.

Table 44 – Federation Entitlement from JV Production Arrangement (mmscf)

	Total Production	NNPC Equity	NNPC Share	Company Equity	Company Share
		%		%	
OPERATORS	2020		2020		2020
AITEO	12,630.77	55%	6,946.92	45%	5,683.85
BELEMA OIL	3,293.12	60%	1,975.87	40%	1,317.25
CHEVRON	279,595.63	60%	167,757.38	40%	111,838.25
EROTON	27,941.19	55%	15,367.65	45%	12,573.54
FIRST E&P	400.53	60%	240.32	40%	160.21
MOBIL	356,187.91	60%	213,712.75	40%	142,475.16
NAOC	340,123.20	60%	204,073.92	40%	136,049.28
SEPLAT	98,546.49	60%	59,127.89	40%	39,418.60
SPDC	672,271.18	55%	369,749.15	45%	302,522.03
TEPNG	269,160.37	60%	161,496.22	40%	107,664.15
GRAND TOTAL	2,060,150.39		1,200,448.08		859,702.31

Source: NEITI 2020 Templates and DPR 2020 Signed off Reports

3.2.2.1. Gas Utilisation

Total gas utilised was 3,013,639.61mmscf, which comprised of 158,165.31mmscf (5%) fuel gas, 593,376.01mmscf (19%) re-injected gas, 230,487.54mmscf (8%) flare gas, **1,916,741.55** mmscf (64%) gas sold. 114,781.44 mmscf (4%) as un-accounted gas (unaccounted gas is the quantities that the companies cannot account for based on the templates submitted). Table 45 below shows the summary of gas utilised in 2020.

Table 45 - 2020 Gas Utilisation

S/N	Company	Fuel	Reinjected	Flared	Sales	Unaccounted	Total
		mmscf	mmscf	mmscf	mmscf	mmscf	mmscf
1	AITEO	236.73		8,194.71	4,199.34		12,630.78
2	BELEMAOIL					3,293.11	3,293.11
3	CHEVRON	37,182.85	45,566.68	15,590.07	194,971.46	(13,715.43)	279,595.63
4	EROTON	1,928.52		13,333.31	12,679.36		27,941.19
5	FIRST E & P	64.61		335.30		0.62	400.53
6	MOBIL	35,898.22	272,009.88	27,738.91		20,540.99	356,188.00
7	SEPLAT	844.09		15,312.80	82,389.60		98,546.49
8	SPDC	13,339.55	12,551.89	26,478.16	617,599.58	2,301.97	672,271.15
9	TEPNG	12,496.98	62,972.85	7,999.62	314,935.60	(129,244.67)	269,160.38
10	ADDAX DEV GAS	750.90	7,659.10	9,127.04		(129.27)	17,407.77
11	ADDAX PEN GAS	557.70	1,685.50	542.10		(0.26)	2,785.04
12	EEPN	4,468.00	60,141.00	4,784.00		(0.79)	69,392.21



13	EEPN(OE)L GAS	3,051.00	17,375.00	5,530.00		415.73	26,371.73
14	ENAGEED GAS	289.65		1,447.94		(156.58)	1,581.01
15	NAE GAS	1,736.74	11,101.25	3,147.22		-	15,985.21
16	PANOCEAN GAS	655.45		1,056.27	9,457.73	(5,534.22)	5,635.23
17	SEEPCO GAS	2,091.30	1,372.51	42.65		3,286.30	6,792.76
18	SGORL GAS	138.83	33.72	10.58		-	183.13
19	SNEPCO GAS	3,282.97	15,459.16	4,255.99	24,437.98	(15,530.62)	31,905.48
20	STARDEEP					160,106.82	160,106.82
21	TUPNIL GAS	12,266.19	80,068.59	2,186.52	131,959.22	(0.01)	226,480.51
22	ALL GRACE			588.18		-	588.18
23	BRITANIA U					490.85	490.85
24	CHORUS			1,358.85	375.44	(20.25)	1,714.04
25	ENERGIA					7,022.80	7,022.80
26	EXCEL			11.18		-	11.18
27	FRONTIER	159.33		366.40		37,101.93	37,627.66
28	GREEN			1,656.74		(449.14)	1,207.60
29	MIDWESTERN					1,571.33	1,571.33
30	NDPR	287.81		88.20	4,607.77	533.18	5,516.96
31	NETWORK	7.10		595.22		-	602.32
32	ORIENTAL	988.25	3,273.48	687.93		-	4,949.66
33	PILLAR	64.96		368.09		(0.45)	432.60
34	PLATFORM	20.82		8,706.93	1,799.51	(0.01)	10,527.25
35	UNIVERSAL	8.76		427.14		143.61	579.51
36	WALTER		163.46	8.60		0.01	172.07
37	AMNI PETROLEUM					3,536.84	3,536.84
38	CONSOLIDATED OIL					187.09	187.09
39	CONTINENTAL OIL					1,444.79	1,444.79
40	DUBRI					864.52	864.52
41	NAOC	21,959.54	328.41	13,576.25	295,334.79	8,924.26	340,123.25
42	MONIPULO			216.86		(1.55)	215.31
43	NEWCROSS E&P	134.02		3,252.68	2,943.06	451.06	6,780.82
44	NPDC ELCREST	0.13		2,591.11		(0.01)	2,591.23
45	NPDC FHN	126.53	1,414.03	4,689.67		-	6,230.23
46	NPDC ND WESTERN			3,171.88	114,172.13	1,390.56	118,734.57
47	NPDC NECONDE	342.09		10,249.14	2,637.32	294.53	13,523.08



48	NPDC OML 65			810.52		-	810.52
49	NPDC OML 111	1,231.30		5,487.63	19,852.06	5,056.08	31,627.07
50	NPDC OML 119	710.30		5,341.53		0.01	6,051.84
51	NPDC SEPLAT	844.09		15,312.80	82,389.60	0.01	98,546.50
52	NPDC SHORELINE					20,605.70	20,605.70
53	SUMMIT OIL	-	-	-	-	-	87.80
54	YINKA FOLAWIYO		199.50	3,810.82		-	4,010.28
	TOTAL	158,165.31	593,376.01	230,487.54	1,916,741.55	114,781.44	3,013,639.61

Source: NEITI 2020 Templates

Table 46 - Analysis of Gas Utilization

Year	Gas Production	Fuel		Reinjected		Flared		Sales		Total Utilization	
		Volume	% Of Production	Volume	% Of Production	Volume	% Of Production	Volume	% Of Production	Volume	% Of Production
2019	3,047,507.33	165,501.63	5.43%	809,156.59	26.55%	264,732.84	8.69%	1,573,245.76	51.62%	2,812,636.82	92.29%
2020	3,013,639.73	158,165.31	5.25%	593,376.01	19.69%	230,487.54	7.65%	1,916,741.55	63.60%	2,898,770.41	96.19%
Diff	-33,867.60	-7,336.32	-0.18%	-215,780.58	-6.86%	-34,245.30	-1.04%	343,495.79	11.98%	86,133.59	3.90%

From Table 46 above, while total gas production decreased by 1.11% between 2019 and 2020, there is an increase of 3.90% in relative gas utilization.

Federation Entitlement from Gas Sales

A total of nine (9) JVs produced gas of 1,720,027.26 mmscf. From the total JV gas produced, gas transferred to third parties by way of sales accounted for 1,226,774.94mmscf or 71% of total production. These were the quantities of gas in exchange for money. Table 47 presents the share of gas sales between the Federation and the JV partners.

Table 47 - Federation Entitlement from JV Gas Sales

S/N	Company	Sales	Share of Gas Sales	
			JV Partner	Federation
		mmscf	mmscf	mmscf
1	AITEO	4,199.34	1,889.70	2,309.64
2	CHEVRON	194,971.46	77,988.58	116,982.88
3	EROTON	12,679.36	5,705.71	6,973.65
4	SEPLAT	82,389.60	32,955.84	49,433.76
5	SPDC	617,599.58	277,919.81	339,679.77
6	TEPNG	314,935.60	125,974.24	188,961.36
	TOTAL	1,226,774.94	522,433.89	704,341.05

Source: NEITI 2020 Templates

3.2.2.2. Sales of Gas and Feedstock

A total sum of US\$1.018billion (1.757mmt of gas and 523.292 mmbtu of feedstock) was the value of gas and Nigeria Liquefied Natural Gas (NLNG) feedstock sold by NNPC in 2020. The total sales of US\$1.018billion comprises of:

NLNG Feedstock:	US\$523.883million (51%)
LPG/NGL export:	US\$83.889million (8%)
NGCL domestic:	US\$22.892million (2%)
EGTL:	US\$180.430million (18%)
Third-party Project Falcon:	US\$206.695million (20%)



Table 48 shows the Comparison between 2020 and 2019 Federation Gas and Feedstock Sales

Table 48 - Comparisons between 2020 and 2019 Federation Gas and Feedstock Sales

Quarters	Gas Sales (LPG/NGL/EGL/EGTL)				Feedstock Sales			
	2020		2019		2020		2019	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
	mmt	US\$'000	mmt	US\$'000	mbtu	US\$'000	mbtu	US\$'000
1st Qtrs	351	84,511	207	86,330	126,254	190,855	160,922	275,429
2nd Qtrs	464	91,431	170	67,115	124,235	100,866	140,582	212,529
3rd Qtrs	535	175,431	90	27,138	143,267	105,554	169,762	226,118
4th Qtrs	407	142,533	166	67,211	129,535	126,608	149,922	225,457
Total	1,757	493,906	633	247,794	523,292	523,883	621,188	939,533

Sources: NEITI 2020 Templates, Sales profile

The analysis in table 48 reveals an increase in 2020 Gas sales volume by 1,124 mmt over the volume of 633mmt for 2019. This is an increase of 177.57 %. The value increased between 2019 and 2020 by US\$ 246.12 million, which is an increase of 99.32%. For feedstock volume, there was a decline of 97,896 mbtu between 2019 and 2020, and this represents a 15.75% decline. The value also declined by US\$ 415.65 Million, representing a decrease of 44.24%.

Total Receipt in the Gas Accounts

The total receipt in the gas accounts is US\$1.502 Billion and this is made up of the following:	
Feedstock receipt from current year	US\$427.470million
Feedstock receipt from Prior Year Receivables	US\$67.198million
Receipt of Interest and other classified Lodgements	US\$251.664million
NGL export (Gas) receipt for current year:	US\$83.085million
NGL export (Gas) from Prior Year Receivables:	US\$23.525million
First lifting deposit:	US\$0.250million
NGCL Domestic (Gas) receipt for current year:	US\$20.345million (N 7.509billion)
First lifting deposit:	US\$0.500million (N193.012million)
EGTL (Gas project)	US\$180.430million
Share of equity gas (Dom Gas):	US\$198.561million (N70.773billion)
Payment for September 2019 domestic crude cost:	US\$41.847million (N14.915billion)
RA (GAS-Project Falcon):	US\$206.695million
Total	US\$ 1.502 Billion

Summary of Gas and Feedstock sales proceeds and Destination Bank Accounts

Table 49 below provides details of gas and feedstock proceeds and the destination bank accounts as analysed in table 48 above. This also includes amounts receivable but not due for payments in 2020.



S/N	Collection from NNPC Lifting:	2020		Analysis of Collections			Beneficiary Accounts	
		Quantity	Value	Cash Received	Others	Sales Receivable	JP Morgan Chase Gas Revenue Account	JV Proceeds Account (Dollars Account)
		mbtu/ mmt	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1	Federation NLNG-Feedstock	523,292	523,883	427,470	48,086	48,327	427,470	-
	Other Collections:							
	Receipt from Prior Year Receivables	-	-	67,198	-	-	67,198	-
	Receipt from Interest and other classified Lodgments	-	-	251,664	-	-	251,664	-
	Sub-total: A	523,292	523,883	746,332	48,086	48,327	746,332	-
2	Federation Gas sales:							
	Gas - LPG & NGL Export	350	83,889	83,085	804	-	-	83,085
	Receipt from Prior Year Receivables	-	-	23,525	-	-	-	23,525
	First lifting deposit	-	-	250	-	-	-	250
	Gas - NGCL Domestic	89	22,892	20,345	-	2,547	-	-
	First lifting deposit	-	-	500	-	-	-	-
	EGTL	532	180,430	180,430	-	-	-	-
	Share of equity gas (Dom Gas)	-	-	198,561	-	-	-	-
	Payment for September 2019 domestic crude cost	-	-	41,847	-	-	-	-
	Sub-total: B	971	287,211	548,543	804	2,547	-	106,860
3	Gas-Project:							
	RA (GAS-Project Falcon)	786	206,695	206,695	-	-	-	-
	Sub-total: C	786	206,695	206,695	-	-	-	-
	D=A+B+C		1,017,788	1,501,570	48,890	50,873	746,332	106,860
4	In-kind payment (MCA Gas):							
	MCA Feedstock (CIT)	-	10,124	6,926	-	3,198	-	-
	MCA Feedstock (EDT)	-	2,671	880	-	1,791	-	-
	MCA Feedstock (Royalty)	-	2,540	1,738	-	802	-	-
	Receipt from prior year receivables	-	-	4,706	-	-	-	-
	Carry Oil	-	-	5,215	-	-	-	-
	Share Oil	-	-	11,594	-	-	-	-
	Sub-total: E	-	15,335	31,059	-	5,791	-	-

Sources: NEITI 2020 Templates || 2020 Sales Profile || 2020 bank statements



DOM GAS JV Naira Account (US\$ Equivalent)	Gas revenue Naira Account (US\$ Equivalent)	FIRS Account	DPR Account	Escrow Account	MCA Escrow Account	Project Falcon Account
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
20,345	-	-	-	-	-	-
500	-	-	-	-	-	-
-	-	-	-	180,430	-	-
-	198,561	-	-	-	-	-
-	41,847	-	-	-	-	-
20,845	240,408	-	-	180,430	-	-
-	-	-	-	-	-	206,695
-	-	-	-	-	-	206,695
20,845	240,408	-	-	180,430	-	206,695
-	-	6,926	-	-	-	-
-	-	880	-	-	-	-
-	-	-	1,738	-	-	-
-	-	3,869	837	-	-	-
-	-	-	-	-	5,215	-
-	-	-	-	-	11,594	-
-	-	11,675	2,575	-	16,809	-

Sources: NEITI 2020 Templates || 2020 Sales Profile || 2020 bank statements



From Table 49 above, sub-total A (\$ 523.88 Million) is the total Federation NLNG- Feedstock value. Also, the addition of sub-total B (US\$ 287. 21 Million) and sub-total C (US\$206.69 Million) which is US\$ 493.91 Million is the value of Federation gas sales shown.

The amounts receivable but not yet due for settlement in 2020 with respect to feedstock and NGCL (domestic Gas) are US\$48.327million and \$2.547million respectively. The sum of US\$48.086million and US\$0.804million stated under “others column” in Table 49 are for credit notes on MCA feedstock and export gas respectively.

Total receipt from the proceeds of Federation equity gas and feedstock sales in 2020 was US\$918.025million. Of the total receipts, Feedstock accounted for 47%, Export gas accounted for 9%, domestic gas accounted for 2%, EGTL project Gas accounted for 20% and RA (GAS-Project Falcon) accounted for 23%.

The table also shows a total of 786mmt of gas valued at US\$206.695million lifted and sold by NNPC in 2020 to offset part of pre-2016 cash call arrears owed to Chevron Nigeria Limited under the Project Falcon Repayment Agreement.

The total sum of US\$746.331million was received in the JP Morgan Gas Account in 2020 and transferred in full into the Federation account as revealed in the bank statement (Table 50). The receipt consists of US\$67.198million relating to prior year receivables, US\$427.470million relating to the current year feedstock sales and US\$251.664million which relates to Interest and other classified Lodgements analysed in Table 51 below.

Table 50 - Summary of JP Morgan Gas Revenue (Dollar) Account

Description	2020	2019
	US\$'000	US\$'000
Balance as at 1st January (A)	-	-
Lodgments:		
Feedstock Proceeds -Prior Year	67,197.86	93,453.61
Feedstock Proceeds- Current Year	427,469.93	715,568.68
*Interest and Other Classified Lodgments	251,663.48	948.11
Total Lodgment during the year (B)	746,331.27	809,970.40
Total Inflow (A+B) = C	746,331.27	809,970.40
Payments:		
Direct Transfer to Federation Account	746,331.27	-
Transfer to Bank of International Settlement	-	809,970.40
Total Outflow (D)	746,331.27	809,970.40
Balance as at 31st December	-	-

Sources: NEITI 2019 Report, 2020 JP Morgan Chase gas revenue account

Table 51 - Interest and other classified Lodgement

Description	2020	2019
	US\$'000	US\$'000
Interest	10.18	12.62
Feedstock Reconciliation	13,488.41	6.15
NGL- Price Balance	-	929.34
Receipt from CNL share Gas	221,868.30	-
Receipt from N-Gas	16,297.26	-
Total	251,664.14	948.11

Sources: NEITI 2019 Report, 2020 JP Morgan Chase gas revenue account

Table 52 below shows an analysis of Domestic Gas Revenue Account for the period 1st January, 2020 to 31st December, 2020.



Table 52 - Summary of CBN-NNPC Domestic Gas Revenue (Naira) Account

Description	2020	2019
	US\$'000	US\$'000
Balance as at 1st January (A)	3,727,773	10,609,789
Lodgments:		
Share of equity gas	70,772,597	-
Dom crude cost for Sept 2019	14,915,345	-
Interest and Other Classified Lodgments	-	67,299,142
Reversal	-	11,890,160
Total Lodgment during the year (B)	85,687,942	79,189,302
Total Inflow (A+B)=C	89,415,715	89,799,090
Payments:		
Payment to Federation Account	35,039,770	57,411,374
Payment to DPR Royalty Account	45,279,248	12,196,938
Payment to PPT Account	2,534,532	4,572,845
Reversal	-	11,890,160
Total Outflow (D)	82,853,551	86,071,317
Balance as at 31st December	6,562,164	3,727,773

Source: NEITI 2019 Report, 2020 CBN-NNPC Domestic Gas Revenue (Naira) Account

The total amount in the CBN Naira account for domestic gas revenue in 2020 was in the sum of N89.416billion and comprised of the following;

Opening balance:	N3.728billion
Share of equity Gas:	N70.773billion
Dom crude cost for Sept 2019:	N14.915million
Total	N89.416 Billion

The total amount above was applied as follows;

Federation Account:	N35.040billion
DPR Royalty Account:	N45.279billion
FIRS PPT Account:	N2.535billion
Closing balance/Undistributed flows:	N6.562billion
Total	N89.416 Billion

It should be noted that the audit was not able to ascertain the transactions that led to the payment of the total sum of N70.773billion (US\$198.561million) described as share of equity gas.

Table 53 - Summary of Mobil JVC Domestic Gas Revenue (Naira) Account

Description	2020 US\$'000
Balance as at 1st January (A)	594,499
Lodgments:	
Domestic Gas Proceeds- Prior Year	-
NGCL Gas Proceeds- Current year	7,508,976



First lifting deposit	193,013
Total Lodgment during the year (B)	7,701,989
Total Inflow (A+B)=C	8,296,488
Payments:	
payment to cash call Account	5,122,375
Refinery rehabilitation	2,579,614
Total Outflow (D)	7,701,989
Balance as at 31st December	594,499

Source: 2020 Mobil JVC Domestic Gas Revenue (Naira) Account

The above Table 53 shows the summary of domestic gas revenue flows and fund application in 2020. The total receipt of N7.702billion relates to NGCL (Gas) proceed and the flows were distributed as follows:

Cash call Account funding:	N5.122billion
Refinery rehabilitation:	N2.580billion

3.2.3. In-kind Liftings and Payments

In-kind payments are sales proceeds from crude oil and gas lifted in settlement of royalty and/or taxes by respective E&P partners under a defined production arrangement. This crude oil and gas are lifted and sold by NNPC and buyers are instructed to pay into the respective receiving party's designated bank accounts. These receiving parties include FIRS for PPT and EDT settlement and DPR for royalty and concession rentals settlement. Others include the Federation (PSC and SC production arrangements) and the Third parties (MCA and the Cash-Call Repayment Agreement). The repayment agreements in operation as at 2020 were code named projects Cheetah, Santolina and Falcon.

3.2.3.1. In-kind Flows Under PSC and SC Operations

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

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

Similarly, in an SC, the Operator or Service Contractor funds E&P activities and are paid for this service/contract. In 2020, service contractors were paid in-kind.

Total liftings from PSCs for in-kind payments was 63.298mmbbls valued at US\$2.602billion in 2020. These liftings were for tax oil (PPT), royalty, concession rentals and Federation profit oil.



Table 54 shows the summary of PSC and SC in-kind lifting by NNPC in 2020.

Table 54 - Summary of PSC and SC In-Kind Lifting by NNPC

S/ N	Entities	FIRS		DPR		Federation Profit Oil						Total		
		PPT		ROYALTY		Concession Rentals		Domestic (DSDP)		Export		Value	Value	
		mbbls	US\$000	mbbls	US\$000	mbbls	US\$000	mbbls	US\$000	mbbls	US\$000	mbbls	US\$000	%
1	SNEPCO	11,828	479,465	5,215	218,543	7	315	2,815	117,277	1,853	85,762	21,719	901,362	34.59%
2	APENL	549	25,087	96	4,387	4	183	-	-	948	59,149	1,596	88,805	3.41%
3	APDNL	450	24,284	460	14,273	4	183	-	-	-	-	910	38,557	1.48%
3	NPDC (SC)	59	3,169	41	2,201	-	-	-	-	-	-	100	5,370	0.21%
4	Equinor	7,518	288,751	2,175	89,927	5	195	929	40,952	-	-	10,627	419,825	16.11%
5	SEPCO	-	-	2,248	87,689	-	-	-	-	400	16,401	2,648	104,091	3.99%
6	Pan Ocean	-	-	420	20,153	8	293	-	-	-	-	428	20,446	0.78%
7	ESSO	7,152	264,741	5,386	237,108	10	448	-	-	-	-	12,547	502,297	19.28%
9	NAE	-	-	698	27,458	-	-	-	-	-	-	698	27,458	1.05%
10	TUPNI	7,934	320,207	3,936	166,263	-	-	-	-	-	-	11,870	486,470	18.67%
11	enageed	-	-	40	1,801	5	208	-	-	-	-	45	2,008	0.08%
12	SGORL	-	-	200	9,261	-	-	-	-	-	-	200	9,261	0.36%
	Total	35,489	1,405,704	20,915	879,063	39	1,642	3,744	158,229	3,201	161,312	63,388	2,605,950	100.00%

Source: NEITI 2020 TEMPLATES AND 2020 NNPC SALES PROFILE

The PSC/SC in-kind lifting of 63.388mmbbls (valued at US\$2.606billion) comprises of:	
FIRS-PPT	35.489mmbbls (valued at US\$1.406billion)
DPR-Royalty	20.915mmbbls (valued at US\$879,063million)
DPR-Concession rentals	0.039mmbbls (valued at US\$1.642million)
Federation profit oil used for Domestic-DSDP	3.744mmbbls (valued at US\$158.229million)
Federation Profit Oil used for export	3.201mmbbls (valued at US\$161.312million)
The sales receipts from PSC/SC in-kind payments were deposited into each entity's designated bank account for onward transfer to the Federation Account. See Table 54 for actual receipt.	

3.2.3.2. In-kind flows under Alternative Funding Arrangements

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

- Third Party Financing
- Modified Carry Agreements (MCAs)

As earlier stated, the third-Party financing arrangements in 2020 were project Cheetah, Santolina, and Falcon under the Repayment Agreements for Cash Call legacy liabilities owed to SPDC, NAOC, TEPNG, Mobil and Chevron.

MCA allows the JV partners to, in addition to its equity contribution for the execution of Capital Projects, carry NNPC's equity contribution, in form of a loan, which is payable through NNPC lifting and marketing of the Carry Oil and Share Oil, due to the Carrying party, and pay cash to the operator for the cash financing provided. The Carrying party recovers the Carry capital cost (CCC) in Dollars. An Escrow Account is opened, and the sales proceeds, with respect to the Carry oil and Share oil, are paid into the Escrow Account.

NNPC In-Kind Lifting from Modified Carried Agreement (MCA)

The total sales from MCA crude oil projects was US\$228.442million. TEPNG accounted for the highest inflow with US\$209.526million (92%). Other MCA inflows included, Mobil, US\$11.751million (5%) and NAOC, US\$7.164million (3%), see Table 55.

Table 55 - Summary of NNPC In-kind Lifting from MCA in 2020 (Oil)

Entity	PPT		Royalty		EDT		Carry Oil		Share Oil		Total	
	mmbbls	US\$'000	mmbbls	US\$'000	mmbbls	US\$'000	mmbbls	US\$'000	mmbbls	US\$'000	mmbbls	US\$'000
MPN	217.52	8,140.71	58.09	2,173.99	9.94	344.92	-	-	29.17	1,091.68	314.73	11,751.30
NAOC	102.00	4,871.85	30.00	1,432.90	-	-	4.09	195.54	13.91	664.19	150.00	7,164.49
TEPEG	4,185.01	145,149.14	1,117.61	38,762.31	237.26	228.97	501.27	17,385.59	-	-	6,041.15	209,526.01
To-tal	4,504.53	158,161.71	1,205.70	42,369.20	247.21	8,573.89	505.36	17,581.13	43.08	1,755.87	6,505.88	228,441.80

Sources: NEITI 2020 Templates and 2020 NNPC lifting Profile

The total receipt of US\$228.442million from MCA crude oil lifting in 2020 shown in Table 55 above comprised of:	
FIRS-PPT	US\$158.162million (69%)
FIRS-EDT	US\$8.574million (4%)
DPR-Royalty	US\$42.369million (19%)
MCA carry-oil	US\$17.581million (8%)
MCA share-oil	US\$1.756million (1%)
Total	US\$228.442Million (100%)

NNPC In-Kind Lifting for Third Party Financing (TPF): Payments for Cash-call Liability and Related Statutory Payments

NNPC lifting for third-party financing in 2020 was used for part settlement of the following;

- i. Pre-2016 outstanding cash call in accordance with repayment agreement (RA) between NNPC and affected JV partners
- ii. Statutory royalty in-kind payments.



Total lifting for cash call is 16,603mmbbls of crude oil valued at US\$668.942million and 786mmts of gas valued at US\$206.695million under the CNL project Falcon. Total lifting for royalty payment under the various RAs was 2,482mmbbls of crude oil valued at US\$93.263million. Table 56 below gives a summary of the third-party financing transactions.

Table 56 - Summary of Payments for Cash-Call Liability and Related Statutory Payments

Entity	RA Cash call		Royalty		Total	
	mbbls	US\$'000	mbbls	US\$'000	mbbls	US\$'000
Oil						
CNL (RA)	5,693	237,803	1,200	48,803	6,893	286,606
TEPNG (RA)	2,857	105,055	648	23,534	3,505	128,589
SPDC (RA)	5,999	246,098	634	20,926	6,633	267,024
NAOC (RA)	2,054	79,986	-	-	2,054	79,986
Total	16,603	668,942	2,482	93,263	19,085	762,205
Gas						
	mmts	US\$'000	mmts	US\$'000	mmts	US\$'000
CNL Project Falcon (RA)	786	206,695	-	-	786	206,695

Sources: NEITI 2020 Templates, 2020 Sales Profile

Table 57 - Summary of In-kind Payments Crude Oil Sales Proceeds and Destination Bank Accounts

Collection from NNPC Lifting:	2020		Analysis of Collections		Beneficiary Accounts		
	Quantity	Value	Cash Received	Sales Receivable	FIRS Account	DPR Account	JV Partners Account
	Bbls'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
In-kind payments: PSC							
FIRS- Tax Oil	35,489	1,405,704	979,320	426,383	979,320	-	-
DPR- Crude Oil:							
DPR- Royalty Oil	20,916	879,064	575,107	303,956	-	575,107	-
Concession Rentals	39	1,642	183	1,459	-	183	-
Receipt from Prior Year Re-ceiveables	-	-	219,944	-	212,693	7,251	-
Interest received	-	-	154	-	125	29	-
Total	56,444	2,286,410	1,774,708	731,798	1,192,138	582,570	-
In-kind payments: JV							
MCA/RA Oil:							
FIRS- Tax Oil	4,504	158,162	158,162	-	158,162	-	-
FIRS- Education tax	244	8,574	345	8,229	345	-	-
DPR- Royalty Oil MCA & RA	3,689	135,633	120,139	15,495	-	120,139	-
Other Collections:							
Receipt from Prior Year Re-ceiveables	-	-	123,832	-	90,545	33,288	-
Carry Oil	501	17,581	17,581	-	-	-	17,581
Share Oil	50	1,756	1,756	-	-	-	1,756
Total	8,988	321,706	421,815	23,724	249,052	153,427	19,337

Sources: NEITI 2020 Templates || 2020 Sales Profile || 2020 bank statements



The following can be interpreted from Table 57 above:

- The total PSC In-kind Crude export sales volumes and values were **56.444 mmbbls** and **\$2.286billion** respectively, while the total cash receipts was **\$1.775billion**.
- The total receipt of **US\$1.775billion** was disbursed to the accounts of FIRS (US\$979.320 million) as PPT in-kind payment and DPR as royalty (US\$575.107million) and concession rentals (US\$0.183million) in-kind payments.
- The sum of **US\$731.799million** was sales Receivable. The sales receivable included the sum of **US\$235.221million** not yet due for payment and **US\$496.578million** due for settlement as at 31st December, 2020 in line with 30 days payment period. It should however be noted that the receivables relate to the PSC crude converted to DSDP, in which NNPC applies 90 days payment period.
- The total MCA and RA in-kind crude oil export sales volume and value were **8.988 mmbbls** and **US\$321.706million** respectively while the total cash receipt was **US\$421.815million**. Of the total receipt, FIRS received the sum of US\$249.052million for PPT (US\$158.162million), education tax (US\$0.345million) and US\$90.545million being prior year receivables. DPR received US\$153,427Million made up of royalty oil (US\$120.139million) and Prior year receivable of \$33.288million.
- The sum of US\$19.337million out of the total amount of in-kind payment from JV are for the account of JV partners as Carry Oil (US\$17.581million) and Share Oil (US\$1.756million).

NNPC In-Kind Lifting from Modified Carried Agreement (MCA) Feedstock

The total MCA feedstock sales as shown in Table 59 below was 7,715mmbtu valued at US\$36.285million. TEPNG accounted for 62% of the total sales and the lowest cost (Carry Oil) of 21% to total carry cost, while SPDC recorded lowest sales value contribution of 38% and highest cost of 79% to total carry cost. Table 58 below shows the summary analysis.

Table 58 - Summary of NNPC In-kind Lifting from MCA feedstock in 2020

Company	QTY IN mbTU	Sales In US\$'000	FIRS - CIT US\$'000	DPR - Royalty US\$'000	FIRS- EDU US\$'000	Carry Oil US\$'000	Share Oil US\$'000
SPDC	1,780	13,895	3,877	973	2,001	6,424	621
TEPNG	5,935	22,390	6,247	1,567	671	1,728	12,177
Total	7,715	36,285	10,124	2,540	2,671	8,152	12,798

Source: NEITI 2020 template

Out of the total sales of US\$36.285million on behalf of all parties (FIRS, DPR, JV operators), FIRS CIT accounted for 28%, DPR royalty and FIRS EDT accounted for 7% each, JV operators' cost and profit share accounted for 22% and 35% respectively.

The actual MCA feedstock sales receipt traced to the designated accounts of FIRS and DPR in 2020 as indicated in table 49 is as follows:	
MCA Feedstock (CIT)-current year	US\$6.926million
MCA Feedstock (CIT)-prior year	US\$3.869million
MCA Feedstock (EDT)	US\$0.880million
MCA Feedstock (Royalty)-current year	US\$1.738million
MCA Feedstock (Royalty)-prior year	US\$0.837million
Total	US\$14.250million

3.3. Observations, Findings and Recommendations

Observations and Findings

1. The followings were the observations from PSC Blocks in 2020:

- Only 12 (33%) of the PSC blocks recorded production while 24 other blocks, representing 67% of total numbers of PSC blocks did not produce.
- Total production from the PSCs, which was 253,781,760mmbbls represented 39.24% of the total production of 646,787,440mmbbls whereas total production from the JVs is 214,836,540mmbbls representing 33.22%.
- The PSC arrangements which contributed highest to the total production volumes operated only 33% of the total allocated blocks.

2. There was a relative increase of 3.90% in gas utilisation in spite of the decrease of 1.1% in gas production in 2020 compared to 2019.

3. There was no significant exploration, production or export activities in the JDZ for 2020. The only revenues recorded in the zone was US\$588,000 from three companies. This lack of activity has been the reported situation in past NEITI Audits. The implication is that Nigeria has not realised the objectives of the treaty for over a decade of the existence of the JDZ.



4. The total volume of Crude losses reported by twenty-two (22) Companies was 39,162,836bbls valued at about US\$1.63billion, at the annual average selling price per barrel of Federation Equity crude oil reported in this audit.

5. No record was presented for the basis of total sum of N70.773billion (US\$198.561million), being share of equity gas deposited in the NNPC/CBN Gas Revenue Naira Account. The audit was not able to ascertain the transactions that led to this payment and therefore raises the issue of transparency

Recommendations

1. There is the need for NUPRC, and NNPC Ltd. to review the technical and operational constraints limiting production from the idle PSC blocks with the view of optimising production from the PSC arrangements.

2. The current level of gas production and utilisation requires greater enhancement considering the tremendously high volume (about 5.8 trillion cubic meters) of gas reserves that has not been tapped. NUPRC and the companies should ensure compliance with the various provisions of PIA on gas production and utilisation.

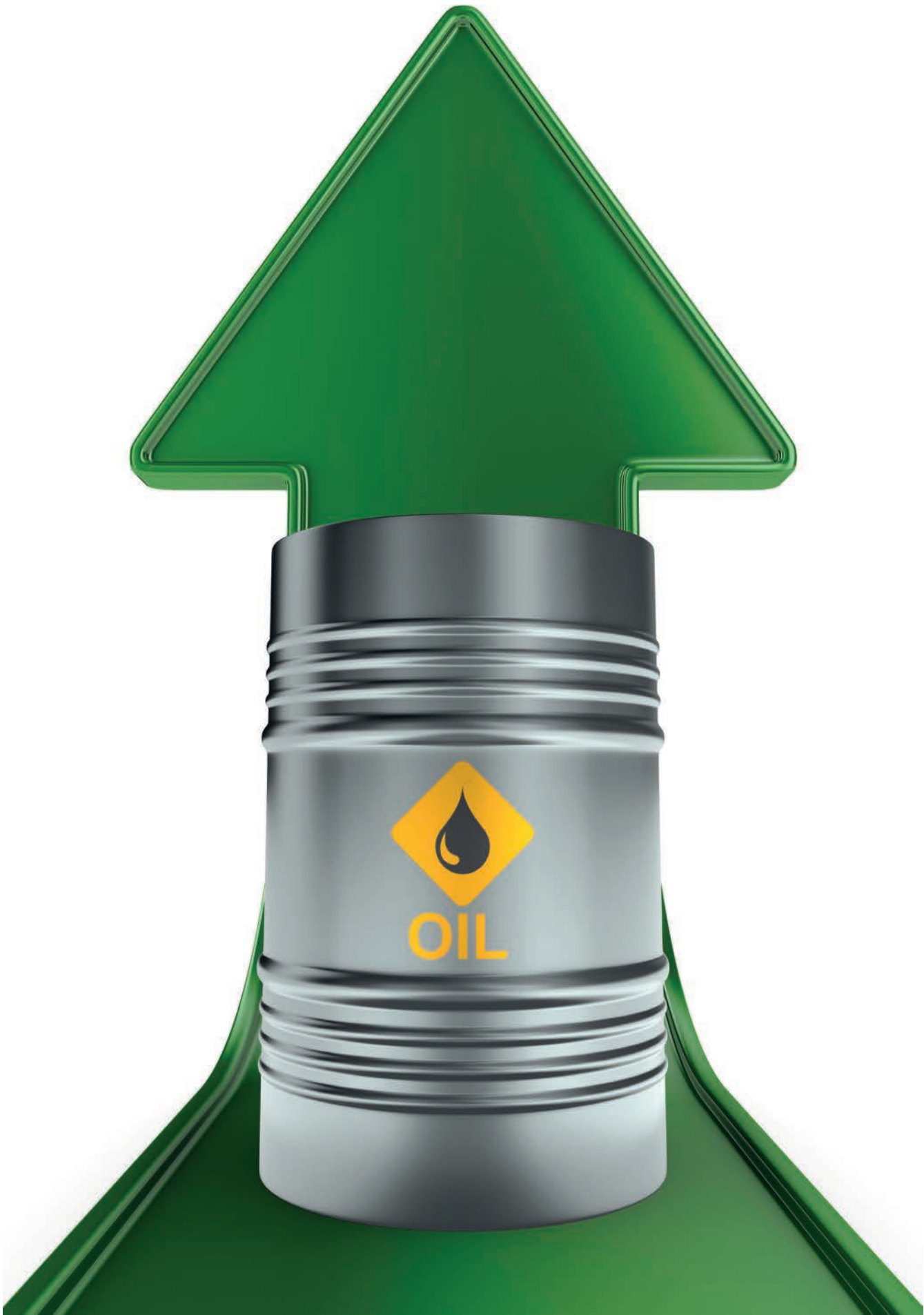
3. The Federal Government should review the activities of JDZ with the view of identifying possible challenges and proffer solutions that will enhance the realisation of the objectives for which the NSTPJDA was established.

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

5. Companies should take steps towards significant improvements in reducing metering errors.

6. NNPC should properly document transactions leading to revenue payments to ensure complete transparency.





04

Revenue Collection and Reconciliations

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

4.1. Revenues Covered in the Report

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

A. Revenue from the Federation share of production entitlements

1. Proceeds from the sale of federation export crude oil
2. Proceeds from the sale of profit oil
3. Proceeds from the sale of domestic crude
4. Proceeds from the sale of federation gas
5. Proceeds from the sale of feedstock

B. Revenue streams that are specific to oil and gas companies as taxes, levies and other Payments on licenses or use

6. Petroleum profit tax (PPT)
7. Royalty (oil)
8. Royalty (gas)
9. Signature bonus
10. Flared gas payments
11. Concession rentals
12. Transportation fees
13. Miscellaneous income

C. Revenue from oil and gas companies as other forms of taxes, levies and returns on investment

14. Company Income Tax (CIT)
15. Value Added Tax (VAT)
16. Dividend from NLNG
17. Pay as you earn (PAYE)
18. Capital Gain Tax (CGT)
19. Withholding Tax (WHT)
20. Education Tax (EDT)

D. Revenue from oil and gas companies paid to Sub-National entities

21. Niger Delta Development Commission (NDDC) levy
22. Nigerian Content Development & Monitoring Board (NCDMB) levy
23. NESS Levy

The Sub-National entities are empowered to directly collect and expend accrued revenue in accordance with their establishment law. The companies and government entities have comprehensively disclosed revenue payments and receipts and all revenue streams with the exception of NESS fees, PAYE and miscellaneous income were reconciled in accordance with the data assurance procedures set out in the Inception Report for the audit.

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

The revenues accruable to the Federation from the sales of crude oil, gas and feedstock described under category A above includes, the Federation share of production entitlements from the production arrangements and in-kind payments made into FIRS and DPR accounts as taxes, royalties and other levies. Tables 59 and 60 below show the breakdown of total revenue remittance to the Federation from the sales of crude oil, gas and in-kind payments made to the designated agencies' accounts in 2020.

Table 59 -Sales of Federation Crude Oil and Gas

Revenue flow	2020 (US\$'000)
Sale of Crude Oil & Gas	
Federation Equity & Profit Oil	
Proceeds from the sales of Federation equity crude oil	4,373,676
Proceeds from the sales of domestic crude oil	5,026,027
Proceeds from the sales of profit oil	161,061
Proceeds from the sales of Federation equity gas	713,391
Proceeds from the sales of Feedstock	508,917
Total Sales of Federation Crude Oil and Gas	10,783,072

Source: NEITI 2020 Audit



From the analysis of proceeds from profit oil recorded in the above table, there is no evidence of remittance of profit oil from OML 116 hiterto operated by AENR under service contract arrangement, for which operatorship has now been transferred to NPDC. However, the crude oil lifting in February, 2020 for the accounts of FIRS and DPR amounted to a total volume of 100,000bbls and valued at US\$5,370,200 were included in the PPT and royalty in-kind payment shown in the table below:

Table 60 - PSCs / MCAs In-Kind Payments

Revenue flow	2020 (US\$'000)
PSCs / MCAs In-Kind Payments	
PSC Tax Oil	1,192,013
MCA Tax Oil	248,419
EDT Oil- MCA	632
MCA Feedstock (CIT)	10,096
MCA Feedstock (EDT)	1,579
Royalty (Oil) - PSCs	582,358
Royalty (Oil) - MCAs	153,426
DPR Concession rental	183
MCA Feedstock (Royalty)	2,575
Total PSCs / MCAs In-Kind Payments	2,191,281

Source: NEITI 2020 Audit

It should be noted that the sum of US\$125,952,000 realized from Newcross JV as crude oil sales did not form part of federation revenue above. This is due to the fact that Federation interest in the JV has been transferred and the lifting was remitted to the account of NPDC.

4.3. Payment Reconciliation between Companies and Government Entities

All Revenues described under categories B, C and D above (inclusive of in-kind payments described under category A) are paid by companies in the Oil and Gas industry and these payments have been reconciled (with the exception of NESS, VAT, PAYE and Miscellaneous payments). The reconciliation was done reviewing the positions between companies' and government's records as contained in the data templates submitted by the companies and validating them against government records. Subsequently, a reconciliation meeting was conveyed between the government entities and companies to agree a final position, particularly in areas where discrepancies existed.

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

Table 61 below shows the revenue streams covered in the reconciliation exercise with their initial and final reconciliation positions. The total reconciled revenue is US\$20,069,231,000 representing 98.23% of total receipts while the total unreconciled revenue is US\$2,106,000 representing 0.01% of total receipts. The total unilaterally disclosed revenue is US\$359,049,000 representing 1.76% of total revenue receipt. Proceeds from crude oil and gas sales were 100% validated from records of NNPC to the Federation account.

The percentage of total unreconciled discrepancies and the volume of reconciled revenue are within the set threshold of 0.05% and 94.07% respectively as set out in the inception report (see Appendix 3).



Table 61 - Summary of Reconciled and Unilaterally Disclosed Revenue Flows by Streams

RevenueStreams	Initial Template			Adjustment			Adjusted Figures			
	Government	Company	Difference	Government	Company	Receipt by Govt	Payment from Company	2020 Unsolved Difference	2019 Unsolved Difference	Contribution on %
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	%
Proceeds from the sales of Federation export crude oil						2,182,395	2,182,395	-	-	10.68%
Proceeds from the sales of domestic crude oil						5,026,027	5,026,027	-	-	24.60%
Proceeds from the sales of profit oil						161,061	161,061	-	-	0.79%
Proceeds from the sales of Federation equity gas						713,391	713,391	-	-	3.49%
Proceeds from the sales of Feedstock						508,917	508,917	-	-	2.49%
Petroleum Profit Tax (PPT)	2,079,243	2,977,756	-898,513	1,194,321	295,808	3,273,564	3,273,564	-	-	16.02%
Royalty (Oil)	2,564,432	4,384,584	-1,820,152	2,074,706	253,904	4,639,138	4,638,488	650	-	22.71%
Royalty (Gas)	60,633	275,917	-215,284	217,057	1,773	277,690	277,690	-	-	1.36%
Flare gas Payment	229,955	252,087	-22,132	27,030	4,431	256,985	256,519	466	-	1.26%
Concession Rental	9,566	9,504	61	307	287	9,873	9,791	82	-	0.05%
Transportation Fees	42,537	145,714	-103,177	78,641	-24,521	121,178	121,194	16	183,067	0.59%
Signature Bonus and License Fees	330,638	20,215	310,423	3,220	313,643	333,858	333,858	-	-	1.63%
Company Income Tax (CIT)	240,502	286,311	-45,809	28,337	-17,472	268,839	268,839	-	-	1.32%
Value Added Tax	492,491	493,955	-1,464	-910	-2,503	491,581	491,452	130	-	2.41%
Dividend from NNLC	-	-	-	-	-	545,133	545,133	-	-	2.67%
Capital Gain Tax (CGT)	-	54,413	-54,413	54,413	-	54,413	54,413	-	-	0.27%
Education Tax (EDT)	414,220	417,535	-3,315	-10,209	-13,525	404,011	404,011	-	-	1.98%
Niger Delta Development Levy (3%)	252,671	258,199	-5,527	37,004	31,477	289,676	289,676	-	-	1.42%
Nigerian Content Development & Monitoring Board (1%)	81,355	77,471	3,884	-3,880	73	77,475	77,544	69	-	0.38%
Withholding Tax (WHT)	441,043	444,571	-3,528	-4,909	-7,743	436,134	436,828	694	-	2.13%
Subtotal from Reconciliation (A)	7,239,285	10,098,232	-2,858,947	3,695,128	835,633	20,071,337	20,070,789	2,106	-	98.24%
Pay-As-You-Earn (PAYE)	12	12	-	-	-	12	-	N/A	N/A	0.0001%
Ness Fee	16,775	25,275	-8,501	48,575	40,074	65,349	-	N/A	N/A	0.32%



RevenueStreams	Initial Template			Adjustment			Adjusted Figures			
	Government	Company	Difference	Government	Company	Receipt by Govt	Payment from Company	2020 Unsolved Difference	2019 Unsolved Difference	Contribution on %
	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	US\$ 000	%
Miscellaneous Income	-	-	-	-	-	293,687	-	N/A	N/A	1.44%
Subtotal - Unilateral Disclosed (B)	16,787	25,287	-8,501	48,575	40,074	359,049	-	-		1.76%
Total (A + B)	7,256,072	10,123,520	-2,867,448	3,743,703	875,707	20,430,386	20,070,789	2,106		100.00%

Tables 62, 63, 64, & 65 below contain the summary of revenue flows between the companies and government entities and shown per company, project and revenue type. The total revenue flow between the companies and the government entities in 2020 was US\$11.84billion as shown in Table 66. Out of the \$11.839billion, the JVs accounted for 61.14% (US\$7.24billion) while the PSCs and MF/SR accounted for 26.26% (US\$3.11billion) and 5.46% (US\$646.22million) respectively. The total payment of US\$11.84billion included payments by NLNG in the sum of US\$545.13million, which constitute about 4.60% of total financial inflows to government. See Appendix 16 for individual Company's financial flows.



Table 62 – Joint Venture (JV)

Covered Entities	License	Royalty (Oil) \$ (000)	Royalty (Gas) \$ (000)	Con-cession Rental \$ (000)	Flare gas Pay-ment \$ (000)	Licence fee & Acreage rentals \$ (000)	Sig-nature Bonus \$ (000)	Petro-lease Profits Tax (PPT) \$ (000)	Com-pany Income Tax (CIT) \$ (000)	Edu-cation Tax \$ (000)	NDDC Levy \$ (000)	NCDMB Pay-ments \$ (000)	Cap-ital Gains Tax \$ (000)	Value Added Tax \$ (000)	Trans-por-tation Fee \$ (000)	NESS Fees \$ (000)	With-holding Tax \$ (000)	Pay As You Earn (PAYE) \$ (000)	NNLG - Divi-dend \$ (000)	Mis-cella-neous In-come \$ (000)	Total \$ (000)
Joint Venture (JV)																					
Seplat	4, 38, 41 & 53	72,439	8,104	641	15,669	-	-	6,880	-	2,061	16,498	1,642	-	21,921	-	-	16,205	12	-	-	162,682
NAOC	60-63	72,769	7,918	800	10,820	-	-	8,324	45,095	6,760	24,338	5,959	-	41,587	-	685	26,856	-	-	-	251,911
Newcross E&P Ltd	24	29,422	-	24	-	-	-	-	49	3	-	96	-	955	-	132	729	-	-	-	31,411
AITEO	29	141,666	-	133	-	100,230	-	-	9	-	340	273	-	2,213	-	154	1,294	-	-	-	246,313
TEPNG Total Exploration	58, 99, 100, 102, 112/ 117, 136	285,273	12,988	293	10,925	-	-	228,732	7,405	27,339	-	4,278	-	31,785	-	1,359	18,170	-	-	-	628,547
SPDC	11, 17, 20- 23, 25, 27, 28, 32, 31- 33, 35, 36, 43, 45, 46, 74, 77, 79	223,250	15,602	4,544	17,106	-	-	43,887	101,550	19,531	46,235	16,070	-	103,872	107,131	1,462	89,400	-	-	-	789,649
MPN	67, 88, 70 & 104	289,771	4,868	436	29,852	-	-	247,045	32,587	22,609	19,087	11,885	-	72,674	-	1,663	51,532	-	-	-	763,738
Chewron Nigeria Ltd	49, 51, 86, 88 – 91, 95	250,086	-	832	12,019	-	-	57,124	34,484	15,847	26,249	12,466	-	53,262	14,047	1,319	58,519	-	-	-	536,253
First E&P Ltd	83, 85	-	-	129	-	-	-	-	-	-	-	-	-	2,580	-	-	2,279	-	-	-	4,988
Belema Oil	55	5,497	-	127	-	-	-	-	-	-	-	-	-	633	-	-	326	-	-	-	6,584
NPDC	(61, 62, 63, 64-NAOC), (119-AENR), (4, 38, 41- Seplat), 65, 111	2,130,505	206,302	182	-	-	207,529	1,009,561	30,000	-	33,668	4,074	-	27,518	-	-	46,061	-	-	-	3,695,401
Oando Oil Ltd	60-63	41,642	1,898	-	3,643	-	-	-	4,500	1,000	-	-	-	-	-	304	-	-	-	-	52,988
Erton	18	47,249	290	16	-	-	-	250	-	-	177	236	-	1,577	-	-	1,341	-	-	-	51,135
Total-JV		3,589,569	257,970	8,158	99,764	100,230	207,529	1,601,823	255,680	95,750	166,532	56,979	-	360,577	121,178	7,077	312,712	12	-	-	7,241,600

Source: NEITI 2020 Audit

Table 63 - Production Sharing Contract (PSC)

Covered Entities	Li- cense	Royalty (Oil)	Royalty (Gas)	Con- ces- sion Rental	Flare gas Pay- ment	Licence fee & Acreage rentals	Sig- nature Bonus	Petro- leum Tax (PPT)	Com- pany Income Tax (GIT)	Edu- cation Tax	NDDC Levy	NGDMB Pay- ments	Capital Gains Tax	Value Added Tax	Trans- por- tation Fee	NESS Fees	With- holding Tax	Pay As You Earn (PAYE)	NNLG - Divi- dend	Mis- cella- neous Income	Total
		\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Production Sharing Contract (PSC)																					
Addax Petroleum Dev	123 & 124	14,273	-	-	22,262	-	-	35,338	-	4,450	8,873	12	-	6,369	-	-	4,949	-	-	-	96,524
Addax Petroleum Exploration	126	4,387	-	183	-	-	-	25,087	-	2,089	2,052	-	-	3,248	-	-	3,002	-	-	-	40,049
Equinor Nigeria	128	56,071	-	-	-	-	-	158,906	-	25,478	7,974	51	-	405	-	229	320	-	-	-	249,434
Esso E&P Nig Ltd	133	41,233	-	-	11,182	-	-	330,783	-	39,118	8,820	1,302	-	11,035	-	566	7,354	-	-	-	451,403
Esso E & P Offshore Nig Ltd	138	94,151	-	-	10,942	-	-	-	-	20,156	4,328	789	-	5,045	-	196	3,242	-	-	-	138,949
Famila Oil Ltd	127	-	-	-	-	-	-	-	-	-	-	-	-	488	-	338	915	-	-	-	1,741
Nexen	138	-	-	-	-	-	-	-	-	-	-	-	54,413	35	-	76	6	-	-	-	54,530
NAE	134, 125	27,458	-	-	7,344	-	-	-	-	3,102	9,704	923	-	6,194	-	336	4,040	-	-	-	59,100
Panoocean Oil Nig	147	17,222	-	54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,276
Enagreed limited	148	1,801	-	174	1,012	-	-	-	-	-	356	-	-	1,892	-	6	1,275	-	-	-	6,517
SGORL	146	4,083	-	12	7	-	-	-	-	-	-	246	-	148	-	-	137	-	-	-	4,633
Star Deep Water Petroleum Ltd	127 & 128	113,972	-	96	24,427	-	-	460,489	-	42,084	13,401	3,633	-	12,623	-	1,199	7,872	-	-	-	679,796
Chevron Producing Nig Ltd	138	-	-	-	-	-	-	-	-	-	-	4	-	134	-	-	-	-	-	-	138
Total Upstream	130	126,501	1,407	-	12,772	-	-	188,826	10,361	94,507	34,357	4,083	-	24,505	-	1,388	15,745	-	-	-	514,462
SEEPCO	143	80,056	-	142	85	-	-	-	-	-	-	1,336	-	1,217	-	487	1,394	-	-	-	84,726
SINEPCO	118	105,671	-	-	9,053	2,000	-	443,267	-	62,502	27,704	4,448	-	28,485	-	558	23,862	-	-	-	707,549
Sterling Exploration Ltd				82																	82
Total- PSC		686,878	1,407	743	99,087	2,000	-	1,642,705	10,361	293,487	117,569	16,835	54,413	101,824	-	5,388	74,113	-	-	-	3,106,909

Source: NEITI 2020 Audit



Table 64 - Marginal Field (MF) and Sole Risk (SR)

Covered Entities	Li- cense	Royalty (Oil)	Royalty (Gas)	Con- cession Rental	Flare gas Pay- ment	License fee & Acreage rentals	Sig- nature Bonus	Petro- leum Profits Tax (PPT)	Com- pany Income Tax (CIT)	Edu- cation Tax	NDC Levy	NCDMB Pay- ments	Capital Gains Tax	Value Added Tax	Trans- por- tation Fee	NESS Fees	With- holding Tax	Pay As You Earn (PAYE)	NNLG - Divi- dend	Miscel- laneous Income	Total
		\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Marginal Field (MF) and Sole Risk (SR)																					
Brasil oil services	130	-	-	-	-	-	-	-	-	-	-	7	-	17	-	979	3	-	-	-	1,006
China National Off Shore	130	-	-	-	-	-	-	-	7	2	-	-	-	102	-	1,545	85	-	-	-	1,742
Dubai Oil	96	815	-	7	-	-	-	-	-	-	14	-	-	4	-	-	-	-	-	-	840
Chorus Energy	56	340	29	-	919	1,000	-	41	-	8	-	-	-	85	-	5	67	-	-	-	2,494
Continental Oil	59	1,000	-	-	8,842	-	-	3,825	-	67	-	-	-	-	-	13	-	-	-	-	13,747
Energia Limited	56	620	4	-	3,455	-	800	1,894	-	467	699	224	-	931	-	-	743	-	-	-	9,638
Excel Exploration	46	351	-	-	8	-	-	-	-	-	160	-	-	99	-	13	94	-	-	-	726
Elcrest Exploration	40	34,334	-	-	-	-	-	-	-	-	-	-	-	5,468	-	118	4,501	-	-	-	44,411
First Hydrocarbon	26	12,827	-	-	-	-	-	-	3	-	-	-	-	174	-	76	122	-	-	-	13,202
Frontier	13	230	4,756	-	79	1,000	-	-	-	-	337	97	-	1,191	-	3	541	-	-	-	8,235
Green Energy	11	1,178	-	-	377	-	-	-	-	23	-	-	-	20	-	-	6,935	-	-	-	8,533
Midwestern Oil & Gas	56	20,384	-	-	10,388	-	100	-	-	-	-	312	-	4,391	-	32	814	-	-	-	36,421
Millenium Oil & Gas	11	-	-	-	-	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	250
Moni Pulo Ltd	114	12,292	-	70	123	-	11,175	-	-	-	500	9	-	650	-	47	1,013	-	-	-	25,878
ND-Western	34	44,343	12,941	-	-	-	-	-	-	-	-	-	-	284	-	80	165	-	-	-	57,813
Neconde Energy	42	53,095	-	-	-	-	-	-	-	-	-	-	-	35	-	167	9	-	-	-	53,306
Network Exploration & Production	13	602	-	-	281	-	500	-	-	-	368	-	-	575	-	20	1,146	-	-	-	3,492
NDRP	54	730	186	-	133	-	1,000	-	-	2,326	281	170	-	3,791	-	45	3,063	-	-	-	11,725



Covered Entities	Li- cense	Royalty (Oil)	Roy- alty (Gas)	Con- cession Rental	Flare gas Pay- ment	Licence fee & Acreage rentals	Sig- nature Bonus	Petro- leum Profits Tax (PPT)	Com- pany Income Tax (GIT)	Edu- cation Tax	NDDC Levy	NDDMB Pay- ments	Capital Gains Tax	Value Added Tax	Trans- por- tation Fee	NESS Fees	With- holding Tax	Pay As You Earn (PAYE)	NNLG - Divi- dend	Miscel- laneous Income	Total
		\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)	\$(/000)
Marginal Field (MF) and Sole Risk (SR)																					
Oriental Energy	67, 115	16,644	-	-	1,563	5,254	-	14,200	-	3,184	2,090	1,761	-	5,368	-	231	4,132	-	-	-	54,428
Prime 127	127	-	-	-	-	-	-	-	-	-	-	6	-	35	-	48,575	20,728	-	-	-	69,344
Pillar Oil	56	824	-	-	151	-	-	2,799	-	209	271	114	-	918	-	43	734	-	-	-	6,063
Platform Petroleum Ltd	38	993	200	-	5,299	-	-	-	-	-	-	142	-	875	-	36	724	-	-	-	8,584
Shoreline Natural Res. Ltd	30	74,300	-	46	-	-	-	-	-	-	-	-	-	201	-	190	179	-	-	-	74,916
Universal Energy Ltd	14	1,102	-	-	180	-	-	-	-	-	146	12	-	238	-	57	56	-	-	-	1,792
Watersmith Peroman	16	250	-	-	8	-	1,000	2,132	-	416	-	-	-	35	-	76	239	-	-	-	4,157
Yinka Folawiyi Petroleum	113	6,154	-	163	2,030	-	10	-	-	10	-	93	-	316	-	44	289	-	-	-	9,109
Amni International	112 & 117	64,579	-	-	19,950	-	-	650	-	0	-	-	-	145	-	49	712	-	-	-	86,066
Brittania	90	-	-	-	72	1,000	-	-	-	287	-	-	-	616	-	14	195	-	-	-	2,185
All Grace Energy	17	195	-	-	-	1,000	-	-	-	0	-	-	-	-	-	-	-	-	-	-	1,196
COOIL	59	127	-	586	-	-	-	3,495	-	96	-	-	-	1,073	-	13	281	-	-	-	5,670
Suntrust Oil	56	-	-	-	-	-	-	-	-	-	-	-	-	140	-	-	-	-	-	-	140
Texaco Nig. Outer Shelf Ltd	128, 129, 132	-	-	-	-	-	10	-	-	-	197	8	-	27	-	219	291	-	-	-	751
South Atlantic Pet. Limited	130	-	-	100	-	-	-	-	-	-	-	-	-	919	-	187	1,092	-	-	-	2,298
Summit Oil	142	80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80
Sahara OML	18	13,652	197	-	3,829	-	-	-	-	6,597	-	-	-	118	-	-	-	-	-	-	24,671
Orient Petroleum Resources		300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
Bilton energy		350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350



Covered Entities	Li- cense	Royalty (Oil)	Royalty (Gas)	Con- cession Rental	Flare gas Pay- ment	Licence fee & Acreage rentals	Sig- nature Bonus	Petro- leum Profits Tax (PPT)	Com- pany Income Tax (CIT)	Edu- ca- tion Tax	NDDC Levy	NCDMB Pay- ments	Capital Gains Tax	Value Added Tax	Trans- por- ta- tion Fee	NESS Fees	With- holding Tax	Pay As You Earn (PAYE)	NNLG - Divi- dend	Miscel- laneous Income	Total
		\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Marginal Field (MF) and Sole Risk (SR)																					
LekOil	-	-	-	-	466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	466
Total MF & SR	-	362,691	18,312	972	58,134	9,254	14,845	29,037	287	13,694	5,377	2,955	-	28,832	-	52,878	48,955	-	-	-	646,223
Service Contract																					
AENR	116, 120	-	-	-	-	-	-	-	2,510	1,079	137	706	-	349	-	7	355	-	-	-	5,143
Total Service Contract	-	-	-	-	-	-	-	-	2,510	1,079	137	706	-	349	-	7	355	-	-	-	5,143
Others																					
NNFC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	293,687	293,687
NLNG	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	545,133	-	545,133
Total - Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	545,133	293,687	838,820

Source: NETI 2020 Audit



Table 65 - Summary of Total PSC, JV, SC & Others

Covered Entities	Li- cense	Royalty (Oil)	Roy- alty (Gas)	Con- cession Rental	Flare gas Pay- ment	Licence fee & Acreage rentals	Sig- nature Bonus	Petro- leum Profits Tax (PPT)	Com- pany Income Tax (CIT)	Edu- cation Tax	NDDC Levy	NCDMB Pay- ments	Capital Gains Tax	Value Added Tax	Trans- por- tation Fee	NESS Fees	With- holding Tax	Pay As You Earn (PAYE)	NNLG - Divi- dend	Miscel- laneous Income	Total
Summary		\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)	\$'(000)
Total - PSC		686,878	1,407	743	99,087	2,000	-	1,642,705	10,361	293,487	117,569	16,635	54,413	101,824	-	5,388	74,113	-	-	-	3,106,809
Total - JV					99,764	100,230	207,529	1,601,823	255,680	95,750	166,592	56,979	-	360,577	121,178	7,077	312,712	12	-	-	7,241,600
Total - MF & SR		362,691	18,312	972	56,134	9,254	14,845	29,037	287	13,694	5,377	2,955	-	28,832	-	52,878	48,955	-	-	-	646,223
Total - Service Contract									2,510	1,079	137	706	-	349	-	7	355	-	-	-	5,143
Total - Others																			545,133	293,687	838,820
Total		4,639,138	277,690	9,873	256,985	111,484	222,374	3,273,564	268,839	404,011	289,676	77,475	54,413	491,581	121,178	65,349	436,134	12	545,133	269,687	11,838,595

Source: NEITI 2020 Audit



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

The total revenue from the oil and gas sector in 2020 from the 23 revenue streams was US\$ 20,430,387,000 and the breakdown of the collections is shown in Table 66 below. There was an overall decrease of 40% in collections when compared with 2019 revenue of US\$34,218,481,000. Total collections from sales of crude oil, gas and feedstock was \$10,783,072,000, representing 53% of the total collections.

Table 58 - Summary of Revenue Collection from the Oil and Gas Sector

Description	2020 US\$ 000	2019 US\$ 000	% Change
SALES OF FEDERATION CRUDE OIL AND GAS			
Proceeds from the sales of Federation equity crude oil	4,373,676	14,806,880	-70%
Proceeds from the sales of domestic crude oil	5,026,027	2,685,384	87%
Proceeds from the sales of profit oil	161,061	709,624	-77%
Proceeds from the sales of Federation equity gas	713,391	641,001	11%
Proceeds from the sales of Feedstock	508,917	864,854	-41%
Total Sales of Federation Crude Oil and Gas (i)	10,783,072	19,707,743	-45%
*PSCs / MCAs In-Kind Payments			
Petroleum Profit Tax- MCAs	248,419	329,407	-25%
Petroleum Profit Tax - PSCs	1,192,013	3,241,455	-63%
Company Income Tax (CIT) Feedstock- MCAs	10,096	-	100%
Royalty Feedstock – MCA	2,575	-	100%
Royalty (Oil) - MCAs & RA	153,426	278,826	-45%
Royalty (Oil) - PSCs	582,358	528,045	10%
EDT Feedstock- MCA	1,579	-	100%
EDT Oil- MCA	632	13,582	-95%
Concession rentals- PSCs	183	37	394%
Total PSCs / MCAs/ Other in-Kind Payments (ii)	2,191,281	4,391,352	-50%
Subtotal (A)=(i)-(ii)	8,591,791	15,316,391	-44%
Other Specific Financial Flows to the Government			
Petroleum Profit Tax	3,273,564	6,784,862	-52%
Royalty (Oil)	4,639,138	4,513,417	3%
Royalty (Gas)	277,690	126,777	119%
Flare Gas Payment (FGP)	256,985	307,591	-16%
Concession Rentals	9,873	2,658	271%
Miscellaneous Income	293,687	308,640	-5%
Transportation Revenue	121,178	455,152	-73%
Signature Bonus & License Renewal	333,858	925,181	-64%
Total Other Specific Financial Flows to Government (iii)	9,205,973	13,424,278	-31%
Other Flows to Government			
Company Income Tax	268,839	1,167,980	-77%
Value Added Tax	491,581	1,195,367	-59%
Dividend from NLNG	545,133	915,646	-40%
Pay as You Earn	12	293,163	-100%



Capital Gain Tax	54,413	4,400	1137%
Withholding Tax	436,134	625,581	-30%
Education Tax	404,011	423,586	-5%
Total Other Flows to Government (iv)	2,200,123	4,625,723	-52%
Subtotal (B)=(iii)+(iv)	11,406,096	18,050,001	-37%
Flows to other Entities			
Niger Delta Development Commission (NDDC) 3% Levy	289,676	721,275	-60%
Nigerian Content Development and Monitoring Board (NCDMB) Levy	77,475	94,319	-18%
NESS Fee	65,349	36,495	79%
Subtotal (C)	432,500	852,089	-49%
Grand Total (A)+(B)+ (C)	20,430,387	34,218,481	-40%

It should be noted that the NLNG dividend payment shown in the table above was not remitted to the Federation Account, but kept in NNPC designated bank account. Also, Transportation revenue received by NNPC was lumped with other revenues and classified as miscellaneous income. In addition there is no disclosure of tariff rate(s) and volumes of transported commodities through the pipelines in accordance with EITI requirement.

4.6. Ten-Year Trend of Total Financial Flows

The total amount of revenue received from the Oil and Gas Sector in 2020 was US\$20.43billion, which is about the lowest in the last 10 years except for 2016 which was US\$17.06billion. Table 67 below shows the trend of total financial flows from 2011 to 2020.

Table 67 - Ten-year Aggregate Financial Flows

YEAR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
	US\$' B	US\$' B	US\$' B	US\$' B	US\$' B	US\$' B	US\$' B	US\$' B	US\$' B	US\$' B	US\$' B
Total	68.442	62.844	58.080	54.555	24.791	17.055	20.988	32.626	34.218	20.430	394.029
Change (\$' billion)	23.497	(5.598)	(4.764)	(3.525)	(29.764)	(7.736)	3.933	11.638	1.592	(13.789)	-
% Change	52.28%	-8.18%	-7.58%	-6.07%	-54.56%	-31.20%	23.06%	55.45%	4.88%	-40.29%	

Source: 2011-2019 NEITI Reports and NEITI 2020 Templates

The low collection in the year 2020 is mainly attributable to the fallen oil prices due to the COVID-19 pandemic.

4.7. Distribution of Revenues from the Oil and Gas Sector

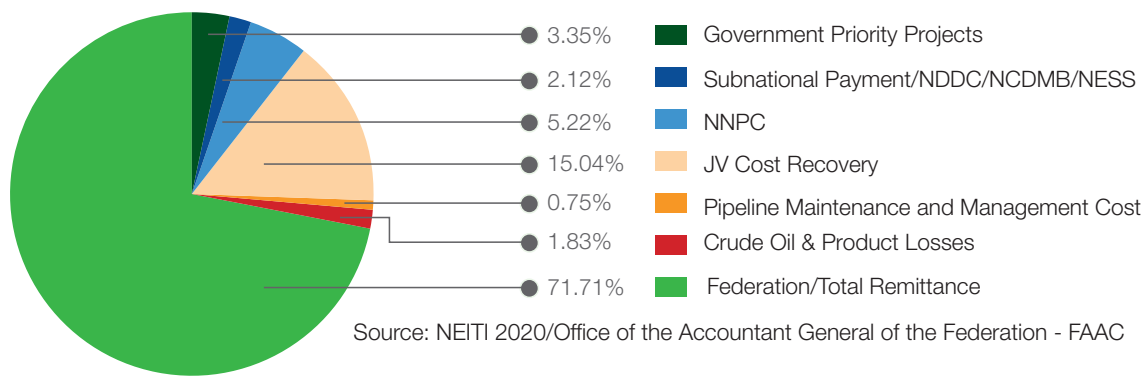
The total sum of US\$20.430billion revenue from the Oil and Gas sector was inclusive of deductions made by NNPC from the sale of Federation crude oil and gas prior to remittance to the Federation Account. The total amount of oil and gas receipts paid into the Federation account was in the sum of US\$14.650billion (71.71% of total revenue). The deductions made from the total revenue and subnational payments were;

- JV Cost Recovery of US\$ 3.07billion (15.04% of total revenue)
- Pipeline maintenance and management cost of US\$152.88million (0.75%)
- Crude oil and product losses in the sum of US\$373.32million (1.83%)
- Government Priority projects US\$683.64million (3.35%)
- Amount retained in NNPC accounts is US\$1.07billion (5.21%)
- Subnational Payments US\$432.50million (2.12%)

The sub-national payments are payments made to NCDMB, NDDC and the NESS under the FMFBNP. Amounts retained with the NNPC included NLNG payments and the Naira component of transportation revenue. The distribution of total revenue is represented pictorially in Figure 11 below.



Figure 11 - Revenue Distribution

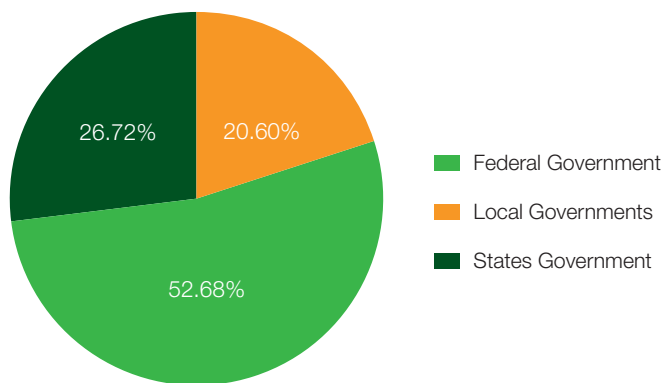


The Strategic holding cost, pipeline management cost and pipeline operation cost are all embedded in Pipeline maintenance and management cost. PMS under recovery, crude oil and product losses and value loss due to deregulation are all part of crude oil and product losses shown in the Figure 11 above.

The total amount of oil and gas receipts paid into the Federation account was therefore in the sum of US\$14.650billion (71.71% of total revenue) and this was shared under the subsisting Revenue Sharing Formula in which the federal government takes 52.68%, the states, 26.72% and the local governments, 20.60 % while 13% derivation revenue goes to the oil producing states as a first line charge before revenue sharing amongst the three tiers of government. These oil-producing states are Abia, Akwa-Ibom, Bayelsa, Delta, Edo, Imo, Lagos, Ondo and Rivers.

Futher details on revenue allocation and disbursement can be found [here](#)⁴⁹.

Figure 12 - Federation Revenue Sharing Formula



4.8. Outstanding Liabilities Due to the Federation

A review of outstanding financial liabilities due to the Federation was carried out with respect to FIRS and DPR revenues. The total amount payable to FIRS as outstanding taxes as at 30th September, 2021 was US\$79.20million while the total amount of outstanding Federation revenue payable to DPR as at 31st December, 2020 was US\$3.10billion. The summary of these outstanding liabilities can be found in Appendix 12.

4.9. Observations, Findings and Recommendation

Observations and Findings

1. The total outstanding taxes payable to FIRS as at 30th September, 2021 was US\$79.20million while the total amount of outstanding Federation revenue payable to DPR as at 31st December, 2020 was US\$3.10billion. See Appendix 12 for more details. The non-payment of these funds as at when due is a constraint on revenue flow to the Federation.
2. Operatorship of OML 116 was transferred to NPDC whereas the proceeds from production was treated as if the ownership of the license was reassigned to NPDC. There was no consideration paid to show that it was reassigned.
3. NLNG Dividend and other related payments remained an issue in 2020 as payments are being warehoused in NNPC designated bank accounts and not Federation accounts.

49 Revenue Allocation and Distribution - <https://neiti.gov.ng/revenue-allocation>



4. Transportation revenue received by NNPC was lumped with other revenues and classified as miscellaneous income. In addition there was no disclosure of tariff rate and volumes of transported commodities.

Recommendations

1. Companies should promptly pay outstanding liabilities while the respective government agencies are to intensify efforts to recover the debt.
2. The transfer of operatorship does not mean transfer of assets or ownership rights. NPDC to pay considerations if the OML has been reassigned.
3. NNPC Ltd. should transparently disclose and account for NLNG payments in the Corporation's Financial Statements while future dividends should be paid to the Federal Government as the investor.
4. NNPC Ltd. and the Companies should provide basis and separately report transportation revenue as a line item and not as part of Miscellaneous revenue as currently being practiced.





05

Cash Calls

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5.1. Cash-Call Management

Cash-Call is the request made by the Operator on the partners to the Joint Venture for an amount payable in proportion of their equity holdings stated in the Joint Operating Agreement, for exploration and production costs in a stipulated period referred to as “Cash Call month”. The amount is paid into a Joint Operating Account maintained by the Operator of the Joint venture. NNPC’s interests in a Joint Venture is administered by NAPIMS.

5.2. Joint Venture (JV) Partners

NNPC operates a joint venture relationship with reputable oil companies in the exploration and production of Nigeria’s oil reserves. NAPIMS is the division of NNPC charged with the management of the Nigerian Federation’s investment in the Oil and Gas Joint Venture Operations with the International and Indigenous Oil Companies (IOCs). There are 13 Joint Venture relationships with NNPC as it was in 2019 but 2 of the JVs (Panocean and Newcross JVs) were assigned to NPDC in the course of the year 2020. Further details of the JV partners and their equity holdings with NNPC can be found [here](#).

5.3. Cash-Call Request, Budgeting and Approval

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

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

Cash-Calls are initiated monthly by the JV Operator, served on NNPC and other Partners in time to lodge their equity portions of the Cash-Calls into the JV Dollar and Naira Cash-Call Bank Accounts, on or before the 1st day of the Cash-Call month. NNPC has prying and audit rights over all Cash-Call Accounts, but the custody and transactional authority over these Joint Operating Bank Accounts are with the Operators which are usually the IOCs.

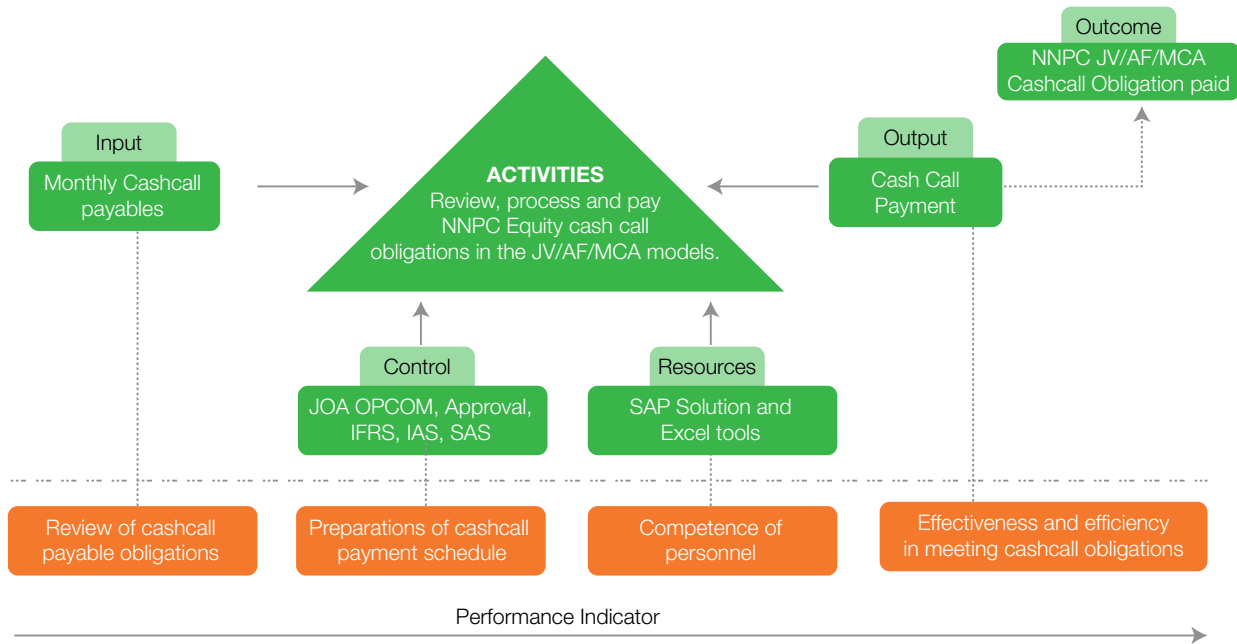
5.3.1. NAPIMS’ Cash Call Payment Process

The NNPC/NAPIMS cash call Payment Process, as described by NAPIMS is stated in the steps below:

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



Figure 13 - Cash-call payment process



Source: NAPIMS

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

5.3.2. Cash Call 2020 Budget

The Joint Venture (JV) work program and budget for Exploration and Production (E&P) approved by OPCOM based on presentations by the Joint Operators of each arrangement are stated in the schedule below. The total OPCOM approved budget for the JV partners in 2020 was N817,940,763,830.00 and US\$2,232,258,670.00 (total equivalent of US\$4,504,329,520) as shown in Table 68 below.

Table 68 - OPCOM Approved Budget for Joint Venture Operation

S/N	Name of Company/Joint Venture	OPCOM APPROVED BUDGET		
		N'000	US\$'000	F US\$'000
1	SHELL	10,923,969.17	40,009.43	70,368.46
2	MOBIL	279,972,880.00	816,179.00	1,593,881.00
3	CHEVRON	184,291,817.00	384,158.00	896,080.00
4	TEPNG	114,035,650.50	273,715.18	590,480.85
5	FEPDCL	21,306,501.13	155,011.33	214,196.06
6	EROTON	26,898,707.00	64,490.00	139,208.00
7	AITEO	89,605,191.84	214,167.18	463,070.49
8	BELEMA	34,734,848.45	125,799.77	222,285.46
9	SEPLAT	12,760,479.85	41,998.06	77,443.84
10	WAEP	16,787,471.25	51,404.85	98,036.71
11	AMNI	689,706.00	1,917.00	3,833.00
12	NEPL	25,933,541.64	63,408.87	135,445.65
	Total	817,940,763.83	2,232,258.67	4,504,329.52

Source: NAPIMS/NEITI 2020 Template

Table 69 - NNPC's Share of OPCOM Approved Budget

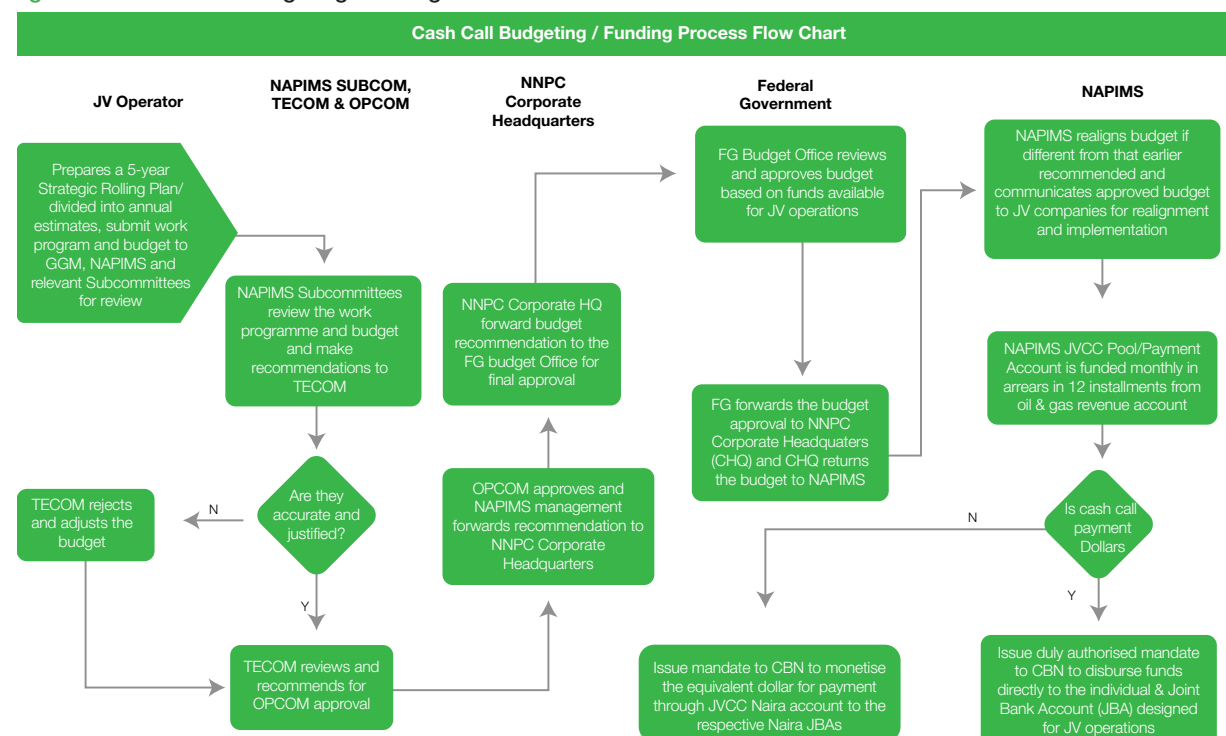
S/N	Name of Company / Joint Venture	NNPC SHARE OF OPCOM APPROVED BUDGET		
		Total		
		N'000	US\$'000	F '\$000
1	SHELL	6,008,183.04	22,005.19	38,702.66
2	MOBIL	167,983,728.00	489,707.40	956,328.60
3	CHEVRON	110,575,090.20	230,494.80	537,648.00
4	TEPNG	68,421,390.30	164,229.10	354,288.51
5	FEPDCL	12,783,900.68	93,006.80	128,517.64
6	EROTON	14,794,288.85	35,469.50	76,564.40
7	AITEO	49,282,855.51	117,791.95	254,688.77
8	BELEMA	20,840,909.07	75,479.86	133,371.28
9	SEPLAT	7,656,287.91	25,198.84	46,466.30
10	WAEP	9,233,109.19	28,272.67	53,920.19
11	AMNI	413,823.60	1,150.20	2,299.80
12	NEPL	14,263,447.90	34,874.88	74,495.11
	Total	482,257,014.25	1,317,681.19	2,657,291.26

Source: NAPIMS/NEITI 2020 Template

5.4. Cash-Call Funding

The basis of funding of Joint Venture cash-call is provided in the Joint Operating Agreement and contributed into the Joint Venture Account maintained by the JV operator. The Federation's contribution of the cash call is funded through Mandates raised by NAPIMS and approved by the NNPC Group Managing Director. The amount is paid from the JP Morgan Crude Oil and Gas Revenue account into the Joint Venture Naira Account maintained with CBN and CBN JV Cash Call Dollar Account maintained with Standard Chartered Bank. The funding process is outlined in figure 14 below:

Figure 14 - Cash-call Budgeting/Funding Process Flow Chart

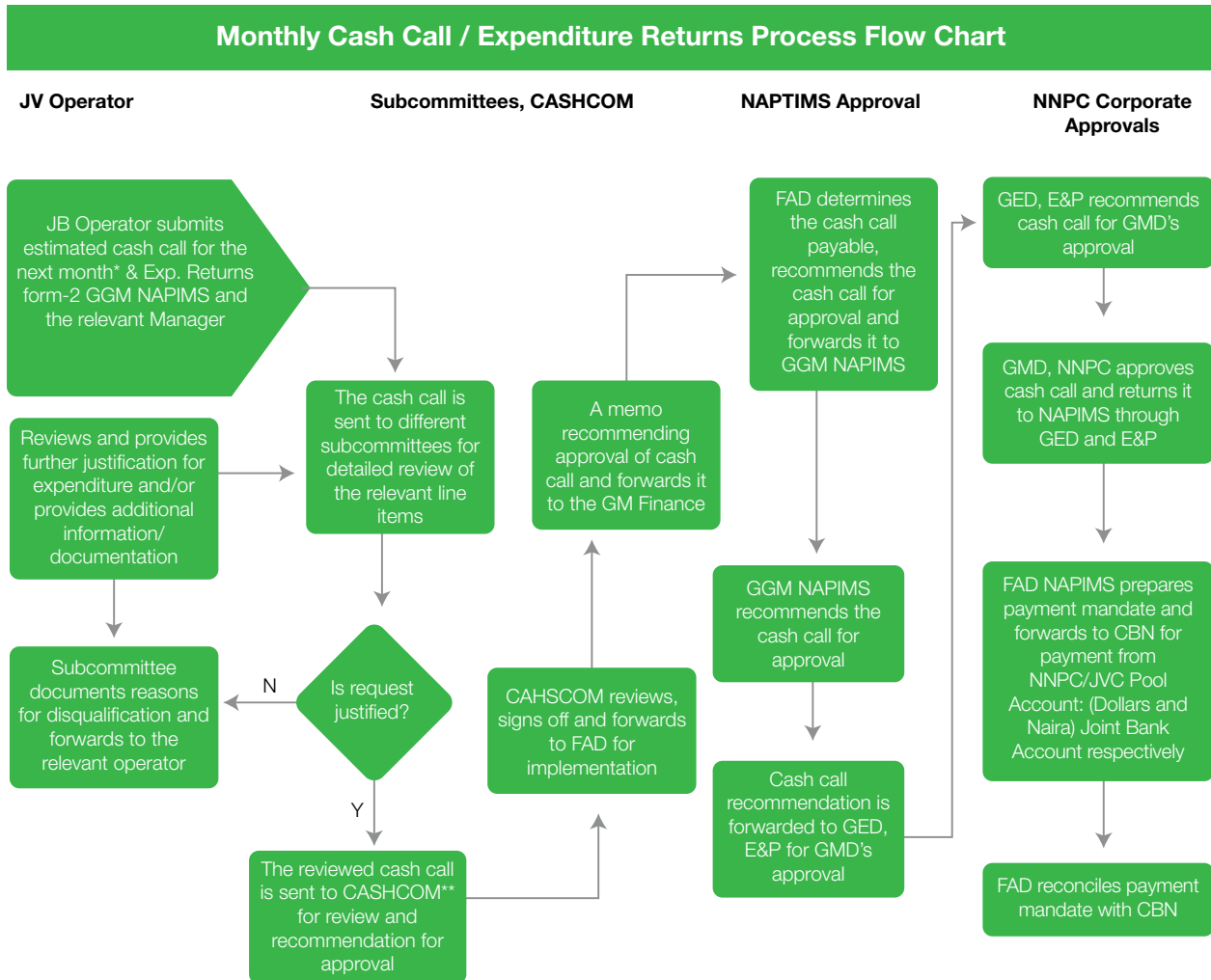


Source: NAPIMS



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

Figure 15- Monthly Cash-call/Expenditure Returns Process Flow Chart



Source: NAPIMS

* 15 working days before the 1st day of the cash call month

** CASHCOM is made up of representative of the Operator and NAPIMS

Table 70 below shows that the total inflow into the Joint Venture cash-call Accounts from Crude oil and domestic gas accounts in 2020 was US\$3.97Billion, and US\$988.18million was the amount brought forward in the JV cash call account from 2019. Thus, total funds available for cash call in 2020 was US\$4.96B. The naira component of the total inflows into the JVCC Naira Account amounted to N776.24Billion (US\$2.42Billion equivalent) and N134.88Billion (US\$355.89Million equivalent) was the amount brought forward from 2019.

Table 70 below also shows the total funding of the cash call account in 2020 as US\$3.015Billion and this was significantly lower than the 2019 funding of US\$5.446Billion by 44%. The sum of US\$832.94Million was provided to offset arrears of 2019. The 2020 Cash Call funding was however higher than the total OPCOM approved budget of US\$2.657B (Table 69) by US\$318M. The difference was to cover NAPIMS operations and such other expenses as NESS, Taxes etc.



Table 70 - Summary of Joint Venture cash-call bank accounts (2020)

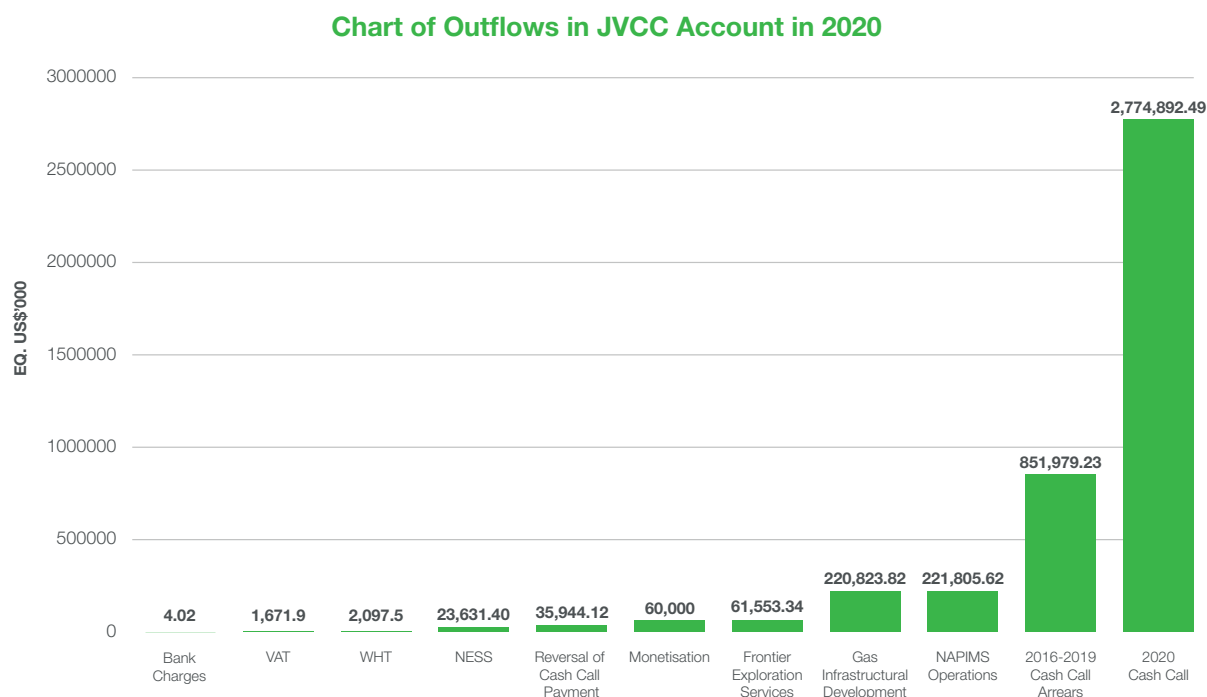
Description	Naira Account	Dollar Account		Total
	N'000	US\$'000 Equivalent	US\$'000	US\$'000 Equivalent
	A	B	C	D = B + C
Opening Balance (a)	134,883,240.52	355,892.46	632,287.58	988,180.03
Inflow				-
JV Cash Call Funding				-
--For offset of 2019 arrears	131,265,315.05	346,346.48	486,596.75	832,943.23
--For offset of 2020 transactions	608,831,995.70	1,606,416.88	1,408,335.19	3,014,752.07
Reversal	12,231,185.04	32,272.26	7,934.41	40,206.66
Cash call refund	-	-	17,140.60	17,140.60
Interest	-	-	357.24	357.24
Monetization	22,800,000.00	60,158.31	-	60,158.31
Remita e-payment transit / Bulk Credit	192,571.80	508.11	-	508.11
Security Operations	918,199.45	2,422.69	-	2,422.69
Refund of Surplus on Gas Dev. Projects	-	-	760.74	760.74
Return Year Payment due to Internal Policy	-	-	31.18	31.18
Subtotal - Inflow (b)	776,239,267.04	2,048,124.72	1,921,156.11	3,969,280.83
Total Funds available for distribution (c = a + b)	911,122,507.56	2,404,017.17	2,553,443.69	4,957,460.86
Outflow				
JV Cash Call:				
Current year Cash Call	619,366,853.33	1,634,213.33	1,140,679.16	2,774,892.49
Prior years Cash Call Payments:				
2016 Cash Call arrears	-	-	4,461.46	4,461.46
2017 Cash Call arrears	-	-	13,436.37	13,436.37
2019 Cash Call arrears	-	-	834,081.39	834,081.39
Cash Call Refund	-	-	-	-
Bank Charges	1,540.72	4.07	-	4.07
Gas Infrastructural Development	29,405,189.43	77,586.25	143,237.57	220,823.82
Reversal of Cash Call Payment	12,231,185.04	32,272.26	3,671.87	35,944.12
NESS	8,956,300.00	23,631.40	-	23,631.40
VAT	157,424.86	415.37	1,256.60	1,671.97
WHT	175,298.90	462.53	1,634.97	2,097.50
NAPIMS Operations				
For 2019 arrears of operations	-	-	44,869.76	44,869.76
For 2020 operations	-	-	176,935.86	176,935.86
Monetization	-	-	60,000.00	60,000.00
Transfer to Federation Account	-	-	-	-
Frontier Exploration Services	-	-	61,553.34	61,553.34
LNG Payment	-	-	-	-
Letter of Credit Charges	-	-	-	-
Subtotal - Outflow (d)	670,293,792.28	1,768,585.20	2,485,818.35	4,254,403.55
Closing Balance (e)= (c - d)	240,828,715.28	635,431.97	67,625.34	703,057.31

Sources: CBN/NNPC Joint Venture cash call Naira account, 2020 Standard Chartered Bank JVCC Dollar Account statement, NNPC 2020 NAPIMS Records. NEITI 2020 Audit Templates.



Table 70 above also shows the total outflow from the JVCC cash-call Accounts in 2020 as US\$4.254B of which US\$2.774B was made to offset NNPC's share of JV cash-call for 2020 and \$0.852B for payment of 2016 to 2018 cash-call arrears. Thus, the total cash call payments of US\$3.622 represents 85% of total payments of US\$4.25B made from the Accounts. The balance of 15% were for other payments which included US\$221million for 2020 NAPIMS operations and arrears of 2019 operations.

Figure 16 - Outflows from JVCC accounts in 2020



The table below shows a breakdown of payments for (prior years and current year) cash calls, paid in 2020 in comparison with populated templates by NAPIMS. On the overall, the analysis indicates that payments in the bank statements are the same as those in the template.

Table 71 – Comparison of Cash Call US\$ payments between Bank and Templates

Cash Call Payment (US\$ Bank Statement)						Cash Call Payment (NAPIMS TEMPLATE) (B)	Variance C = (A - B)
JV Partners	2016	2017	2019	2020	Total (A)		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
SHELL	4,461.46	13,436.37	234,703.93	183,711.28	436,313.04	382,849.60	53,463.44
MOBIL			333,865.63	326,390.48	660,256.11	660,256.11	-
CHEVRON			45905.6	173426.81	219,332.41	283,353.64	-64,021.23
TEPNG			35,749.00	88,825.93	124,574.93	124,574.93	-
*FEPDCL			126,869.93	52,846.92	179,716.85	182,690.31	-2,973.46
EROTON			9,160.90	68,736.02	77,896.92	77,896.92	-
AITEO			30,953.45	158,133.66	189,087.11	189,087.11	-
BELEMA			8,613.80	19,249.59	27,863.39	27,863.39	-

SEPLAT			13.66	22,889.21	22,902.87	9,371.62	13,531.25
WAEP			11,252.11	1,162.71	12,414.82	12,414.82	-
AMNI			-	-	-	-	-
NEPL			6,280.33	36,019.60	42,299.93	42,299.93	-
TOTAL	4,461.46	13,436.37	843,368.34	1,131,392.21	1,992,658.39	1,992,658.39	0.00

*Included in the FEPDCL JV cash calls is the \$40Million payment to Schlumberger International Oilfield Investment Limited (SLB) representing extra-ordinary Cash Call settlement agreed with NNPC/FEPDCL JV after Schlumberger's withdrawal from the Anyala and Madu Phase 1 project on OMLs 83 and 85.

5.5. Cash-Call to JV Operators

The total cash call paid to the Joint Venture operators in 2020 (inclusive of arrears) was US\$3.63B, analysis of the payments based on NNPC mandates to each Joint venture operations are stated in Table 72 below.

Table 72 - Cash-Call Payment (US\$ and NGN Bank Statement)

Cash Call Payment								
S/N	JV Partners	2016	2017	2019	2020	2020	*US\$ Equivalent	TOTAL
		\$'000	\$'000	\$'000	\$'000	'000	\$'000	\$'000
1	SHELL	4,461.46	13,436.37	234,703.93	183,711.28	153,701,377.99	405,544.53	841,857.58
2	MOBIL			333,865.63	326,390.48	147,830,525.36	390,054.16	1,050,310.27
3	CHEVRON			45,905.60	173,426.81	103,565,241.80	273,259.21	492,591.62
4	TEPNG			35,749.00	88,825.93	70,235,383.59	185,317.63	309,892.56
5	FEPDCL			126,869.93	52,846.92	18,635,122.33	49,169.19	228,886.04
6	EROTON			9,160.90	68,736.02	13,970,392.96	36,861.20	114,758.12
7	AITEO			30,953.45	158,133.66	77,267,423.89	203,871.83	392,958.94
8	BELEMA			8,613.80	19,249.59	13,053,726.74	34,442.55	62,305.94
9	SEPLAT			13.66	22,889.21	5,635,170.56	14,868.52	37,771.39
10	WAEP			11,252.11	1,162.71	2,328,383.25	6,143.49	18,558.31
11	AMNI				-	364,587.45	961.97	961.97
12	NEPL			6,280.33	36,019.60	12,779,517.41	33,719.04	76,018.97
	TOTAL	4,461.46	13,436.37	843,368.34	1,131,392.21	619,366,853.33	1,634,213.33	3,626,871.72

Source: NAPIMS/NEITI 2020 Template

*The US\$ equivalent of the naira cash call payment in 2020

A total of about US\$69.74million was the amount paid to NEPL as Cash Call in 2020 (Table 72) even though the JV was said to have been reassigned to NPDC in 2019. This has been a practice that has resulted in accumulated cash call refunds payable to the Federation as observed by previous NEITI audits. Section 6.6.1 below discusses outstanding cash calls receivable from NPDC.

Table 73 - Cash Call Payment (Naira Bank Statement Extract)

Cash Call Payment (NGN Bank Statement)					
S/N	JV Partners	2020	Total (A)	Cash Call Payment (NAPIMS TEMPLATE) (B)	Variance C = (A - B)
		N'000	N'000	N'000	N'000
1	SHELL	153,701,377.99	153,701,377.99	153,701,377.99	-



2	MOBIL	147,830,525.36	147,830,525.36	147,830,525.36	-
3	CHEVRON	103,565,241.80	103,565,241.80	103,565,241.80	-
4	TEPNG	70,235,383.59	70,235,383.59	70,235,383.59	-
5	FEPDCL	18,635,122.33	18,635,122.33	18,635,122.33	-
6	EROTON	13,970,392.96	13,970,392.96	13,970,392.96	-
7	AITEO	77,267,423.89	77,267,423.89	77,267,423.89	-
8	BELEMA	13,053,726.74	13,053,726.74	13,053,726.74	-
9	SEPLAT	5,635,170.56	5,635,170.56	5,635,170.56	-
10	WAEP	2,328,383.25	2,328,383.25	2,328,383.25	-
11	AMNI	364,587.45	364,587.45	364,587.45	-
12	NEPL	12,779,517.41	12,779,517.41	12,779,517.41	-
	TOTAL	619,366,853.33	619,366,853.33	619,366,853.33	-

5.6. Cash-Call Liabilities

The total Cash-Call Liabilities payable by the Federation as of 31st December 2020 was US\$1,987.83M. The bulk of the liabilities which is in the sum of US\$1,579.34million, relates to pre-2016 Joint Ventures Arrears negotiated with the JV Partners.

Table 74 - Schedule of Unpaid Cash-Call as at 31st December 2020

Period	March, 2020 (Under payment)		April, 2020 (Under payment)		October, 2020 (Under payment)		December, 2020		Total	
	NG N'000	US\$'000	NGN'000	US\$'000	NGN'000	US\$'000	NGN'000	US\$'000	NG N'000	US\$'000
Shell (Plus Belem A Unit)	3,273,190.93	7,673.22	3,278,487.13	5,166.33	3,816,722.87	24,666.87	-	32,352.09	10,368,400.93	69,858.52
Mobil (C&C/ Oso Ng)	3,212,117.84	19,243.61	4,632,561.48	18,876.93	3,747,337.89	24,586.68	-	35,889.91	11,592,017.21	98,597.14
Chevron (Inclusive Of Apc)	2,892,910.42	12,245.31	4,077,061.68	15,924.01	2,261,643.98	6,860.08	-	5,907.53	9,231,616.08	40,936.93
Tepng (Plus Amenam)	1,616,912.57	5,922.64	1,493,524.46	4,167.71	1,276,901.76	2,938.30	-	50,700.90	4,387,338.79	63,729.55
Npdc- Cnl (Aroh & Oghareki Unstraddled, Oghareki/ Okwufe)	55,696.04	130.29	55,445.66	89.65	43,052.95	216.79	-	937.19	154,194.65	1,373.92
Npdc- Spdc (Egbema & Uzere)	10,109.78	19.91	12,055.35	13.70	27,681.15	140.22	-	1,177.54	49,846.28	1,351.37
Nepl (Plus Awoba)	258,811.15	1,224.03	362,592.82	471.92	292,538.14	2,291.15	-	3,414.44	913,942.11	7,401.54
Fep (Omls 83&85)	-	-	-	-	67,798.65	1,525.64	-	12,882.38	67,798.65	14,408.02
Eroton	528,350.78	1,439.05	382,677.72	818.52	201,233.53	2,220.00	-	4,106.12	1,112,262.03	8,583.69
Aiteo					1,182,021.80	5,753.51	-	10,998.56	1,182,021.80	16,752.07
Belem A	518,597.70	2,515.92	-	-	320,115.30	2,475.70	-	8,642.78	838,713.00	13,634.40
Seplat	71,245.51	228.12	174,607.75	463.75	168,925.29	1,674.92	-	2,104.00	414,778.55	4,470.79
Waep (Oml 71 & 72)	18,527.24	51.51	14,631.16	32.93	24,794.67	0.42	-	3,889.63	57,953.07	3,974.49
Amni	13,801.74		6,895.49	-	11,692.97	59.69	-	23.07	32,390.20	82.76
Napim Smgtfee	-	8,151.82	-	5,608.64	-	5,608.64	-	16,826.16	-	36,195.26
Total	12,470,271.70	58,845.44	14,490,540.70	51,634.10	13,442,460.95	81,018.61	-	189,852.31	40,403,273.35	381,350.46

Source: NAPIMS/NEITI 2020 templates



Table 75 - Schedule of Unpaid Domestic Gas Cash-Call as at 31st December, 2020

SCHEDULE OF UNPAID DOM GAS CASH CALL AS AT 31.12.2020										
Period	March, 2020		April, 2020		October, 2020		December, 2020		Total	
JV Operator	NG N'000	US\$'000	NGN'000	US\$'000	NGN'000	US\$'000	NGN'000	US\$'000	NG N'000	US\$'000
Shell (Plus Belem A Unit)	272,284.54	2,646.70	346,365.56	2,022.49	349,454.25	3,540.69	-	16,139.65	968,104.35	24,349.53
Mobil (C&C/ Oso NGL)	-	44.26	5,464.13	12.45	-	-	-	-	5,464.13	56.71
Chevron (Inclusive Of APC)	3,567.29	63.22	346,253.49	1,692.58	-	-	-	-	349,820.78	1,755.80
Eroton	80,349.08	623.52	39,489.75	148.37	-	-	-	-	119,838.83	771.89
NPDC- SPDC	-	-	-	-	-	-	-	209.69	-	209.69
TOTAL	356,200.91	3,377.70	737,572.93	3,875.89	349,454.25	3,540.69	-	16,349.34	1,443,228.09	27,143.62

Source: NAPIMS/NEITI 2020 templates

Tables 74 and 75 above show unpaid cash call as at 31st December, 2020. The total cash call liabilities for 2020 was US\$408.49million (US\$381.35million and US\$27.14million).

The negotiated agreement between NNPC/NAPIMS and JV Operators with respect to Pre-2016 Cash-Call Arrears provides, among other things, that JV Operators will utilize revenue from Incremental Production to repay the agreed Pre-2016 Cash-Call liabilities. The Repayment Agreement will continue to subsist until the full repayment of all established Pre-2016 Cash-Call liabilities. The arrears payable to SPDC is with respect to Project Santolina RA while those of CNL are for Projects Cheetah and Project Falcon RA.

Table 76 - Pre-2016 JV arrears repayment as at 31 December 2020

PRE-2016 JV ARREARS REPAYMENT TO JV PARTNERS AS AT DECEMBER 2020					
Company	Funding Arrangement	Total Negotiated Debt	Outstanding Balance in 2019	Total Arrears Repayment in 2020	Total Outstanding Arrears as 31st
		EQ.US\$'M	EQ.US\$'M	EQ.US\$'M	EQ.US\$'M
SPDC	EF- SANTOLINA	1,372.51	917.21	-	917.21
MPNU	CASH CALL-FINANCED	833.75	-	-	-
CNL	EF- FALCON & CHEETAH	1,097.51	158.31	102.81	55.50
TEPNG	CASH CALL-FINANCED	610.97	390.59	144.30	246.29
NAOC	CASH CALL-FINANCED	774.66	433.42	73.08	360.34
TOTAL		4,689.40	1,899.53	320.19	1,579.34
Indigenous Companies	Outright Payment	250.30		250.30	-
TOTAL		4,939.70	1,899.53	570.49	1,579.34

Sources: NAPIMS/NEITI 2020 templates

5.6.1. Cash Call Receivables from NPDC

As explained in Section 5.5 above, the practice of providing cash call funding for Federation assets already assigned to NPDC has resulted in accumulated cash call refunds payable to the Federation. As at December 2020, NPDC has a total outstanding sum of US\$1.266B in Cash Call refunds payable to the Federation as can be seen in Table 77 below.

The bulk of the outstanding amount is with respect to OMLs 60-63 Exploration and Production costs and DOM GAS, between January 2013 to May 2017. NPDC is also to refund US\$65.89M being NNPC Newcross Exploration and Production Cash Call paid by NAPIMS on its behalf in 2020.

Table 77 - Outstanding Refund of Cash Call Payable by NPDC as at 31st December, 2020

OUTSTANDING REFUND OF CASH CALL PAYABLE BY NPDC AS DECEMBER 2020				
PERIOD	Funding Arrangement	Outstanding Balance		
		US\$'000	N'000	F US\$'000
JAN- DEC. 2013	OMLs 60-63 And DOM GAS	120,891	21,328,141	256,209



JAN- DEC. 2014	OMLs 60-63 And DOM GAS	174,278	62,903,788	579,900
JAN- DEC. 2015	OMLs 60-63 And DOM GAS	123,256	62,858,618	445,827
JAN- DEC. 2016	OMLs 60-63 And DOM GAS	36	15,944,447	81,641
JAN- DEC. 2017 (Performance Balance of 2016)	OMLs 60-63 And DOM GAS	-	16,047,418	52,614
JAN- DEC. 2018 Credit Note	OMLs 60-63 And DOM GAS	(104,548)	(21,229,463)	(216,282)
TOTAL	-	313,913	157,852,949	1,199,909
JAN- DEC. 2020	NNPC NEWCROSS E & P	23,991	12,779,517	65,891
TOTAL		337,904	170,632,466	1,265,800

Sources: NAPIMS/NEITI 2020 templates

5.6.2. NAPIMS Performance

The total funds released for NAPIMS operations in 2020 was US\$221.81M, of which US\$44.87M relates to settlement of January and February 2019 operational costs. The balance of US\$176.94M was released for 2020 operations. Total Operational and capital expenses in 2020 was US\$128.54M. The reconciliation summary is stated below.

Table 78 - Reconciliation Summary of NAPIMS' Performance

Description	US\$ Equivalent
Total funds released for 2020 NAPIMS Operation (A)	221,805.62
NAPIMS--2020 Operating Expenses (OPEX) & Capital Expenditure (CAPEX) - (i)	128,544.05
Total Expenses (B)	128,544.05
Balance (C) = (A - B)	93,261.57

Source: NAPIMS/NEITI 2020 templates

Table 79 - Summary of NAPIMS Budget Performance Report

SUMMARY OF NAPIMS BUDGET PERFORMANCE REPORT	
REPORTING DATE: 31ST DECEMBER 2020	
Description	Actual YTD Jan - Dec
	US\$
Capex	
Renovation of Office Building	5,529,682.06
Acquisition of Property	-
Information Technology	1,127,161.78
Movable Assets	1,628,544.86
Total Capex	8,285,388.70
Opex	
Staff Emolument	35,698,684.51
Indirect Labour cost-contract staff	1,206,793.33
Medical	4,620.68
Transfer	358,559.26
Severance Expenses	4,859,023.48
Welfare	211,784.85
Training	1,686,026.65
Rent/Lease Expenses	28,285.42
Other Admin Expenses	15,497,216.77
Payment to Government	14,836.29
Public Relation	4,161,680.05



Transport Operating & MTCE	578,959.01
Financial Expenses	1,692,366.74
Insurance Cost (All Risk)	26,463,039.72
Common Service Recovery	23,828,585.61
Legal, Board & Secretarial Expenses	2,567,554.32
Info. & Comm. Tech. Expense	1,400,641.50
Total Opex	120,258,658.19
TOTAL CAPEX & OPEX	128,544,046.89

NAPIMS/NEITI 2020 templates

5.7. Observations, Findings and Recommendations

Observations and Findings

The audit revealed that NAPIMS represented the Federation in 13 Joint Ventures with at least 50% equity interest in each Joint Venture. However, the Federation's interest in Pan Ocean Oil Company and Newcross exploration & Production Ltd were transferred to NPDC on 1 August 2019 and 17th October 2019 respectively. These transactions took effect in 2020. It was further observed that:

- i. The amount determined as GVC by DPR of the transferred Newcross JV (OML 24) was US\$309.1million. There was however, no evidence of payment of this amount. For Panocean JV (OML 98), the GVC of US\$99.8million was determined by DPR, out of which NPDC paid US\$10million⁵⁰
- ii. Cash Call payment to the tune of US\$69,738,640 was made by the Federation with respect to the Newcross JV in 2020.
- iii. The sum of US\$125,952,000 was the crude oil sales revenue realized from Newcross JV production funded by the Federation cash call and to be accounted for by NPDC.

The implication of the above is that the Federation's equity interest has been reduced to 11 assets in the JV arrangements, which translates to revenue shortfall from crude oil and gas proceeds accruable to the Federation.

Recommendations

1. NUPRC and NEITI to investigate the re-assignments to ensure that necessary payments and refunds with respect to GVC and cash calls are made to the Federation.
2. NNPC Ltd should stop the practice of funding assets transferred to NPDC from Federation cash call account.
3. NUPRC should endeavor to use fair market prices in similar transactions in the future.

⁵⁰ NNPC Group Audited Financial Statements 2019 & NPDC Group Audited Financial Statements 2019





06

Downstream

Operations

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

6.1. Domestic Crude Allocation and Utilization

Domestic crude allocations are deliveries to NNPC for downstream operations. The crude oil is expected to be delivered to the local refineries however, this was not the case in 2020. Due to the lack of refinery capacity, the domestic crude is now exported under a Direct Sales and Direct Purchase (DSDP) agreement. The total domestic crude allocation in 2020 was 108.464 mmbbls.

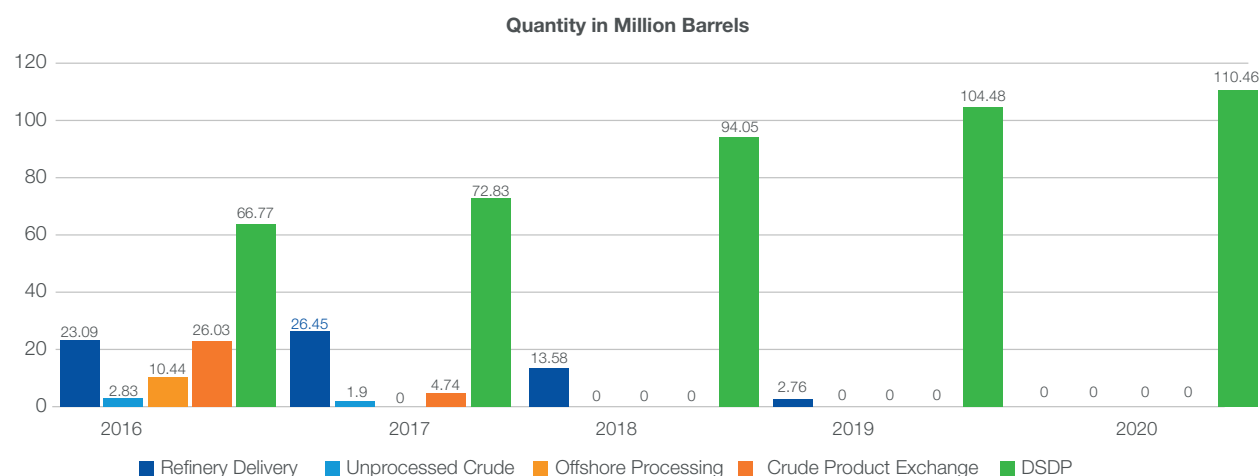
Table 80 - Monthly Domestic Crude Allocation

MONTH	REFINERY SUPPLY	DIRECT SALE DIRECT PURCHASE
	(BBLS)	(BBLS)
JAN	0	11,732,866
FEB	0	9,557,710
MAR	0	9,489,602
APR	0	11,436,619
MAY	0	5,112,868
JUN	0	6,273,482
JUL	0	8,543,755
AUG	0	10,422,884
SEP	0	8,490,312
OCT	0	10,333,451
NOV	0	9,531,950
DEC	0	7,538,735
TOTAL	0	108,464,234

Source: NEITI 2020 Templates

Besides the DSDP, there have been other crudes-to-products arrangements such as crude product exchange and offshore processing, but these have been phased out as DSDP continues to gain prominence in the last five years. Figure 17 shows the five (5) year trend of total domestic crude allocations.

Figure 17 - Five-Year Trend of Domestic Crude Allocation



6.1.1. Petroleum Subsidy Regime

Petroleum subsidy was introduced in the early 1970s by the Federal Government as a temporary measure to provide relief to Nigerians on high cost of petroleum products. The high cost of petroleum products at that time was partly due to the poor performance of the NNPC Refineries and the need for importation of refined products to ensure petroleum products availability in the country.

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

NEITI oil and gas industry audits revealed that between 2006 and 2019, a total sum of N6.855trillion has so far been expended on petroleum subsidy, now referred to as under-recovery. See annual breakdown of the figure below.

Table 81 – Petroleum Subsidy Payment Trend (2006 – 2019)

YEAR	AMOUNT (N'Billion)
2006	219.72
2007	236.64
2008	360.18
2009	198.11
2010	416.45
2011	1,900.00
2012	690.00
2013	495.00
2014	482.00
2015	316.70
2016	99.00
2017	141.63
2018	722.30
2019	578.07
Total	6,855.00

Source: NEITI Reports

6.1.2. Direct Supply Direct Purchase (DSDP) Arrangement

In 2020, the DSDP was the arrangement used to ensure availability of petroleum products. Under the DSDP arrangement, NNPC delivers monthly crude oil lifting on Free on Board (FOB) basis to suppliers, who in return deliver petroleum products of Nigerian standard specification to NNPC on Delivered at Place (DAP) basis, at designated safe port(s) in Nigeria. The petroleum products to be delivered by the DSDP offtakers ought to be equivalent in value to the Crude Oil received from NNPC. Table 82 and 83 analyse the dollar value of the “Direct Sales” or domestic crude export and then compares with the dollar value of the “Direct Purchase” or importation of finished products. The essence of this comparison is to confirm whether the values are the same.

Table 82 - Monthly Analysis of DSDP Crude Oil Export (Volume and Value)

Month	Volume (BBLs)	Value (US\$)
Jan	15,931,696	983,492,173
Feb	14,376,473	781,225,104
Mar	13,327,050	328,749,241
Apr	13,848,146	228,847,500



May	5,890,262	143,550,324
Jun	7,506,495	300,041,963
Jul	11,093,140	489,775,931
Aug	14,249,158	641,785,998
Sep	10,412,128	419,207,591
Oct	14,313,167	579,329,198
Nov	16,374,467	691,862,211
Dec	11,416,105	582,005,109
Total	148,738,287	6,169,872,344

Source: NNPC Profiles

Table 83 - DSDP Monthly Product Received (Volume and Value)

Month	Product	No. of Vessels	Outturn QT (MT)	Value (US\$)
Jan	PMS	34	1,459,334.88	929,294,121.11
Feb	PMS & AGO	24	1,137,444.88	664,015,684.30
Mar	PMS	36	1,673,963.93	846,152,869.07
Apr	PMS	22	1,158,429.41	266,843,164.73
May	PMS	11	557,941.35	122,273,509.55
Jun	PMS	15	570,595.51	193,858,424.25
Jul	PMS	22	990,444.17	384,329,582.88
Aug	PMS	22	879,242.14	339,240,363.73
Sep	PMS	24	1,174,667.83	460,829,856.05
Oct	PMS	39	1,778,818.80	782,287,251.09
Nov	PMS	29	1,235,021.41	511,271,977.64
Dec	PMS	23	1,176,681.53	534,693,046.06
Total	PMS	301	13,792,585.84	6,035,089,850.46

Source: NEITI 2020 Templates

From the Table 82 and Table 83, the total dollar value of domestic crude sales in 2020 was US\$ 6,169,872,344 while the total dollar value of product received was US \$ 6,035,089,850. This gives us a difference of US\$ 134,782,493.54. NNPC explained that the difference in value was due to the fact that DSDP suppliers have a window of 0 to 35 days to deliver the products. Therefore, shipments with a bill of lading date ending in November and December may have product deliveries until January 2021.

6.1.2.1. Product Subsidy and DSDP Under-Recovery in 2020

Under-recovery or sometimes referred to as value loss by NNPC, is the difference between the cost of supplying the PMS and the price of transfer to PPMC/Retail. This occurs when the landing cost of petroleum product is higher than the price transferred to the consumers and Government has to pay for the difference as subsidy. The practice is for NNPC to make deductions of subsidy from domestic crude sales, prior to remittance of funds to Federation account.

In 2020, NNPC made deductions from domestic crude sales from January 2020 to March 2020 in the sum of NGN 101,646,966,751.99, see Table 85. In addition, NNPC reported that the downstream sector was “deregulated” in March 2020 and that it subsequently obtained presidential approval to recover the outstanding subsidy, termed “value loss” on existing national PMS stock, as at March 2020. NNPC also stated that PPPRA validated the national stock as at that date to be 1,649,803,803.06 litres and the corresponding value loss to be NGN32,092,512,643.16 as shown in Table 84 below. Thus, the total subsidy established for 2020 was NGN133,739,479,395.15.



Table 84 - National PMS stock as at March 19, 2020

S/N	Description	Volume (Ltrs)	Value (N)
1.	National Inland Stock	1,158,736,728	N23,174,734,560.00
2.	Vessel Discharged/at Berth	255,860,095.00	N4,646,419,325.20
3.	Vessel-in-Transit	235,206,980.06	N4,271,358,757.96
TOTAL		1,649,803,803.06	N32,092,512,643.16

Source: NNPC

The above total value loss (subsidy) on the PMS stock amounting to NGN32,092,512,643.16 was to be recovered from Federation over a period of six (6) months (N5,348,752,107.19 per month) effective June 2020. The first instalment was recovered, as shown in Table 85 below bringing the total subsidy deducted from the Federation Account to N106,995,718,859.18.

NNPC reported that the balance of subsidy on PMS stock, in the sum of N26,743,760,535.97 (US\$75.03million) which was to be deducted over 5 months was stalled due to lack of budgetary provisions; this was expected to be included in the 2021 budget. However, a review of the 2020 NNPC Group AFS revealed that the outstanding balance of subsidy on PMS stock, was charged to the National Fuel Support Funding Scheme (NFSFS), "held in trust" by NNPC⁵¹

The National Fuel Support Funding Scheme (NFSFS) provides for a revolving fund to settle subsidy obligations as at when due.

Table 85 – Total Subsidy for 2020

Month	Product	Under Recovery/ Value Loss/ Subsidy (Naira)
Deduction from Federation Account		
Jan	PMS	43,306,174,744.22
Feb	PMS	20,676,937,812.96
Mar	PMS	37,663,854,194.81
June	PMS	5,348,752,107.19
Sub - Total		106,995,718,859.18
Amount Charged to NFSFS		
Dec	PMS	26,743,760,535.97
TOTAL		133,739,479,395.15

6.2. Product Losses from Pipeline Breaks

2020 pipeline performance indicated a 75% reduction in the number of reported pipeline breaks with a corresponding 60% reduction in product loss compared to 2019. According to Pipelines and Storage Company Ltd (NPSC), the improved performance is as a result of:

- Reduced pipeline activities
- Improved Security and maintenance of the pipeline

Table 86 - Pipeline Breaks

Period	Vandalized	Weld Failure	Rupture
Q1 2020	101	8	2
Q2 2020	93	40	2
Q3 2020	76	26	2
Q4 2020	79	18	4
FY 2019	1387	0	19
FY 2020	349	92	10

Source: NNPC-NPSC Profile

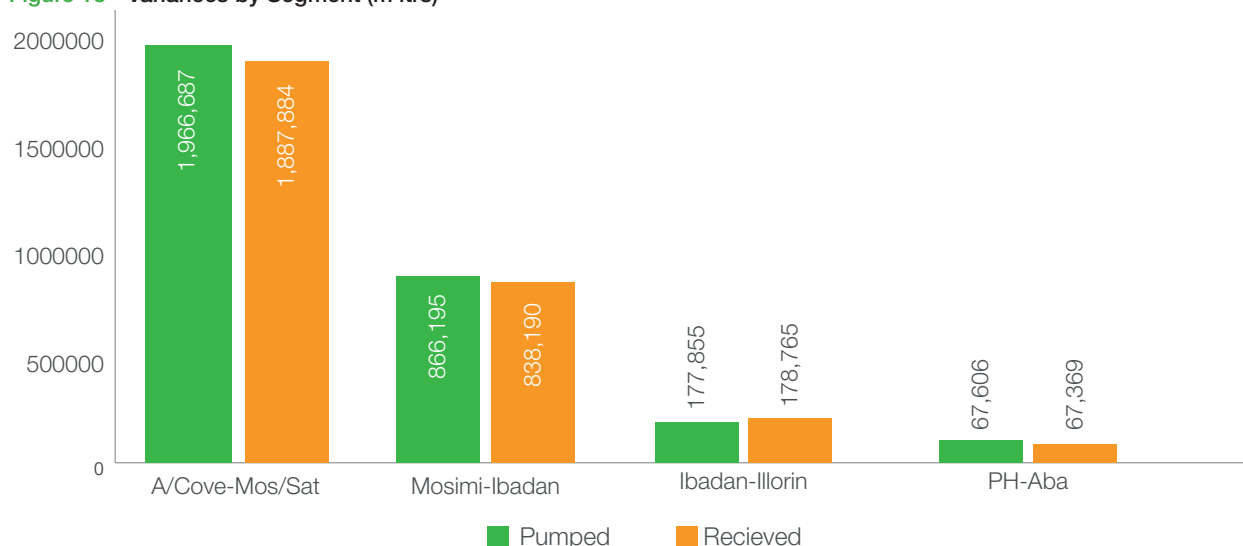
51 Note 36, page 89 of 2020 NNPC Group AFS



Table 87 - Pipeline Variances by Segment

Segments	Pumped (M ³)	Received (M ³)	Variance (M ³)	% Variance
ATLAS COVE - MO-SIMI/SAT	1,966,687	1,887,884	-78,803	-4.01
MOSIMI - IBADAN	866,195	838,190	-28,005	-3.23
IBADAN – ILORIN	177,855	178,765	910	0.51
PH - ABA	67,606	67,369	-237	-0.35
TOTAL	3,078,343	2,972,208	-106,135	-7.08

Source: NNPC-NPSC Profile

Figure 18 - Variances by Segment (m'ltrs)

Cumulative variance on pipeline product pumping in 2020 was 106.14mltrs representing 3.45% of total volume as against 308.82mltrs, 7.50% of total volume in 2019. According to NPSC, most of the pipeline losses were as a result of:

- Vandal intrusion
- Weld failures
- Rupture

6.3. Refinery Balances

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 this section.

6.3.1. Port Harcourt Refinery (PHRC)

Table 88 - PHRC Refinery Balance (Crude Material Balance) MBBLs

Crude Blend	Opening Stock	Fresh Crude Received	Total Volume in Refinery	Processed Volume	Transfer to COMD	Total Processed + Transferred to COMD	Closing Stock	Audit Closing Stock	Variance
Bonny	985,599	79,498	1,065,097		915,010	915,010	140,999.6	150,087	9,087
Escravos	-	-	-	-	-	-	-	-	-
Qua Iboe Light	-	-	-	-	-	-	-	-	-
Urals	-	-	-	-	-	-	-	-	-
Ughelli Blend	-	-	-	-	-	-	-	-	-
Seplat	-	-	-	-	-	-	-	-	-
Slop	-	-	-	-	-	-	-	-	-

Source: NEITI 2020 Templates



The crude variance of 1,228MT (9,087bbls) in the refinery crude balance was explained as due to dewatering of the crude. 123,650MT (915,010 bbls) of crude was shipped to COMD in preparation of the plant for rehabilitation phase 2.

Crude oil was not allocated to any refinery in 2020 due to lack of capacity of the refineries to process. However, data from the Port Harcourt refinery (above) shows that it received 79,498 bbls of fresh Bonny crude in January 2020. NNPC explained that this was due to the pipeline clean-up operations that had been carried out and that it was not a supply of fresh crude.

Table 89 - PHRC Refinery Balance (Finished Products) MT

Finished Products	Opening Stock	Receipt	Production	Evacuation	Closing Stock	Calculated Closing Stock	Variance
MIXED LPG	0.705	0	0	0	0	0.705	-0.71
PMS	20.936	294.519	0	295	18	20.455	-2.45
HHK	10.154	0	0	0	10	10.154	-0.06
ATK	-	-	0	0	0		
AGO	18.113	10.72	0	11	14	17.833	-4.18
LPFO	74.602	3.329	0	3	70	74.931	-4.51
LRS	-	-	-	-	-		
TOTAL	124.51	308.568	0	309	112.17	124.078	-11.91

Source: NEITI 2020 Template

There is an established variance of 11.91 MT (10.6%).

Table 90 - PHRC Refinery Balance (Unfinished Products) MT

Unfinished Products	Opening Stock	Receipt	Production	Internal Withdrawal	Closing Stock	Calculated Closing Stock	Variance
Light Naphtha	13.576	8.191		16	-2.28	5.767	-8.047
Heavy Naphtha	27.884				27.884	27.884	0
Treated Naphtha	1.741				1.741	1.741	0
Kerosene Slop	0.963				0.963	0.963	0
Light Gasoil (LGO 1)	5.706				5.706	5.706	0
Heavy Gas Oil	0.466				0.466	0.466	0
CDU-1 Residue	22.098				22.098	22.098	0
VDU-1 Residue	3.003				3.003	3.003	0
VGO	70.214				70.214	70.214	0
LCO	0.94				0.94	0.94	0
DCO	2.177				2.177	2.177	0
FUEL SLOPS	43.112				43.112	43.112	0
TOTAL	191.88				176.024	184.071	-8.047

Source: NEITI 2020 Templates

There is an established variance of 8.047MT (4.6%) which comes from LIGHT NAPHTHA.



Table 91 - PHRC Refinery Balance (Consumption and Losses) MT

Product		Opening Stock	Production	Internal	Closing Stock	Calculated Closing Stock	Variance
Consumption	FUEL OIL - LPFO	0	0	0	0	0	0
	LGO	0	1	0	0	1	-1
	FUEL LPG	0	0	0	0	0	0
	OFF GAS	0	0	0	0	0	0
	SUB TOTAL	0	1	0	0	0	-1
Losses	GAS/GASOLINE FLARED	0	0	0	0	0	0
	COKE BURNT	0	0	0	0	0	0
	LOSSES	0	0	0	0	0	0
	SUB TOTAL	0	0	0	0	0	0
	TOTAL	0	0	0	0	0	-1

Source: NEITI 2020 Templates

There is an established negative variance of 1 MT.

6.3.2. Warri Refinery (WRPC)

Table 92 - WRPC Refinery Balance (Crude Material Balance) (BBLs)

Crude Blend	Opening Stock	Fresh Crude Received	Total Volume in Refinery	Processed Volume	Transfer to KRCP	Total Processed + Transfer to KRCP	Closing Stock	Audit Closing Stock	Variance
BONNY									
ESCRAVOS	1,420,931		1,420,931				209,228	1,420,931	1,211,703
URALS									
UGELLI BLEND									
SEPLAT									
SLOP	33,322		33,322				32,598	33,322	724
TOTAL	1,454,253	-	1,454,253	-	-	-	241,826	1,454,253	1,212,427

Source: NEITI 2020 Templates

From the table above, there is a variance of 1,212,427bbls between audit closing stock and the refinery closing stock. This is due to the export of 1,219,048 bbls of Escravos light crude through the WRPC jetty as a result of “water ingress” of 6,621bbls and plant shutdown for turnaround maintenance/ rehabilitation. The analysis is shown below;

Audit closing balance	1,454,253bbls
Add: “water ingress”	6,621bbls
Less:Exported Escravos Crude	(1,219,048bbls)
Refinery Closing Stock	241,826bbls

Table 93 - WRPC Refinery Balance (Finished Products) MT

Finished Products	Opening Stock	Receipt	Production	Evacuation	Closing Stock	Calculated Closing Stock	Variance
OFF GAS	0	0	0	0	0	0	0
PROPANE	0	0	0	0	0	0	0
LPG	0	0	0	0	0	0	0
PMS	43,250	203,160	0	227,876	17,862	18,534	-672.00
DPK	6,948	0	0	2,167	4,149	4,781	-632.00



AGO	4,176	9,824	0	11,939	2,182	2,061	121.00
LPFO	11,848		0		10,142	11,848	-1,706.00
ASPHALT	0	0	0	0	0	0	-
CONSUMPTION	0	0	0	0	0	0	-
COKE BURNT	0	0	0	0	0	0	-
LOSSES	0	0	0	0	0	0	-
FLARE GAS	0	0	0	0	0	0	-
TOTAL	66,222	212,984	0	241,982	34,335	37,224	-2,889.00

Source: NEITI 2020 Template

The variances were explained as follows;

- 672MT negative variance in PMS is due to "dipping variation and line packing".
- 632MT negative variance in DPK is due to "water drained and line packing".
- 121MT positive variance in AGO is due to "internal transfer".
- 103MT negative variance in LPFO is due to "product congealing as a result of steam unavailability".
- 1,603MT of LPFO was used for internal consumption (heating of the boiler in the month of January)

Table 94 - WRPC Refinery Balance (Unfinished Products) MT

Unfinished Products	Opening Stock	Receipt	Production	Internal Withdrawal	Closing Stock	Calculated Closing Stock	Variance
PROPANE	0	0	0	0	0	0	0
BUTANE	0	0	0	0	0	0	0
LIGHT NAPHTHA	3,965	0	0	0	4,104	3,965	139
HEAVY NAPHTHA	14,526	0	0	0	12,956	14,526	-1,570
TREATED NAPHTHA	7,189	0	0	0	7,069	7,189	-120
REFORMATE	0	0	0	0	0	0	0
MIXED GASOLINE	2,060	0	0	0	2,371	2,060	311
KEROSENE SLOP	0	0	0	0	0	0	0
LIGHT GASOIL (LGO 1)	10,942	0	0	0	10,461	10,942	-481
HEAVY GAS OIL	0	0	0	0	0	0	0
CDU-1 RESIDUE	0	0	0	0	0	0	0
VDU-1 RESIDUE	3,067	0	0	0	3,090	3,067	23
VGO	40,788	0	0	0	28,257	40,788	-12,531
LCO/DO	3,042	0	0	0	2,567	3,042	-475
DCO	0	0	0	0	0	0	0
FUEL SLOPS	1,854	0	0	0	2,203	1,854	349
TOTAL	87,433	0	0	0	73,078	87,433	-14,355

Source: NEITI 2020 Templates

There is an established negative variance of -14,355 (20%).



Table 95 - WRPC Refinery Balance (Consumption and Losses) MT

	Product	Opening Stock	Production	Internal	Closing Stock	Calculated Closing Stock	Variance
Consumption	FUEL OIL - LPFO	1,886	0	1,603	2,273	283	1,990
	LGO	0	0	0	0	0	0
	FUEL LPG	0	0	0	0	0	0
	OFF GAS	0	0	0	0	0	0
	SUB TOTAL	1,886	0	1,603	2,273	283	1,990
Losses	GAS/GASOLINE FLARED	0	0	0	0	0	0
	COKE BURNT	0	0	0	0	0	0
	LOSSES	0	0	0	0	0	0
	SUB TOTAL	0	0	0	0	0	0
	TOTAL	1,886	0	1,603	2,273	283	1,990

Source: NEITI 2020 Templates

1,603MT of LPFO was used for internal consumption (heating of the boiler in the month of January). There is an established positive variance of 1,886.

6.3.3. Kaduna Refinery (KRPC)

Table 96 - KRPC Refinery Balance (Crude Material Balance) BBLs

Crude Blend	Opening Stock	Fresh Crude Received	Total Volume in Refinery	Processed Volume	Transfer to COMD	Total Processed + Transfer to KRCP	Closing Stock	Audit Closing Stock	Variance
BONNY									
ESCRA-VOS/ UGHELLI BLEND CRUDE	155,872	-	-	-	-	-	166,382	155,872	10,510
URALS LIGHT	92,243	-	-	-	-	-	87,760	92,243	-4,483
UGELLI BLEND/SE-PLATE	83,882	-	-	-	-	-	82,474	83,882	-1,408
SLOP	126,711	-	-	-	-	-	125,761	126,711	-950

Source: NEITI 2020 Templates

Variances are explained below:

- Escravos/Ughelli Blend Crude final stock includes 10,510 BBL due to change in parameters during end of year dip.
- Urals Light final stock excludes 246 BBL due to change in parameters during end of year dip.
- Ugelli Blend/Seplate final stock excludes 1,408 BBL due to change in parameters during end of year dip.
- SLOP final stock excludes 905 BBL due to change in parameters during end of year dip.

Table 97 - KRPC Refinery Balance (Finished Products) MT

Finished Products	Opening Stock	Receipt	Production	Evacuation	Closing Stock	Calculated Closing Stock	Variance
OFF GAS							
PROPANE							
LPG	35		-	-	35	35	-
PMS	3,796		-	291	3,250	3,505	-255
DPK	3,183		5,588	7,153	1,670	1,618	52
AGO	1,957		-	491	1,438	1,466	-28



LPFO	-		-	-	-	-	-
ASPHALT	619		-	-	585	619	-34
CONSUMPTION	5,767		59,961	57,737	7,991	7,991	-
COKE BURNT							
LOSSES							
FLARE GAS							
TOTAL	15,357	-	65,549	65,672	14,969	15,234	-265

Source: NEITI 2020 Template

The variances were explained as follow;

- Final stock OF PMS excludes 255 MT due to manual dips and change in parameters during annual stock taking
- Final stock of DPK includes 91 MT due to manual dips and excludes 39 MT of water drained.
- Final stock of AGO excludes 28 MT due to manual dip.
- Final stock of Asphalt excludes 34 MT due to manual dip.

Table 98 - KRPC Refinery Balance (Unfinished Products) MT

Unfinished Products	Opening Stock	Receipt	Production	Internal Withdrawal	Closing Stock	Calculated Closing Stock	Variance
LIGHT NAPHTHA	1,147				1,127	1147	-20
HEAVY NAPHTHA	38,545				37,912	38545	-633
TREATED NAPHTHA	3,627				3,496	3627	-131
REFORMATE						0	0
MIXED GASOLINE						0	0
KEROSENE	4,236			4,002	185	234	-49
LIGHT GAS OIL (LGO 1)	2,068			154	1,929	1914	15
HEAVY GAS OIL (HGO -1)	565			306	252	259	-7
CDU-1 RESIDUE	7,273		8,339	13,587	2,049	2025	24
VDU-1 RESIDUE	5,528			3,917	1,518	1611	-93
VGO	35,442			32,128	3,585	3314	271
LCO	568				488	568	-80
DCO						0	0
60/70 ASPHALT	238				238	238	0
CDU-2 RESIDUE	18758			18,208	417	550	-133
VDU-2 RESIDUE	1617				1,609	1617	-8
WAXY DISTILATE + DAO	18755				18,765	18755	10
WAXY RAFFINATE	0					0	0
EXTRACTS	96				96	96	0
PDA ASPHALT	1266				1,289	1266	23
ABU BLEND CHARGE	6919				6,920	6919	1
SLACK WAXES	1254				1,247	1254	-7



DEOILED WAXES	0					0	0
FUELS SLOPS	1292				1,813	1292	521
LUBES SLOPS	0					0	0
HDS FEED	1623			1,586		37	-37
TOLUENE CONCENTRATE	411				404	411	-7
TREATED KERO -LAB	1094				1,124	1094	30
FUEL SLOPS						0	0
TOTAL	152,322	-	8,339	73,888	86,463	86,773	-310

Source: NEITI 2020 Templates

Gain and loss across the products were as a result of the change in parameters during annual stock taking exercise. Final stock include 521 MT of liquids evacuated from the columns in preparation for maintenance.

Table 99 - KRPC Refinery Balance (Consumption and Losses) MT

	Product	Opening Stock	Production	Internal	Closing Stock	Calculated Closing Stock	Variance
Consumption	FUEL OIL - LPFO	5,299	59,807	57,583	7,523	7,523	0
	LGO	0	154	154	0	0	0
	FUEL LPG	468	0	0	468	468	0
	OFF GAS	0	0		0	0	0
	SUB TOTAL	5,767	59,961	57,737	7,991	7,991	0
Losses	GAS/GASOLINE FLARED	0	0	0	0	0	0
	COKE BURNT	0	0	0	0	0	0
	LOSSES	0	0	0	0	0	0
	SUB TOTAL	0	0	0	0	0	0
	TOTAL	5,767	59,961	57,737	7,991	7,991	0

Source: NEITI 2020 Templates

There is no established variance.

6.4. Products Supplied (Imported)

Table 100 below shows the volume of products imported between NNPC and other marketers as provided by PPPRA.

Table 100 - Products Supplied (Imported)

Marketers	2020 quantity (Litres '000)	2019 quantity (Litres '000)	Increase/Decrease in quantity (Litres '000)	%
Other Oil Marketing Companies (OMCs)				
PMS	15,780,854.68	15,035,539.45	745,315.23	4.9%
DPK	42,021.70	116,659.00	(74,637.30)	(64%)
Sub-total	15,833,057.27	15,152,198.45	680,858.82	
NNPC				
PMS	4,229,261.85	5,567,596.76	(1,338,334.91)	(24%)
DPK	10,781.89	31,469.54	(20,687.65)	(65.7%)



Sub-total	4,229,261.85	5,599,066.30	(1,369,804.45)	
Grand Total	20,044,257.43	20,751,264.75	(2,197,667.78)	

Source: NEITI 2020 (PPPRA) Template

The volume of PMS imported in 2020 under the DSDP arrangement (see Table 83) based on NNPC's records is significantly different from the volume of PMS imported as per PPPRA's records presented in Table 100 above. NNPC affirmed that DSDP was the only arrangement for the importation of petroleum products in 2020.

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

6.4.1. Summary of distributed products/Truck-out in 2020

This section also compares the Total Truck-Out Quantity and Total Imported Products for 2020. The Petroleum Products Importation Statistics for 2020 shows that 20.01bn litres of Premium Motor Spirit (PMS), 52.20m litres of Household Kerosene (DPK/HHK), 5.33bn litres of Automotive Gas Oil (AGO), 700.14m litres of Aviation Turbine Kerosene (ATK) were imported into the country in 2020.

Table 101 - Schedule of Truck-out

Period	PMS		DPK/HHK		AGO		ATK	
	Import Volume (ltrs'000)	Truck-Out (ltrs'000)	Import Volume (ltrs'000)	Truck-Out (ltrs'000)	Import Volume (ltrs'000)	Truck-Out (ltrs'000)	Import Volume (ltrs'000)	Truck-Out (ltrs'000)
Total	20,010,117	20,345,326	52,203	64,345	5,333,742	5,495,343	700,135	791,933
% Truck-out		101.67%		123.26%		103.03%		113.11%

Source: NEITI 2020 (PPPRA) Template

The zonal distribution of truck-out volume for the period which NEITI audit covers shows that 20.35bn of Premium Motor Spirit (PMS), 64.35m litres of Household Kerosene (HHK), 5.50bn litres of Automotive Gas Oil (AGO) and 791.93m litres of Aviation Turbine Kerosene (ATK) were distributed nationwide in 2020.

6.5. Observations, Findings and Recommendation

Observations and Findings

1 The total amount of subsidy claim by NNPC in 2020 was NGN133.74billion (US\$375.22million), out of which NGN106.99billion (US\$300.19million) was recovered from the Federation in 2020, leaving an outstanding balance of NGN26.74billion (US\$75.03million) to be recovered from the Federation in 2021, through budgetary provision. There was however no report of an independent validation of these figures. Subsidy remains a heavy cost to the Federation.

2 There was a huge variance between the volumes of PMS stock reported by NNPC and what was reported by PPPRA. Both entities could not provide any explanation for the variance.

Recommendation

1 Federal Government should fully deregulate the downstream sector and savings made from the stoppage of the subsidy regime should be used to improve the lives of citizens. The PIA is expected to address this issue.

2 NMDPRA should investigate the discrepancy in the PMS stock volumes reported by NNPC and PPPRA.





07

Infrastructure Provisions, Barter Arrangement, Social and Economic Spending

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The relevant disclosures on oil and gas revenue management and expenditure relating to social and economic spending, environmental expenditures, infrastructure provisions and SOE quasi-fiscal expenditures in 2020 have been reviewed and incorporated in this section of the report.

7.1. Infrastructure Provisions and Barter Arrangements

Infrastructure Provisions

There was no established case of infrastructure works in 2020 as defined within the context of EITI Infrastructure provisions and barter arrangements.

Barter Arrangements

The 2020 NPDC AFS reported that the sum of US\$8.5billion as the accumulated debt due to the marketers of which US\$5.5billion was sourced from NNPC's NLNG revenue account and the balance of US\$3billion was the amount contracted under a loan agreement termed Pre-Export Financing (PXF) in 2012. The loan repayment arrangement (PXF) was in full exchange for proceeds of crude oil sales from one of the NNPC's asset (NPDC's OML 119) to settle the subsidy payments due to the marketers.

The PXF is in two tranches (PXF 1 & PXF 2) of US\$1.5billion each. PXF 1 has been fully repaid and the balance on PXF2 was refinanced under another arrangement called "Project Eagle". The 2020 NPDC AFS gave the amount paid on the PXF loan as US\$30 million dollars in 2020 and the total repayment till date as US\$2.35billion. These sums are being recovered from the Federation account. Issues related to the PXF and NNPC's response are presented in section 9 of this report.

7.2. Quasi-Fiscal Expenditures

Quasi-fiscal expenditures refer to those expenditures by NNPC and its subsidiaries (the SOE) outside the national budget. Such expenditures as defined by EITI include, public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc.

In 2020, the total sum expended as quasi-fiscal expenditure and deducted at FAAC, amounted to US\$526.20million (equivalent N176.07billion) and this is made up of the following;

- Total pipeline maintenance and management costs of US\$152.88million (equivalent N53.36billion)
- Fuel subsidies (under-recovery and value loss) of US\$328.59million (equivalent N106.99billion)
- Crude oil/product losses of US\$44.73million (equivalent N15.71billion)

The fuel subsidy figure above does not include the sum of N26,743,760,535.97 which was approved but yet to be deducted from Federation Account.

7.3. Social Expenditure

This consists of contributions made by Companies to promote development or fund community projects in the communities in which they operate, in accordance with EITI Requirement 6.1. These contributions are in forms of building of schools, construction of roads, COVID-19 responses, electrification, drilling of boreholes, major donations, scholarships, provision of education materials, hospitality, agricultural support schemes (provisions of mechanised equipments, fertilisers, seedlings) etc.

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

The total social expenditures in 2020 amounted to US\$407.13million. This includes mandatory contributions of US\$ 367.15million (90.18%) and non-mandatory contributions of US\$39.98million (9.82%). The mandatory contributions include NDDC's 3% levy of US\$289.68million and NCDMB's 1% levy of US\$77.48million. Tables 102 and 103 below show the total mandatory social contributions and non-mandatory social expenditure in 2020. Full details of Companies' Social Contributions can also be found in Appendix 15.

Table 102 - Summary of Mandatory Social Contributions

Arrangements	NDDC (3%)	NCDMB (1%)	TOTAL
	US\$'(000)	US\$'(000)	US\$'(000)
Production Sharing Contract (PSC)	117,569	16,835	134,404
Marginal Field (MF) and Sole Risk (SR)	5,377	2,955	8,332
Joint Venture (JV)	166,592	56,979	223,571
Service Contract (SC)	137	706	843
Total	289,676	77,475	367,150



Table 103 - Summary of Non-Mandatory Social Expenditure

S/N	Covered Entities	No. of Projects	2020	2020	2020	2019	Indicator % Δ
			(A)	(B)	Total US\$ Equivalent (A) + (B)	US\$	
			NGR	US\$	US\$	US\$	
1	Addax Petroleum Development Nig. Ltd	4	96,544,410	262,479	533,347	809,126	-34.08%
2	Esso E&P Nig. Ltd	4	168,755,000	-	473,463	236,293	100.37%
3	Esso E & P Offshore Nig. Ltd	1	1,000,000	-	2,806	13,054	-78.51%
4	SNEPCO	19	93,497,000	263,000	525,318	420,974	24.79%
5	Chorus Energy Ltd	8	65,333,770	181,483	364,785	-	100.00%
6	Continental Oil & Gas Ltd	8	130,000,000	-	364,731	-	100.00%
7	Enageed Resources Ltd	15	181,140,000	446,000	954,211	688,302	38.63%
8	Frontier Oil Ltd	5	72,847,748	-	204,384	100,251	103.87%
9	Pillar Oil Ltd	5	48,175,000	100,000	235,161	478,187	-50.82%
10	Platform Petroleum Ltd	12	119,476,345	-	335,206		100.00%
11	Waltersmith Petroman	5	128,240,000	-	359,793	1,752	20434.52%
12	Seplat Petroleum Dev. Company	7	508,500,000	-	1,426,661	1,049,414	35.95%
13	Newcross E&P Ltd	5	492,341,265	-	1,381,325	1,884,000	-26.68%
14	TEPNG Total Exploration	11	5,432,687,000	2,129,000	17,371,088	4,826,985	259.87%
15	Mobil Producing Nig. Ltd	13	312,006,000	840,000	1,715,372	1,966,925	-12.79%
16	Chevron Nig. Unlimited	18	1,762,502,510	4,644,275	9,589,198	7,673,770	24.96%
17	First E&P Ltd	1	80,000,000	-	224,450	-	100.00%
18	NPDC Ltd	22	1,393,812,999	-	3,910,518	10,133,989	-61.41%
19	Eroton E&P Company Ltd	1	3,877,111	-	10,878	791,275	-98.63%
	Total	164	11,090,736,158	8,866,237	39,982,695	31,074,297	

7.4. Contribution of the Industry to the Economy

7.4.1. Contribution to the Economy

The contribution of the oil and gas industry to the economy is measured by its contributions to the GDP contribution and employment, and these are described below:

7.4.2. Contribution to GDP and Exports

In 2020, the contribution of the Oil and Gas sector is shown in table 104 below:

Table 104 - Contribution of the Oil and Gas Sector to GDP & Export

Year	National GDP	Sector Contribution to GDP	Total Export	Sector Contribution To Exports
	US\$'000	%	US\$'000	%
2019	475,293	15,035,539.45	745,315.23	4.9%
	8.62	53,617,000	76.5	(64%)
2020	432,300	8.16	35,130,000	75.4

Source: National Bureau of Statistics/NEITI Audit



In 2020, the sector contributed 8.16% to Nigeria's total real GDP of US\$432.3 billion. This was a decrease of 0.46% compared to the figure of previous year (2019) which was 8.62% (US\$475.293billion)⁵², as reported by the National Bureau of Statistics.

In relation to export, crude oil contributed 9.44 trillion Naira (US\$ 26.49 Billion) of the total export of 12.52 trillion Naira (US\$ 35.13 Billion) in 2020. This represented 75.42% of the total export in 2020 and a decrease of 1.08% compared to 2019 which was 76.5%⁵³. Considering the fact that all crude production in 2020 was exported directly or indirectly through DSDP, the total value of export reported by the Bureau of Statistics seems to confirm or be in agreement with the sum (US\$27.01billion) reported by the audit as the value of the 648,483.64mbbls reported as the reconciled volum of crude oil lifted in 2020 at an average equity crude price of US\$41.65 /bbl.

7.4.3. Contribution to Government Revenues

The total government revenue generated in 2020 was 9.30 trillion naira, to which the oil and gas sector contributed 4.73 trillion naira. This represents about 51%⁵⁴ of the total revenue.

7.4.4. Contribution to Employment

Employment data was requested from the 69 Companies and the SOE covered in the 2020 Audit. Out of the 70 entities, 10 companies did not provide the required information. A total of 18,712 were employed by the 60 entities that provided employment data for the 2020 Audit. As the data further revealed, 15,266 (82%) and 3,446 (18%) of the new employees were male and female respectively.

Also according to the data, of the 18,712 employees, 1495 (8%) were top or high level positions, while 9,475 (51%) and 7,742 (41%) were middle level and the lower level employment positions respectively. Eighty-eight percent (88%) of the employees were recruited from the local/state/ host communities, 9% from other states, while 3% were expatriates. Tables 105 and 106 show summaries of employment data received from the entities that populated the templates. Appendix 11 also shows details of employment data submitted by the entities.

Table 105 – Summary of occupational level of employees employed by companies/NNPC

Description	Top	Middle	Lower	Total
Number of Male Employees	1,195	7,676	6,395	15,266
Number of Female Employees	300	1,799	1,347	3,446
Total	1,495	9,475	7,742	18,712

Source: NEITI 2020 Audit Templates

Table 97 – Summary of nationality/ origin of employees employed by companies/SOE covered in the 2020 audit

Description	Local/ State/ Host Communities	Non-Local/ Other States	Foreign (Expatriates)	Total
Number of Male Employees	13,507	1,329	430	15,266
Number of Female Employees	2,986	424	36	3,446
Total	16,493	1,753	466	18,712

Source: NEITI 2020 Audit Templates

7.5. Environmental Impact of the Industry's Activities

This section provides information on the management and monitoring of the environmental impact of the oil and gas industry. It includes legal provisions, administrative rules and actual practices relating to the environment.

7.5.1. Environment Regulatory Agencies

The two major government agencies concerned with the regulation of the environment in relation to the oil and gas industry are the Federal Ministry of Environment including the agencies under it, and the Department of Petroleum Resources (DPR).

7.5.1.1. Federal Ministry of Environment (FMoE)

The FMoE⁵⁵ is responsible for developing general policy guidelines for the protection of the environment, conserving natural resources, and sustaining development. It ensures that a quality environment conducive for good health and well-being of fauna and flora is maintained. It also promotes the sustainable use of natural resources for the benefit of all citizens.

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

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

The Ministry of Environment established NOSDRA in , and it was subsequently backed up by law through an act of the National Assembly in 2006 as part of the initiative to administer the National Oil Spill Contingency Plan (NOSCP) in compliance with the

⁵² National Bureau of Statistics: Nigerian Gross Domestic Product Report (Expenditure and Income Approach) (Q1, Q2, Q3 & Q4 2019). See [here](#)

⁵³ National Bureau of Statistics - Foreign Trade in Goods Statistics- Q4 2019. See [here](#).

⁵⁴ Central Bank of Nigeria (CBN) 2020 Statistical Bulletin: Public Finance Statistics. See [here](#)

⁵⁵ Federal Ministry of Environment – Website - <https://environment.gov.ng>



International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC90) to which Nigeria is a signatory.

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

Section 19 1(c) and (g) of the NOSDRA Act gives the Agency the mandate to undertake post-spill impact assessment to determine any damage or the level and intensity of damage caused through oil spills as well as their possible long-term effects. See [here](#)⁵⁶.

Table 107 below gives a summary of oil spills in 2020.

Table 107 - Oil Spill Data Summary 2020 Nosdra Oil spill monitor

SN	Description	Quantity	
1	https://nosdra.oilspillmonitor.ng/	370 cases	
2	Case site visited by joint investigation staff	9	
3	Total oil spilled in barrels	21,286.673	
4	Total oil spilled in liters	3,363,294.375	
5	Major oil spills	No of barrels Spilled to inland waters	250
		No of barrels spilled to swamp, shoreline and open sea	2,500
6	23 Medium Oil spills	No of barrels Spilled to inland waters	25-250
		No of barrels spilled to swamp, shoreline and open sea	250-2,500
7	257 Minor oil spills	No of barrels Spilled to inland waters	25
		No of barrels spilled to swamp, shoreline and open sea	250
		168 less impact oil spilled cases	10
8	Uncategorized oil spilled cases		

Source: NOSDRA

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

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

One of the functions of the Agency is to enforce compliance with laws, guidelines, policies and standards on environmental matters. Other functions of NESREA can be found [here](#)⁵⁷.

iii. Hydrocarbon Pollution Remediation Project (HYPREP)

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

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

The functions of HYPREP and on-going remediation works can be found [here](#)⁵⁸

7.5.1.2. Department of Petroleum Resources (DPR)

DPR has the statutory responsibility of ensuring compliance to petroleum laws, environmental regulations and guidelines in the

⁵⁶ Oil Spill Monitor - <https://nosdra.oilspillmonitor.ng>

⁵⁷ Functions of NESREA - <https://www.nesrea.gov.ng/our-functions/>

⁵⁸ HYPREP Projects - <https://hyprep.gov.ng/projects/>



industry. The department ensures that operators in the industry do not degrade the environment during their activities (exploration, production, and processing operations). DPR develops the environmental guidelines and standards for the Petroleum Industry. The key roles involve:

- a) Ensuring that all environmental concerns are integrated into major economic decision-making process through project peer reviews
 - b) Ensuring environmentally friendly decommissioning, environmental remediation, and restoration plans/costs that are built into major development projects
 - c) Ensuring that environmentally friendly processes and technologies are employed through technically and scientifically sound end to end environmental and engineering processes and reviews
 - d) Ensuring that Environmental Impact Assessment in mandatorily carried out before any major development project is embarked
 - e) The establishment of adequate environmental standards as well as the monitoring and evaluation of changes in the environment through tools like the environmental evaluation studies, environmental management plans, oil spill reporting process, oil spill contingency plan for spill response, activation, inspection and audits, environmental sensitivity index, environmental assessment following an environmental impact such as post impact assessment and development of remedial action plans
 - f) The publication of up-to-date environmental data and dissemination of relevant environmental information
- DPR performs its role by ensuring that impact study is performed prior to the start of a new project, during the project and when monitoring the project lifecycle and the post impact assessment when there is an incidence. See Appendix 17 for details of Environmental Impact Assessments carried out in 2020.

7.5.2. Planned Reforms on Environmental Impact of Extractive Activities

The recently passed PIA also came with some reforms with respect to environmental management. Notable provisions in the PIA includes:

- Financial contribution for remediation of environmental damage which shall be paid into an environmental remediation fund established under the act as a condition for grant of license or lease. The amount to be paid shall take into consideration the size of operations and level of environmental risk that may exist.
- Annual assessment in the level of environmental risk in comparison to amount of financial contribution to the Environmental Remediation Fund by the leasee or licensee in order to determine if the contributions need to be increased.
- Prohibition of flaring or venting of natural gas
- All Licensee and lessee producing natural gas are expected to submit within 12 months of the effective date of the act, natural gas flaring elimination and monetization plan to the Nigerian Upstream Regulatory Commission (NUPRC) which is expected to take over the upstream regulatory function from DPR.

7.6. Observations, Findings and Recommendations

Observations and Findings

1. In 2020, the total sum expended as quasi-fiscal expenditure amounted to US\$526.20million (equivalent N176.07billion). These amounts were deducted from Federation's revenue before remittance without appropriation by National Assembly.

2. A total volume of 1.799 mmbbls crude oil (valued at US\$59.225 Million) and 2.847 mmbbls crude oil (valued at US\$116.980million) were lifted from OML 119 (Okono fields) and sold for Pre-export financing and Project Eagle agreement. See section 3.2.1.4 of this report. These amounts were for repayment of loans taken in the past to settle Marketers under the Petroleum subsidy scheme, which are being recovered from the monthly Federation revenue proceeds. The circumstances under which the subsidies were incurred and the beneficiaries are not clear.

Recommendations

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





08

Outcomes and Impact

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NEITI audit reports have over time provided critical information and data that have greatly assisted in deepening discussions on transparency, accountability and good governance in the Oil and Gas Industry. Inter-Ministerial Task Team (IMTT) has been set up in the past to address issues that required the attention of stakeholders who incidentally are represented in the committee. However, after some studies and engagements with the IMTT on remediation, NEITI decided to expand the remediation toolkit by adopting direct bilateral engagement with the affected parties. Given the NNPC strategic importance in the Oil and Gas Sector, NEITI decided to kick-start the direct bilateral engagement approach with the Corporation in 2019 and this continued in 2020.

This part of the report therefore comprises of three sections namely,

- Observations and recommendations on issues arising from the NEITI 2020 audit.
- Updates on past recommendations from the NEITI 2019 Audit Report and
- Past recommendations from previous NEITI audit reports with and the conclusions from NEITI/NNPC Joint Committee on Remediation and Mainstreaming.

The sections are summarized in Tables 108, 109 and 110 below.

8.1. Observations, Findings and Recommendations of the 2020 Audit

Table 108 below sets out a summary of the observations/findings and recommendations of the 2020 NEITI audit.



Table 108 - Observations and recommendations for 2020

S/N	Observations/Findings	Implication	Responsibility	Entity's Response	Recommendations
1	Compliance with NEITI Audit The audit observed that out of the 69 companies covered by the report, four (4) companies failed to submit information and data for reconciliation. The value of the revenues from these four companies was US\$1,198,570, which represents 0.006% of the total revenue (US\$20.43Billion). Also, some entities did not comply with the requirements of providing the Audited Financial Statements to the IA.	Non-cooperation of some entities indicates lack of commitment to the NEITI reconciliation process.	Companies and NEITI		NEITI should take measures to ensure full compliance of covered entities with the annual audit process, in view of revenue implications to the Government. It may also be necessary for NEITI to activate its sanctions mechanisms.
2	Effect of COVID-19 Pandemic on the Audit Process It was also noted that the pandemic had some impact on the IAs project completion timeline. However, in spite of restrictions, especially on physical contacts with covered entities, the use of modern ICT tools in data gathering and reconciliations helped in conducting the audit successfully and in accordance with relevant accounting and audit standards.	The use of modern ICT tools in data gathering and reconciliations will enhance seamless conduct of audit procedures in accordance with relevant accounting and audit standards.	Covered Entities and NEITI		NEITI should intensify efforts towards the completion of the NEITI Audit Management System (NAWS), which has facilities for electronic submission of information, data aggregation and initial reconciliation.
3	Beneficial Ownership It was observed that majority of the oil companies in Nigeria exhibit complex structures that shield the real identities of their owners. Identifying the natural persons behind the companies which is the objective of beneficial ownership disclosure, is still challenging.	The ultimate of objective of beneficial ownership disclosure to disclose the natural persons behind the companies is still challenging.	Companies, NUPRC and NEITI		The PIA provides that a public register of the Beneficial Owners of leases, licences, permits and authorizations issued be kept and made available by the NUPRC. NEITI should encourage CAC to speed up the establishment of the BO register in line with Nigeria's commitment to BO disclosure.



<p>4. Transfer of Assets to NPDC The audit revealed that NAPIMS represented the Federation in 13 Joint Ventures with at least 50% equity interest in each Joint Venture. However, the Federation's interest in Pan Ocean Oil Company and Newcross exploration & Production Ltd were transferred to NPDC on 1 August 2019 and 17th October 2019 respectively. These transactions took effect in 2020. It was further observed that:</p> <ul style="list-style-type: none"> i. The amount determined as GVC by DPR of the transferred Newcross JV (OML 24) was US\$309.1 million. There was however, no evidence of payment of this amount. For Panocean JV (OML 98), the GVC of US\$99.8 million was determined by DPR, out of which NPDC paid US\$1.0 million. ii. Cash Call payment to the tune of US\$69,738,640 was made by the Federation with respect to the Newcross JV in 2020. iii. Cash Call payment to the tune of US\$69,738,640 was made by the Federation with respect to the Newcross JV in 2020. iv. The sum of US\$125,952,000 was the crude oil sales revenue realized from Newcross JV production funded through the Federation cash-call and to be accounted for by NPDC. 	<p>The Federation's equity interest has been reduced to 11 assets in the JV arrangements, which translates to revenue short-fall from crude oil and gas proceeds accruable to the Federation.</p>	<p>NNPC Ltd, NUPRC and NEITI</p>		<ul style="list-style-type: none"> 1. NUPRC and NEITI to investigate the re-assignments to ensure that necessary payments and refunds with respect to GVC and cash calls are made to the Federation. 2. NNPC Ltd should stop the practice of funding assets transferred to NPDC from Federation cash call account. 3. NUPRC should endeavor to use fair market prices in similar transactions in the future.
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<p>5. Production from PSC Blocks</p> <p>In 2020, the following were the observations:</p> <ul style="list-style-type: none"> Only 12 (33%) of the PSC blocks recorded production while 24 other blocks, representing 67% of total numbers of PSC blocks did not produce. Total production from the PSCs, which was 253,781,760 mbbbls represents 39.24% of total production of the 646,787,440mbbls, whereas the total production from the JVs was 214,836,540 mbbbls representing 33.22%. The PSC arrangements, which contributed highest to the total production volumes operated only 33% of the total allocated blocks. 	<p>The PSC arrangements which contributed highest to total production volumes operated only 33% of the total allocated blocks.</p>	<p>NUPRC and NNPC Ltd</p>		<p>There is the need for NUPRC, and NNPC Ltd. to review the technical and operational constraints limiting production from the idle PSC blocks with the view of optimising production from the PSC arrangements.</p>
<p>6. Gas Production and Utilisation</p> <p>This report acknowledges a relative increase of 3.90% in gas utilisation in spite of the decrease of 1.1% in gas production in 2020 compared to 2019.</p> <p>Nigeria however has tremendously high volume (approx. 5.8 trillion cubic meters) in gas reserves that has not been tapped.</p>	<p>The current level of gas production and utilisation requires greater enhancement.</p>	<p>Companies, NUPRC</p>		<p>NUPRC and the companies should ensure compliance with the various provisions of PIA on gas production and utilisation.</p>
<p>7. Nigeria-Sao Tome and Principe Joint Development Authority.</p> <p>A bilateral treaty between Nigeria and Sao Tome & Principe has existed since 2001. In 2020, the report disclosed that there was no significant exploration, production or export activities in the JDZ. The only revenues recorded in the zone was US\$5588,000 from three companies. This lack of activity has been the reported situation in the past NEITI Audits.</p>	<p>Nigeria has not realised the objectives of the treaty for over a decade of the existence of the JDZ.</p>	<p>JDA, NUPRC</p>		<p>The Federal Government should review the activities of JDZ with the view of identifying possible challenges and proffer solutions that will enhance the realisation of the objectives for which the NSTP/JDA was established.</p>



<p>8.</p> <p>Crude losses</p> <p>The total volume of Crude losses reported by twenty-two (22) Companies was 39,162,836 bbls valued at about US\$1.63billion, at the annual average selling price per barrel of Federation Equity crude oil reported in this audit.</p>	<p>Incessant crude oil losses in the industry as a result of theft, sabotage and metering errors remains a major cause of revenue losses to the Federation.</p>	<p>National Assembly and NNPC.</p>		<p>NNPC should ensure proper pipeline security surveillance using satellite imagery and other sophisticated ICT tools to ensure real time monitoring and decisive actions on pipeline vandalism. The companies should also work with the Federal Government to ensure the implementation of fiscal provisions in the PIA for the welfare of Host Communities and thus strengthening responsibility for communal ownership of crude oil pipelines.</p>
<p>9.</p> <p>Quasi-Fiscal Expenditure</p> <p>In 2020, the total sum expended as quasi-fiscal expenditure amounted to US\$526.20million (equivalent N176.07billion). These amounts were deducted from Federation's revenue before remittance without appropriation by National Assembly.</p>	<p>These amounts were deducted from Federation revenue before remittance without appropriation by National Assembly.</p>	<p>National Assembly and NNPC.</p>		<p>There is the need to ensure adequate oversight over the expenditures that are not captured in the National budget.</p>
<p>10.</p> <p>Outstanding Liabilities payable to the federation</p> <p>The total outstanding taxes payable to FIRS as at 30th September, 2021 was US\$79.20million while the total amount of outstanding Federation revenue payable to DPR as at 31st December, 2020 was US\$3.10billion. See Appendix 12 for more details.</p>	<p>The non-payment of these funds as at when due is a constraint on revenue flow to the Federation.</p>	<p>Companies, FIRS and DPR</p>		<p>Companies should promptly pay outstanding liabilities while the respective government agencies are to intensify efforts to recover the debt.</p>



<p>11.</p>	<p>Pre-export financing and Project Eagle</p> <p>A total volume of 1,799 mmbbls crude oil (valued at US\$59,225million) and 2,847 mmbbls crude oil (valued at US\$116,980million) was lifted from OML 119 (Okono fields) and sold for Pre-export financing and Project Eagle agreement. See section 3.2.1.4 of this report. These amounts were for repayment of loans taken in the past to settle Marketers under the Petroleum subsidy scheme, which are being recovered from the monthly Federation revenue proceeds. The circumstances under which the subsidies were incurred and the beneficiaries are not clear.</p>	<p>The repayment of the loan constitutes a heavy burden on the Federation and a constraint on revenue flow to the Federation.</p>	<p>NNPC/EFCC</p>	<p>In 2012, the Pipeline and Products Marketing Company Limited (PPMCo) a subsidiary of NNPC, was owing circa US\$3.5bn to the suppliers of refined petroleum products. The debt arose principally as a result of Federation's delay or inability to refund PPMCo subsidy incurred on the sale of the products, value of product losses to pipeline vandalism, costs incurred on security etc.</p> <p>— To stop the suppliers of petroleum products from taking NNPC to court, NNPC negotiated the debt to US\$3B and restructured it under two equal tranches of Pre-Export Trade Finance (PXF 1 for US\$1.5B and PXF2 for US\$1.5B) loans. The repayment of the loan was secured with 20,000bopd Okono/Okpoho crude oil productions belonging to NPDC's OML 119.</p> <p>— PXF1 has been fully repaid. However, early this year due to protracted challenges with crude oil productions from the Okono/Okpoho fields and the attendant constraints to debt service, the US\$665M outstanding on PXF2 loan was converted to the subsequent debt of Project Eagle loan thereby freeing the initial 20,000bopd of Okono/Okpoho fields.</p> <p>— The total debt service made on the US\$1.5B PXF1 loan till full repayment and all the debt service on PXF2 loan till conversion to Project Eagle was made with the proceeds of NPDC crude oil productions which NPDC would need to recover from NNPC.</p> <p>— Since the PXF1 & PXF2 loans and the first debt service on the subsequent debt tranche of Project Eagle Loan repaid by NPDC belonged to the Federation, NNPC has obtained approval to recover them from the Federation in a bid to make NPDC whole. Annual budgetary provisions has been duly approved for the repayment/recovery of the total debt service on PXF1 and 2 and repayment commenced by the Federation</p>	<p>NNPC should transparently disclose details of the subsidy and the beneficiaries of the payments, in addition to rendering accounts on the loan transaction. The transaction should be extensively reviewed / investigated.</p>
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<p>12</p> <p>NILNG Payments</p> <p>NILNG Dividend and other related payments remained an issue in 2020 as payments are being warehoused in NNPC designated bank accounts.</p>	<p>Funds that can be used in the development of the Nation may be left idle.</p>	<p>NNPC and FAAC</p>		<p>NNPC Ltd. should transparently disclose and account for NILNG payments in the Corporation's Financial Statements while future dividends should be paid to the Federal Government as the investor.</p>
<p>13</p> <p>Transportation revenue</p> <p>Transportation revenue received by NNPC was lumped with other revenues and classified as Miscellaneous Income. In addition, there was no disclosure of tariff rate and volumes of transported commodities</p>	<p>Opacity in accounting for transportation revenue.</p>	<p>NNPC and Companies</p>		<p>NNPC Ltd. and the Companies should provide basis and separately report transportation revenue as a line item and not as part of Miscellaneous revenue as currently being practiced.</p>
<p>14</p> <p>Under-recoveries and Value Loss</p> <p>The total amount of subsidy claim by NNPC in 2020 was NGN133.74billion (US\$375.22million), out of which NGN106.99billion (US\$300.19million) was recovered from the Federation in 2020, leaving an outstanding balance of NGN26.74billion (US\$75.03million) to be recovered from the Federation in 2021, through budgetary provision. There is however no report of an independent validation of these figures.</p>	<p>Subsidy remains a heavy cost to Federation Revenue remittance.</p>	<p>NNPC/FAAC</p>	<p>NNPC Response</p> <p>Following the deregulation in March, it obtained presidential approval to recoup the differential/loss from the Federation in order to keep marketers whole on volumes already purchased from the Federation (via NNPC) at higher prices. This is to ensure a harmonious implementation of the new pricing policy. Thus, PPPRA duly validated the national PMS stock on March 19, 2020 of 1,649,803,803.06 and the value/loss differential due to the downward revision of price amounted to NGN 32,092,512,643.16.</p> <p>NNPC then phased the recovery of this amount over a period of six (6) months (N5, 348,752,107.19 per month) effective June 2020. The first recovery of deduction was made in June, 2020 and the outstanding amount will be recovered once included in the budget.</p>	<p>Federal Government should fully deregulate the downstream sector and savings made from the stoppage of the subsidy regime should be used to improve the life of citizens. The PIA is expected to address this issue.</p>
<p>15.</p> <p>Disclosure of transactions that lead to revenue payments</p> <p>No record was presented for the basis of total sum of N70.773billion (US\$198.561million), being share of equity gas deposited in the NNPC/CBN Gas Revenue Naira Account.</p>	<p>The audit was not able to ascertain the transactions that led to this payment and therefore raise the issue of transparency.</p>	<p>NNPC</p>	<p>NNPC Response</p> <p>The payment of N70.773billion (US\$198.561million) relates to domestic gas sales from NNPC's JV and PSC participation on behalf of the Federation. Substantial part of the revenue has to do with sale of gas to the Power Sector as evidenced by the payments made by GACN and First Independent Power Limited</p>	<p>NNPC should properly document transactions leading to revenue payments to ensure complete transparency.</p>



<p>16</p> <p>Variance in PMS Stock Volumes</p> <p>There was a huge variance between the volumes of PMS stock reported by NNPC and what was reported by PPPRA. Both entities could not provide any explanation for the variance.</p>				<p>NNDC/PPRA should investigate the discrepancy in the PMS stock volumes reported by NNPC and PPPRA.</p>
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8.2. Observations and recommendations from 2019

This section discusses the outcomes of the recommendations from the 2019 NEITI Audit report

Table 109 - Summary of outcomes of observations and recommendations from 2019

S/N	Observations/ findings	Implication	Responsibility	Entity's Response	Recommendations	Status of Implementation
1.	Transportation Revenue from JV operators	<p>A total of US\$455.15million was reported as transportation fees by two (2) JV companies. Of this amount, NNPC confirmed US\$334.34million.</p> <p>This implies that a total of US\$120.81million could not be confirmed. This comprises US\$55,468.84 and N37.002billion (US\$120.755million using N306.42/US\$).</p>	NNPC	Reconciliation with relevant companies is ongoing and will be concluded.	NNPC should carry-out detailed reconciliation. This should be done regularly as a mechanism for checks and balances	Ongoing This particular matter is yet to be addressed but there was an improvement in the treatment of Transportation revenue in 2020.
2.	Oil and Gas revenue budget presented on a net basis	The NASS approved budget revealed that no line-item provision for cash call was made and the total expected oil revenue was disclosed on a net basis. This poses challenges of carrying-out budget performance review from the perspective of comparing the approved national assembly budget with the actual cash call.	OAGF		The Report proposes that the OAGF, an agency of government with the mandate (by Law) and requisite capacity, to advise the NNPC to prepare its budget on a gross basis by stating the gross revenue and the costs. It will improve the overall transparency and accountability required by the process.	Unresolved This situation remains the same in 2020.



3	<p>Entities reporting crude losses (due to metering error, theft, and sabotage) higher than fiscalised production.</p> <p>— ND Western reported the crude loss of 2.306mmbbls which is 158.10% of its fiscalised production of 1.459mmbbls.</p> <p>— Shoreline reported the crude loss of 7.474mmbbls which is 153.12% of its fiscalised production of 4.881mmbbls.</p>	Companies reporting crude losses higher than fiscalised production implies that the Federation is losing benefits from the production arrangement.	Companies & DPR	DPR explained that measurement error refers to losses due to application of estimated Meter Factor, non-application of Volume Correction Factor (VCF) determination and/or improper determination of Base Sediment and Water (BS&W). There is continuous monitoring.	DPR should ensure that Terminal operators take necessary steps to remedy the situation so that losses from metering can be eliminated or minimised.	<p>Ongoing</p> <p>There is a general reduction in crude losses in 2020 compared to 2019. The number of companies reporting crude losses reduced (31 to 21) while the percentage of total losses compared to total fiscalised crude also reduced from 16.85% to 15.02%. The highest crude loss to total fiscalised crude per company reduced from 158.01% (ND Western) in 2019 to 46.14% (Waltersmith) in 2020.</p>
4	<p>Outstanding Liabilities</p> <p>The report reveals companies with outstanding liabilities as of 2019 year-end. For details, see Appendix 13 Financial Liabilities in 2019 (Companies</p>	The non-payment of these funds as and when due.	Companies		Respective government agencies to intensify efforts to recover the debt.	<p>Ongoing</p> <p>Some of the companies have made payments but this still remains an issue in 2020.</p>

8.3. Update on Past Recommendations from NEITI/NNPC Joint Committee on Remediation and Mainstreaming

The Committee reviewed twenty (20) remediation issues and eleven (11) have been resolved, eight (8) is in the process of resolution while one (1) of the issues remain unresolved. The table below gives details of on-going/unresolved issues.



Table 110 - Summary of Past Recommendations from NEITI/NNPC Joint Committee

REMEDIATION ISSUES FROM NEITI INDUSTRY AUDIT REPORTS				
ONGOING ISSUES				
	Issue	Response	Current Position	Recommendations
1.	Over-recovery under the Petroleum Support Fund Scheme (PSF) yet to be paid by the NNPC NNPC outstanding debts of N3.981 billion because of over-recovery under the Petroleum Support Fund Scheme (PSF) mentioned in 2012 NEITI Audit report is yet to be paid.	NNPC has formally confirmed this outstanding debt and informed NEITI that the process of paying the over-recovered amount into the PSF/PPPRA Account domiciled with the CBN has commenced.	NNPC has responded that the outstanding debt has been reconciled. The document has been fully processed for payment and is awaiting final settlement by the NNPC.	NEITI encourages NNPC to conclude on payment within the shortest possible time and communicate to NEITI to update their records.
2.	NPDC Unremitted NDDC Levy. Accumulated unremitted NDDC levy of N28.335bn and US\$81.08 million as at 2014.	NPDC has reconciled NDDC position up to 2018 which amounted to N56bn. A payment plan was agreed and N2bn is being remitted monthly to NDDC to defray outstanding liability.	NNPC provided minutes of a reconciliation meeting dated 3rd July 2019. The document confirmed the liability of N56bn (2001-2018) and confirmed that payments are being made per the agreement.	NEITI encourages NNPC/NDPC to continue to honor the agreement signed with NDDC on this liability.
3.	NPDC Unremitted Gas Flare Penalty Accumulated unremitted gas flare penalty of NGN1.81bn as of 2014. Gas flare liability for 2015 is US\$1, 023,174. Unpaid gas flare penalty liability for 2016 is US\$622, 595.	NPDC has notified DPR that the total outstanding liability for GVC, Royalty Oil, Royalty Gas, Concession Rentals amounts to US\$114, 753,863.49 and has made a payment of US\$31,746,000.00 which reduced net indebtedness to DPR to US\$83,007,863.49.	<ul style="list-style-type: none"> NNPC provided a report on reconciliation carried out between NPDC and DPR on Forcados assets, OML 119 and OMLs 60-63. Reconciliation items included GVC and other statutory obligations due from NPDC to DPR as of December 2018. The report shows a net indebtedness of US\$814, 633,952.35 to DPR as of 31st December 2018. 	NEITI notes NPDC's payments in the form of crude allocations, utilisation of proceeds from gas sales and others in fulfilling its commitments. The committee recommends the issue be considered as a resolved
4.	NPDC Unremitted Royalty Outstanding balance of US\$1.743 million unremitted from crude oil lifting from NPDC Shoreline JV and NPDC Seplat JV.	NPDC allocated 40,000 barrels to offset the outstanding sum of \$1,743,400.58. However, only \$1,721,800 was realized, thus the outstanding balance of \$21,600 to be paid by NPDC.	NNPC GRC to write NPDC to settle the amount of \$21,600 through direct payment of cash value to Federation Account. NNPC has shared letter notifying NPDC to settle amount of \$21,600.	NEITI encourages NNPC/ NPDC to conclude on the settlement of \$21,000 to the Federation Account and communicate same to NEITI to update their records.



5.	<p>NPDC PPT Liability In 2013 PPT liability of US\$1.179bn was outstanding and un-validated 2014 liability of US\$910.937 million as against US\$1.127 bn shown on the template. The outstanding liability as of 2014 was not validated because NPDC did not provide financials to substantiate the figure of US\$1.127 bn.</p>	<ul style="list-style-type: none"> NPDC has reconciled PPT position up to June 2019 with FIRS which amounted to US\$712, 172,446.02 NNPC provided a report on reconciliation meeting between NPDC and FIRS on PPT, CIT EDT, late return penalty (LRP), VAT and WHT as of June 2019. Representatives of FAAC were also in the meeting. All relevant parties duly signed the report. The report confirmed the established liability of US\$712, 172,446.02. The report also confirmed a payment plan of US\$50M quarterly is being remitted to FIRS to defray outstanding liability. NPDC explained that in some instances estimates are used in establishing tax liabilities for planning purposes which is likely to change when actual filing is done. Actual filing can only be done after finalizing Audited Financial Statements. 	<p>The report confirmed remittance of US\$50M quarterly as agreed. evidence provided shows payments up to Q1 2020.</p>	<p>NEITI encourages NNPC/ NDPC to continue to honor the agreement signed with FIRS on this liability.</p>
6.	<p>Unremitted crude oil royalty for 2014 is US\$144.949 million, 2015 royalty liability is US\$272, 183,136 and 2016 is US\$22, 835,358.68 bringing total unremitted royalty to US\$ 451.373 million</p>	<p>NPDC has notified DPR that the total outstanding liability for GVC, Royalty Oil, Royalty Gas, Concession Rentals amounts to US\$114, 753,863.49 and has made a payment of US\$31,746,000.00 to reduce net indebtedness to DPR to US\$83,007,863.49.</p>	<p>NNPC provided a report on reconciliation carried out between NPDC and DPR on Forcados assets, OML 119 and OMLs 60-63. Reconciliation items include GVC and other statutory obligations due from NPDC to DPR as at December 2018. The report shows a net indebtedness of US\$814, 633,952.35 to DPR as of 31st December 2018</p>	<p>NEITI notes NPDC's payments in the form of crude allocations, utilization of proceeds from gas sales and others in fulfilling its commitments. (NEITI also request NNPC to host the schedule stating the current position on all the outstanding payments and future payment plans)</p>



7.	<p>The sum of US\$1.7bn out of the US\$1.847bn consideration for eight OMLs assigned by NNPC to NPDC (from Shell JV) between 2010 and 2011.</p>	<ul style="list-style-type: none"> NPDC had made a total payment of US\$578, 505,294.00 as at September 2019. In January 2020, a reconciliation meeting between NPDC and DPR held on NPDC's indebtedness to DPR. The reconciliation included NPDC's indebtedness on Forcados assets, OML 119 and OMLs 60-63. Reconciliation items included: GVC and other statutory obligations due from NPDC to DPR. The report confirmed the payment of US\$578, 505,294.00 as at September 2019. It also affirmed the agreement of utilization of sums for allocation of crude sales proceeds, crude lifted by the federation, JV cash call arrears paid by NPDC, MCA obligations paid by NPDC, funding gap benefits and cash-call paid to AITEO by NPDC toward defraying the legacy indebtedness to DPR. 	<ul style="list-style-type: none"> In January 2020, a reconciliation meeting between NPDC and DPR held on NPDC's indebtedness to DPR. The reconciliation included NPDC's indebtedness on Forcados assets, OML 119 and OMLs 60-63. Reconciliation items included: GVC and other statutory obligations due from NPDC to DPR. The report confirmed the payment of US\$578, 505,294.00 as at September 2019. It also affirmed the agreement of utilization of sums for allocation of crude sales proceeds, crude lifted by the federation, JV cash call arrears paid by NPDC, MCA obligations paid by NPDC, funding gap benefits and cash-call paid to AITEO by NPDC toward defraying the legacy indebtedness to DPR. 	<p>Based on the documents NNPC provided i.e., the KPMG report that shows its indebtedness to the federation along with a letter from RMAFC to FMoF on NNPCs indebtedness to the federation (attached to the report), the committee recommends that the issue be considered for further deliberation by the NNPC and NEITI Managements.</p>
8.	<p>Unpaid NLNG dividends, loan repayments and interest for 15 years up to 2015 amounted to US\$16, 898,725,000.</p>	<p>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 from the account was also made available for sighting.</p>		<p>NEITI acknowledges the progress made on this issue but will, in the interest of transparency and accountability, encourage NNPC to consider issuing a public statement and releasing a comprehensive statement of account on NLNG dividends, loan repayment and interests.</p>

UNRESOLVED ISSUES

1.	<p>Issue: Domestic crude allocation is in excess of the actual refining capacity of domestic refineries.</p> <p>Response: One of the primary responsibilities of NNPC is to ensure sufficient supply of PMS to every part of the country. Supply of PMS was predicated on domestic crude oil allocation, which is equivalent to the combined refining capacity of 445,000 barrel/day. This translates to about 17Million liters of PMS per day.</p> <ul style="list-style-type: none"> Considering the current surge in the population vis a viz economic activities in the country, the prevailing daily truck out of PMS in the country has increased to about 60Million liters. This means that the allocation of 445, 000 barrel of crude oil per day for national consumption will not guarantee adequate supply of PMS. It is, therefore, necessary not to predicate allocation of crude oil for domestic consumption to the refining capacity but on the prevailing daily PMS consumption of the country. It should be noted that crude oil allocated for domestic consumption is paid for at the prevailing international price of crude oil and subject to the same general terms and conditions as the international traders. This is to ensure that there is no value erosion to the Federation.
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EXECUTIVE SUMMARY

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2. **Committee Findings**

- Sub-committee notes that while the domestic crude allocation of 445,000 bpd was initially based on the installed capacity of the nation's four refineries, it however became expedient overtime to use proceeds from this allocation to fund products importation in line with NNPC's mandate to ensure product availability in the country.
- Secondly, this allocation does not reflect the current level of demand for refined products hence the need for a new basis of allocation of crude oil for domestic use.
- Considering NNPC's response above, NEITI concedes that domestic crude allocated to the Corporation to finance importation of petroleum products to the country is paid for by NNPC at the prevailing market price. Hence there is no remedial issue associated with the crude allocated for that purpose.
- However, the issue remains with crude volumes allocated to NNPC, which is expensed against cost of pipeline repairs and products price under-recovery. The value of this crude is therefore not remitted to the Federation Account. This practice will continue to show up in EITI reports by the Independent Administrator as an irregularity, based on reasonable interpretation by the IA of Section 162 of Nigeria's Constitution, notwithstanding the provisions of the NNPC Act. To find a permanent solution to this audit remedial issue, committee, therefore, recommends that:

Recommendation

The NNPC should consider putting in place a more transparent and accountable framework for deductions from the Domestic Crude Allocation (DCA)

Conclusion

The unresolved issue is the status of NLNG's payments, and it was recommended that NNPC should publish a statement on the status of the NLNG account. NNPC pledged to look into the recommendation and to consult with the account owners. It will be recalled that NNPC holds 49% stake in NLNG on behalf of the country for which it receives dividends and other payments put at \$16.8bn over a 15-year period by NEITI.

Furthermore, NEITI and NNPC resolved to continue to work together on NNPC's 13-point action plan on mainstreaming as the framework for deepening openness within the national oil company, building on NNPC's monthly reports, the historic publication of its audited financial statements for 2018 and 2019, and the decision by NNPC to join the global EITI as a supporting company.

8.4. Impact of COVID-19 Pandemic on the Oil and Gas Industry in Nigeria 2020 was the year of COVID-19 pandemic which affected many businesses and also impacted on world oil prices and ultimately revenue derived from the sector will be lower. A survey was therefore carried out on the oil companies to determine the impact of the pandemic on the sector. The questionnaire administered can be found in Appendix 20.

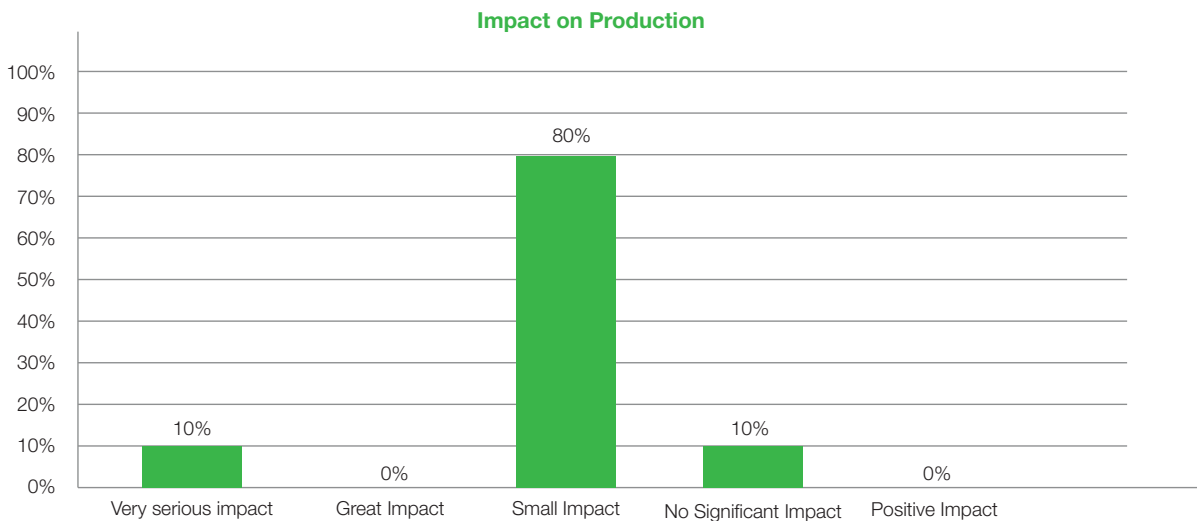
8.4.1. Objectives of the Survey

This survey was designed to ascertain the impact of the Covid-19 Pandemic on the Oil and Gas Sector as well as the Individual companies in the 2020 Financial Year. It seeks to know the level of the impact on the internal and external activities of the company, measures taken by companies to survive the pandemic, effects of the pandemic on future plans and projections of the company and the far-reaching effects on the oil and gas industry.

8.4.2. Result of the Survey on the Entities

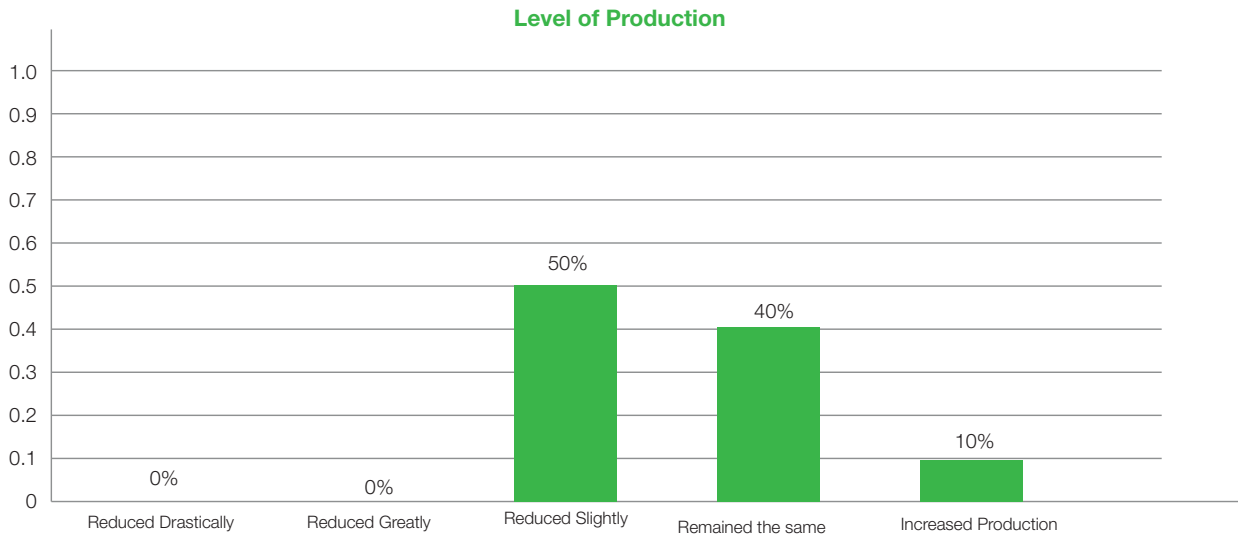
The data analyzed in this report are collected from a group of randomly selected companies in the oil and gas sector. The following are the questions and the aggregated responses of the companies that took part in the survey.

1. To what extent have production and operations of your company been affected by this pandemic? (Single choice)



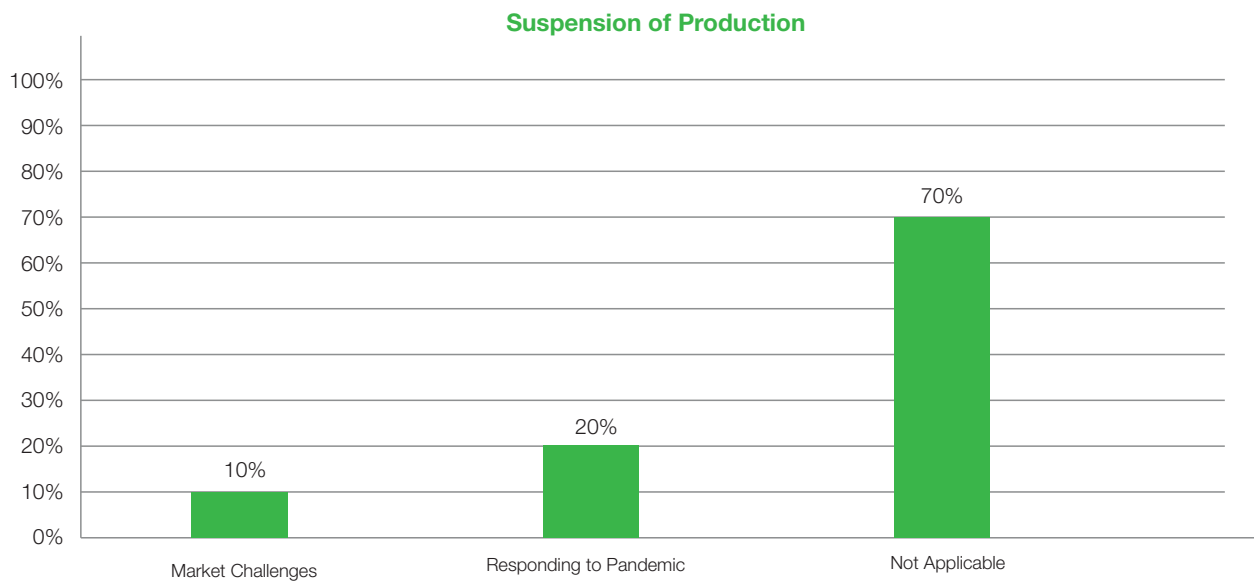
80% of the respondents testified that the Covid-19 pandemic has had small impact on the operations of their company. That is, although there have been difficulties in operations, the overall business has been stable. 10% of those who responded admitted to have faced serious financial difficulties, that is, very serious impact from the pandemic and a further 10% admitted to the Pandemic having had no significant impact on their operations.

2. What was the impact of the COVID- 19 Pandemic on production operations in 2020 compared to 2019?



For 50% of the respondents, production reduced slightly during the Pandemic, for 40%, production remained the same while 10% of the respondents experienced increased production during the Covid – 19 Pandemic.

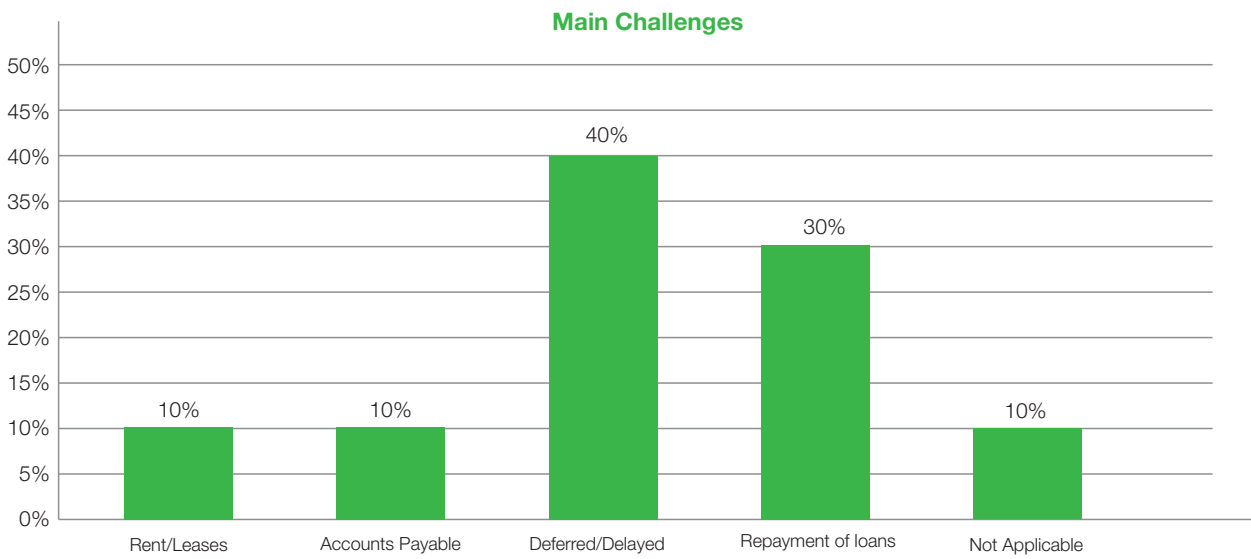
3. If production operations are/were suspended at anytime, what are/were the reasons for the suspension by the company? (Multiple choice, up to 2 items).



70% of the survey population did not suspend production activities during the pandemic. Of the 30% that suspended production, 20% suspended production as a measure to respond to the pandemic while 10% did in response to market challenges.

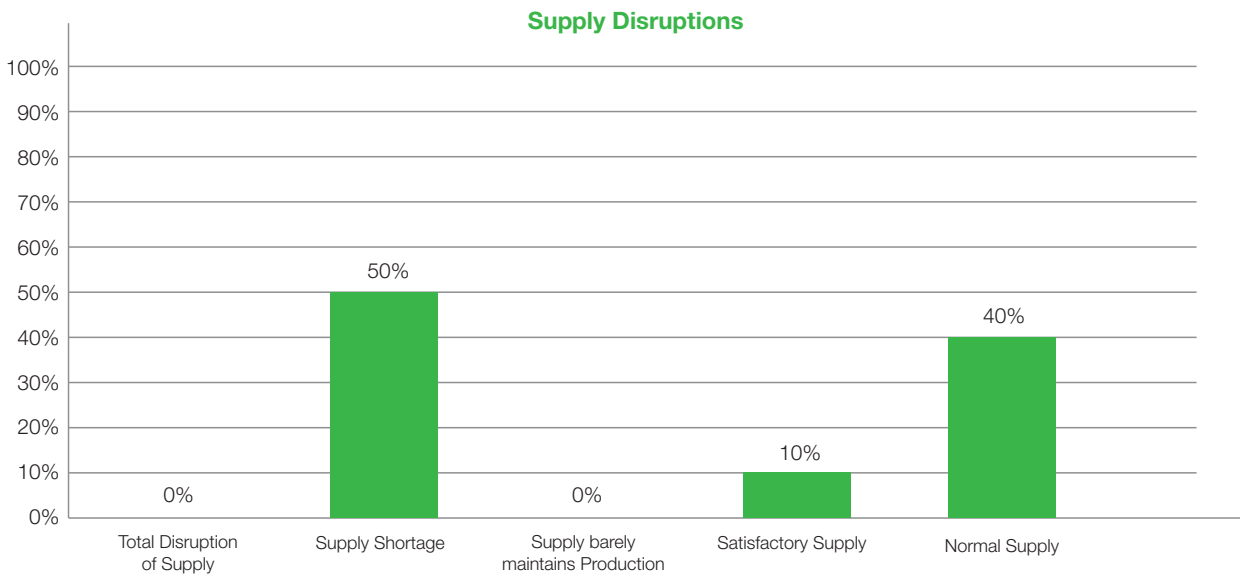


4. What are the main operating pressures that your company faced in 2020? (multiple choice, up to 3 items)



For 40% of the respondents, the main operating pressures faced in year 2020 was the problem of deferred or delayed Production caused by the pandemic. 30% of the population were of the opinion that their major pressure was the repayment of loans while rent and account Payables were the main operating pressure for 10% of the population.

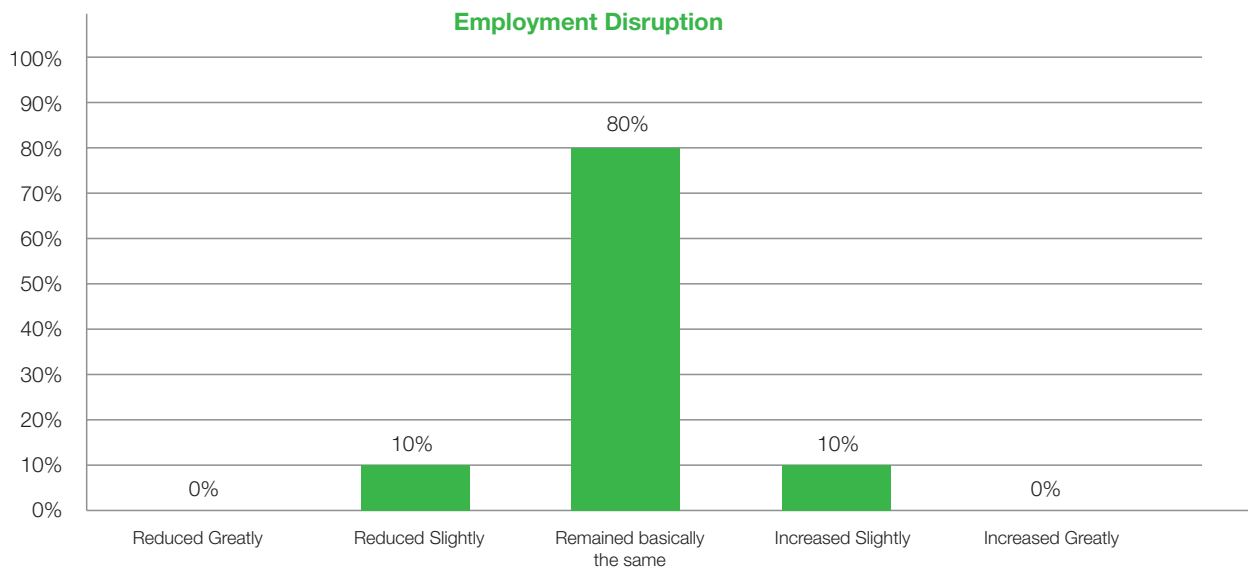
5. What was the situation regarding the supply of input materials, equipment/parts and other production and operation materials in your company?



50% of companies in the oil and gas sector witnessed supply shortage as a result of the Pandemic. 40% had normal supply while 10% had satisfactory supply.

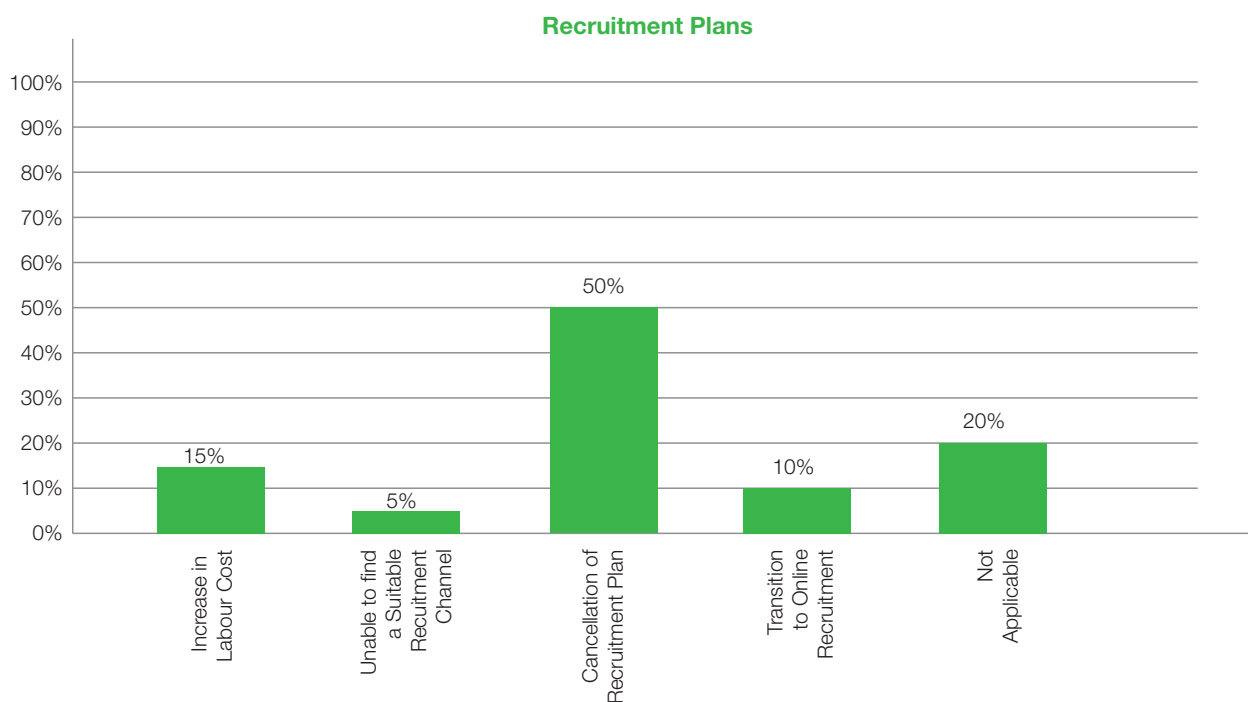


6. Did your company reduce or increase the number of employees?



For 80% of the companies in the oil and gas sector, the number of employees remained basically the same throughout year 2020. This can be traced to the effects of the Covid-19 Pandemic which froze development and expansion plans. 10% of companies had number of employees increased slightly and another 10% had number of employees reduced slightly. On the overall, it can be seen that there was not much disruptions in the employment level within the Industry.

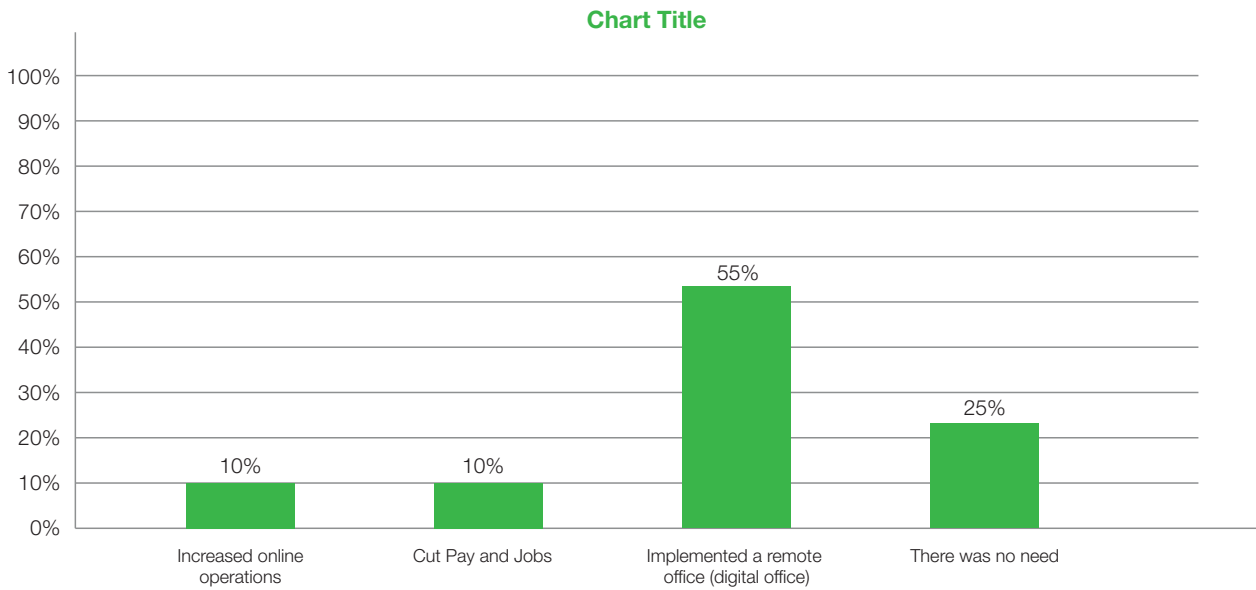
7. How did the pandemic affect recruitment?



From the data obtained, 50% of companies cancelled all recruitment plans for year 2020. This is obvious as the Pandemic hindered transportation and free association amongst persons. 15% of companies that participated in the survey admitted to increased labor cost, 10% transitioned to online recruitment while 5% couldn't find a suitable recruitment channel. 20% of respondents did not have a recruitment plan at all.

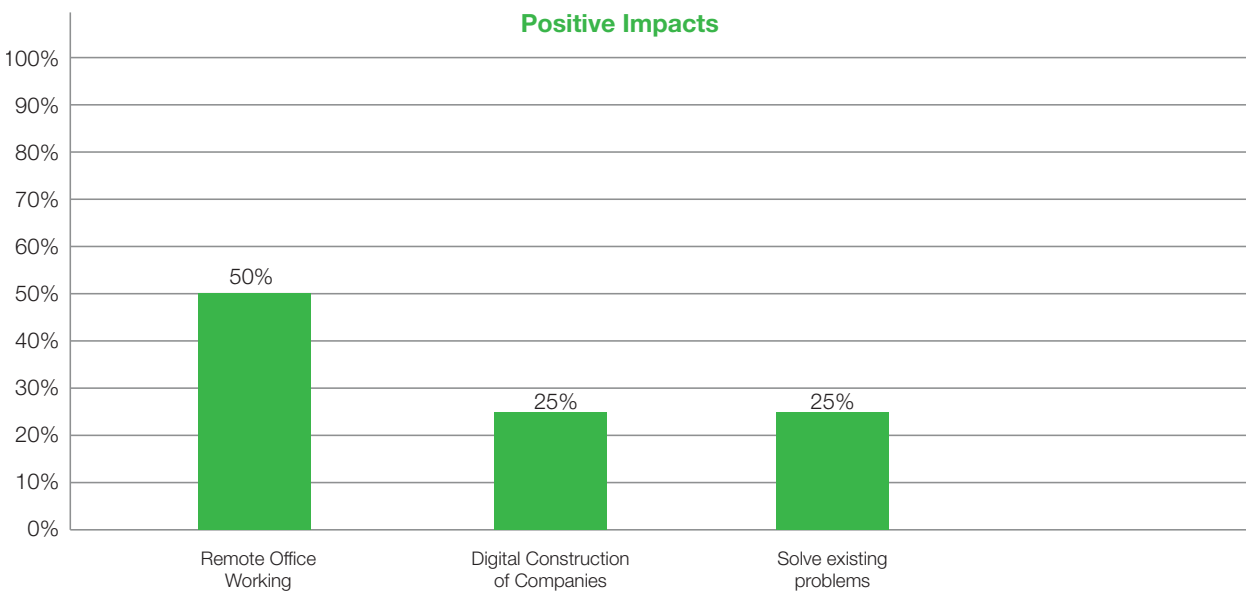


8. What self-help measures has your company taken so far?



In a bid to survive and to effectively manage the pandemic, companies have taken many measures. 55% of respondents who participated in the survey implemented a remote digital office (working from home), 10% increased online operations and a further 10% had to cut pay and jobs. 25% of the respondents already had measures in place to deal with the pandemic so there was no need to take extra measures.

9. What were the potential positive impacts of the pandemic in your view?

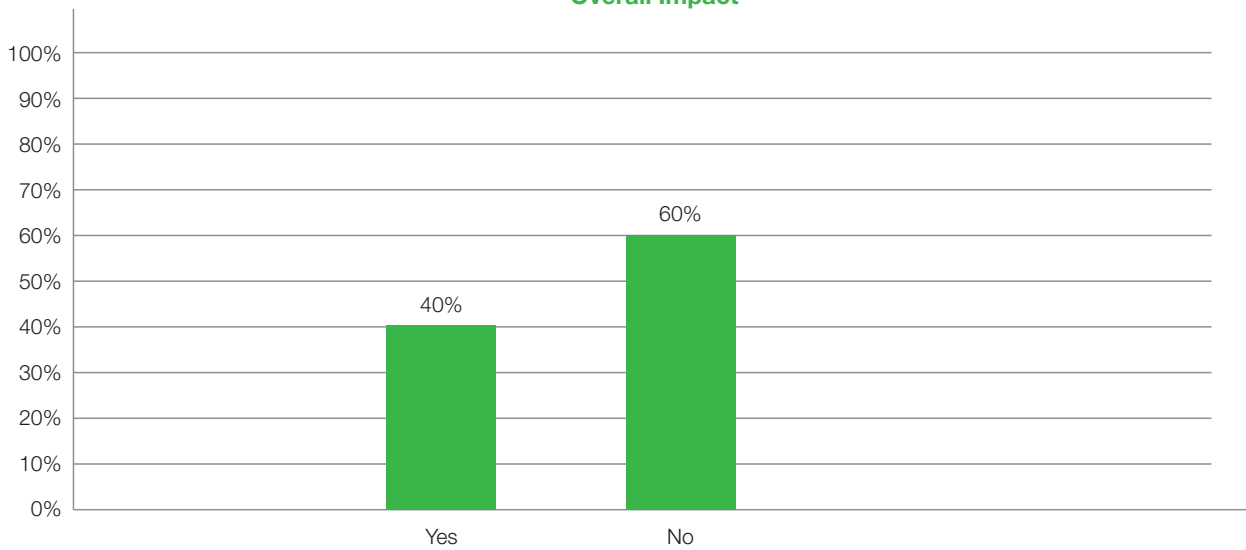


Ability to work from Home - Remote office work – was the major positive impact from the pandemic according to 50% of respondents. 25% went for Digital Construction of Companies; that is offices with less human contact while a further 25% choose the problem-solving skills that came with the pandemic as the major positive impact of the pandemic.



10. Is your company operations still negatively affected by the Covid-19 pandemic

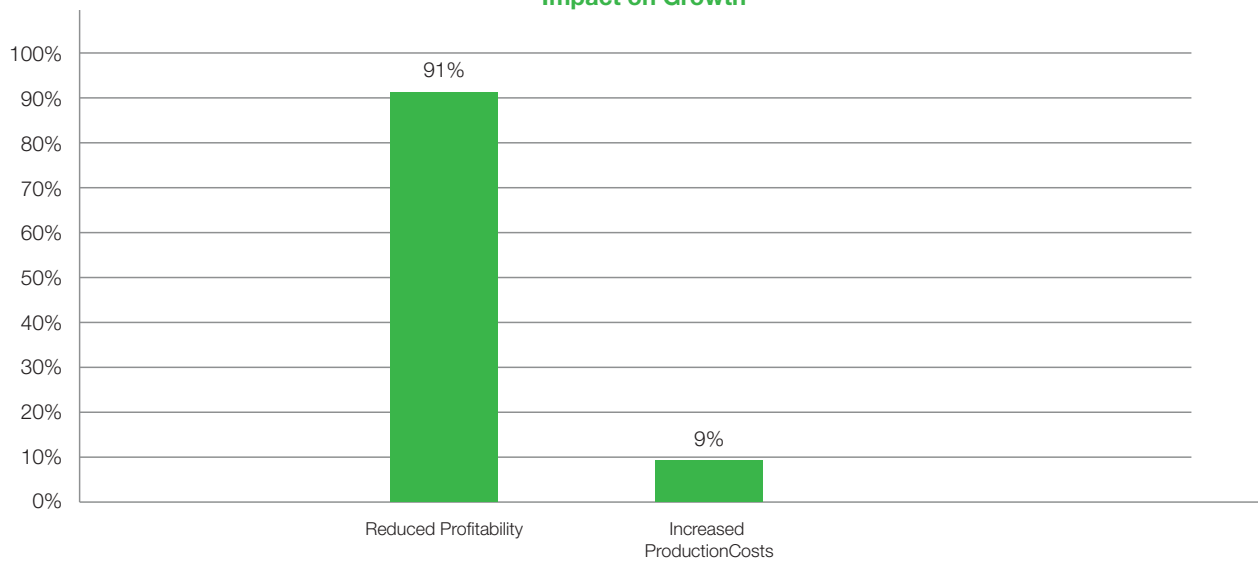
Overall Impact



While 60% of companies in the oil and gas sector have moved on from the effects of the pandemic, 40% are still affected negatively.

11. To what extent did the pandemic affect your company's development in 2020?

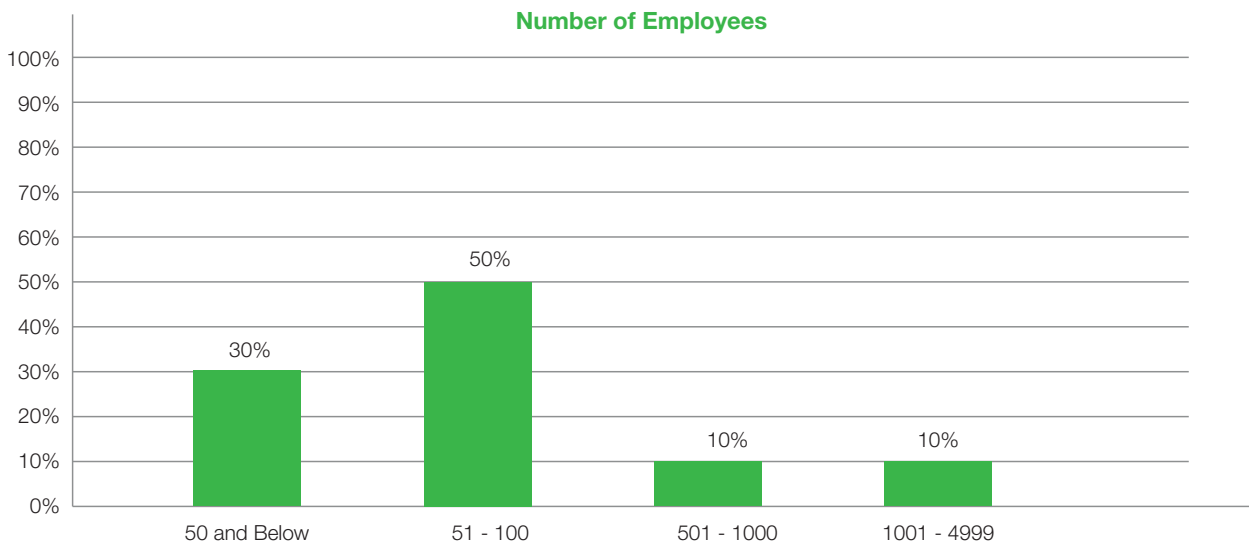
Impact on Growth



According to companies that participated in the survey, the pandemic affected development in two ways: reduced profitability and increased production cost. 91% went for the former while 9% of the sample population choose the later.

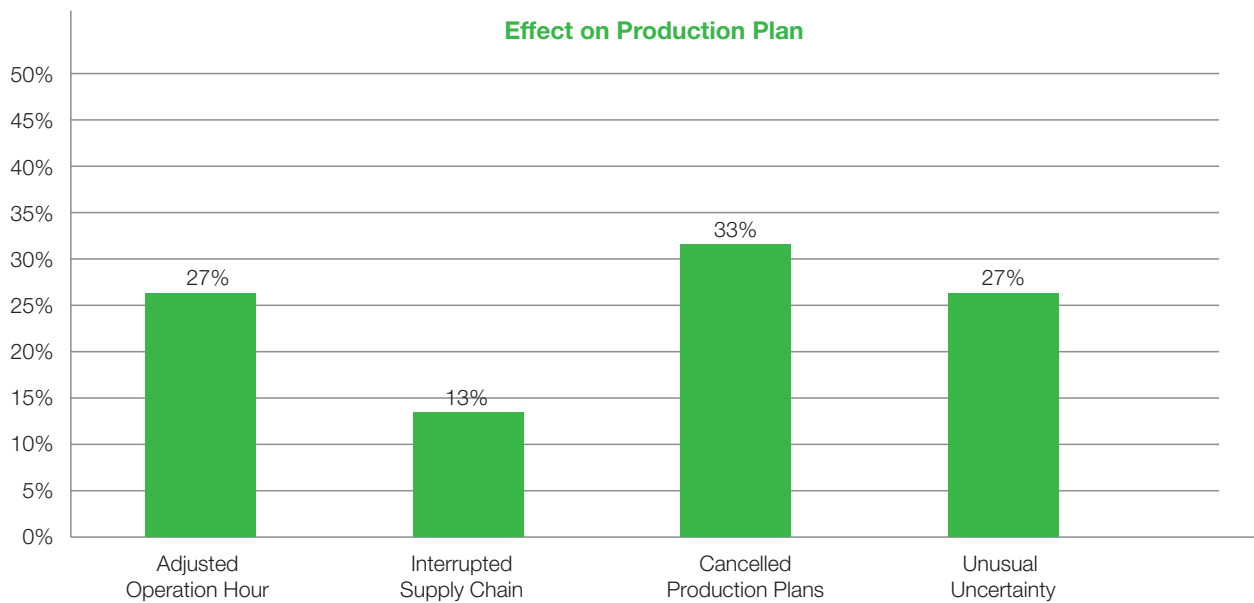


12. How many employees are there in your company?



50% of companies that participated in the survey had employee strength of 51 – 100, 30% had employee strength of 50 and below, 10% had 501 – 1000 and a further 10% had 1001 – 4999.

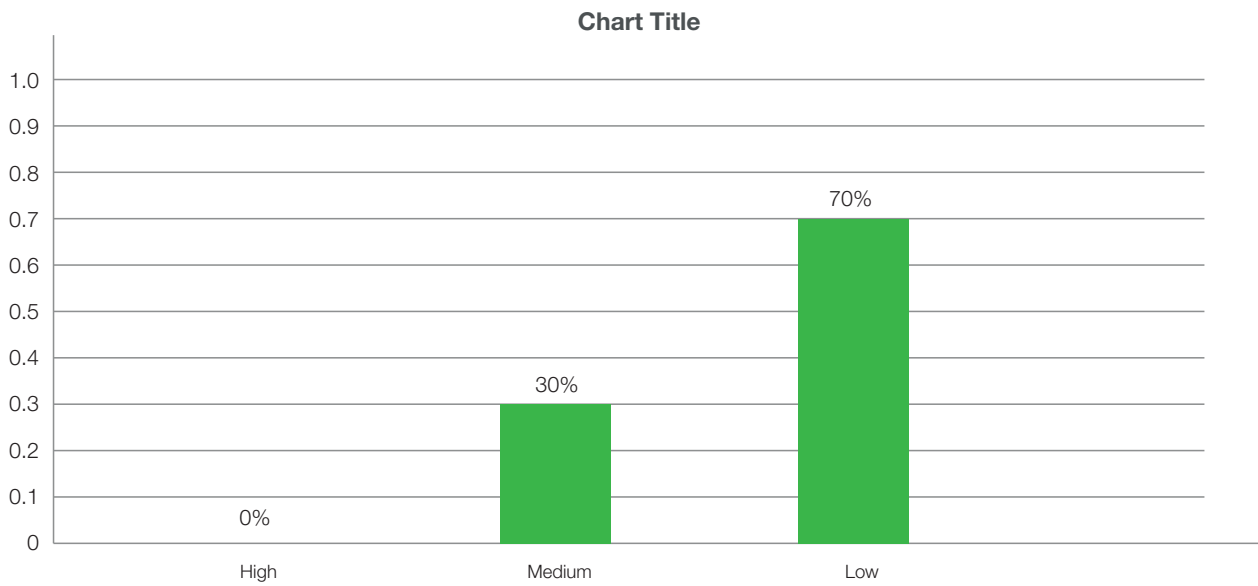
13. How have your business's operations been impacted by COVID-19? (check all that apply)



33% of companies in the oil and gas sector outrightly cancelled production plans due to covid-19. 27% had to adjust operation hours, another 27% had unusual uncertainty while 13% had interrupted supply chain which affected business.

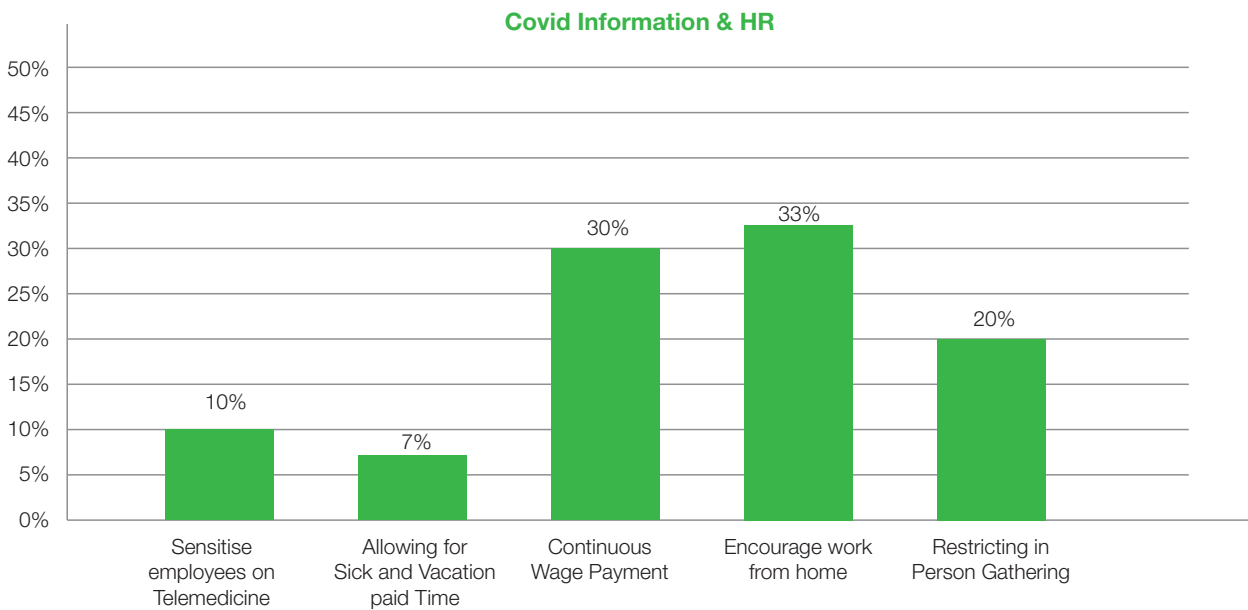


14. What overall level of impact did the pandemic have on your business in year 2020? (choose one)



For 70% of companies in the oil and gas sector, the pandemic had a low impact. That is, they were affected financially but were confident of weathering the storm. The pandemic significantly affected the financials of 30% of the companies.

15. How did you handle information dissemination and HR/Payroll issues as they relate to COVID-19 in year 2020? (check all that apply)



During the outbreak of the corona virus, information dissemination and Human Resources management were major problems. To solve these problems, 33% of companies in the oil and gas sector encouraged employees to work from home (remote office work), 30% engaged in continuous wage payment, 20% restricted in- person gatherings, 10% sensitized employees on telemedicine and 7% allowed for sick and vacation paid time.



