



AFRIMARI



Implications of Nigeria's Petroleum Industry Bill

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Oil production is Nigeria's backbone

- yet 100 million people on less than a \$1 a day
- Nigeria imports fuel products



Nigeria's Petroleum Industry Bill: what and why

- Overhaul of Nigeria's oil and gas sector
- Amalgamation of 16 laws
- Introduce transparency and improve governance by eliminating conflicting roles NNPC has and creating new institutions
- Objectives: increased Nigerian content; National Oil Company (NOC); involve host communities; independent downstream sector, and development of natural gas for domestic and export markets
- New opportunities, but also threats

Navigating Nigeria's oil industry

Petroleum minister – Diezani Alison Madueke



Shell's oil spill in Niger Delta



Key provisions

- Government take rises to 73 percent, up from 61 percent
- Establishes a Petroleum Host Communities Fund, but if infrastructure is attacked, the community loses money
- Restructuring of NNPC to a NOC like Petrobras, Statoil
- Focus on unlocking frontier exploration by moving it to the petroleum ministry and allocating funds for research
- Deregulation of the downstream sector: removal of subsidies, privatization of refineries



Continued corruption and mismanagement up the ante

- Different task forces set up to investigate oil sector
- Shocking levels of corruption, inefficiencies, incompetence
- President Jonathan pledges to prosecute wrong doers – can he? Will he?

FUEL SUBSIDIES

- NNPC and others should refund over N1 trillion
- Marketers abused the system: no imports, no qualifications, smuggling

NATIONAL REFINERIES

- 445,000 b/d refining capacity but utilization of 18%
- Worst managed in Africa
- Privatize refineries within 18 months - technology transfer, local content, experienced operators
- Build 3 refineries immediately: Lagos, Bayelsa and Kogi states

PETROLEUM REVENUES

- examined production to sales and revenues paid to federal coffers
- Billions of dollars missing in unpaid royalties and signature bonuses
- Discretionary blocks awards, lack of formal trading contracts – huge losses
- Criticisms of flawed methodology and non-verification of figures
- Members of the committee accused of having conflict of interest

CORPORATE GOVERNANCE

- scrap Nigerian National Petroleum Corporation (NNPC), privatize NOC
- Offer other agencies that improve transparency of NNPC's functions

Key uncertainties

- ***When will the bill be passed?***
 - estimated \$28 billion was lost in investments in 2011 due to non-passage
 - longer the delay, increased likelihood that operators will invest elsewhere worldwide
 - implications for future production – Shell says 40% drop by 2020
- ***Will these current provisions hold?***
 - multiple versions of the bill are circulating in the National Assembly
 - IOCs are still lobbying for changes to fiscal terms but unclear whether the government will shift ground
 - So will the bill be watered down or sent back for redrafting?
- ***Will the PIB help with reducing Niger Delta militancy?***
 - government has agreed an amnesty with some success, but still criminal gangs and vandalism of infrastructure as people push for development and greater receipt of oil proceeds
 - PIB calls for Petroleum Host Community Fund that will receive 10% of profits from operators
 - but how will the money be administered?
- ***How will my relationships change at the institutions I deal with?***
 - With the minister having so much control over the sector, great scope for corruption and continued bureaucracy
 - Manning and skilling with the appropriate staff remains a great challenge

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