



**NEITI INDEPENDENT ADMINISTRATOR (IA)
PRESENTATION**

**ON THE
2022/2023 OGA
TO THE
PRESENTATION**



ADESHILE ADEDEJI & CO.
(CHARTERED ACCOUNTANTS)

26 SEPTEMBER 2024

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BACKGROUND

BACKGROUND: INTRODUCTION

The Extractive Industries Transparency Initiative (EITI) is a **global standard** for improving transparency and accountability in the oil, gas, and mining sectors.

The EITI implementation has two core components: **Transparency** and **Accountability**.

The Nigeria Extractive Industries Transparency Initiative (NEITI) seeks to strengthen government and company systems, inform public debate, and promote understanding.

The IA is finalising the **2022-2023 NEITI Oil & Gas Audit (OGA)** which is conducted in line with the **EITI Standard, 2023**, and the **NEITI Act, 2007**.

It also build on the **NEITI 2021 Oil and Gas Industry Report** and the **2023 EITI Validation Report**.

BACKGROUND: OBJECTIVES AND WORK DONE

Key Requirement	Description
Regulatory Framework and Procedures	<ul style="list-style-type: none"> • Reviewed and Reported on <u>all aspects of the regulatory framework</u> for the oil and gas industry: including the legal framework, fiscal regime, roles of government entities and reforms, and laws (PIA, 2021) and regulations relating to addressing corruption risks in the oil and gas sector. • Provided an overview of the <u>statutory procedures for awards and transfers of licences</u> and assess if these procedures are followed in practice. • Disclosed comprehensive <u>information on property rights to oil and gas licences and leases</u>, including beneficial owner information and public accessibility of contracts and licences. • Disclosed comprehensive information about <u>state-owned enterprise participation</u> in the oil and gas sector.
Exploration and Production Information	<ul style="list-style-type: none"> • Disclosed an overview of the <u>exploration activities in the oil and gas sector</u> highlighting its potential, recent, ongoing, and planned significant exploration activities. • Disclosed information about <u>oil and gas production levels and a valuation</u> of extractive output.

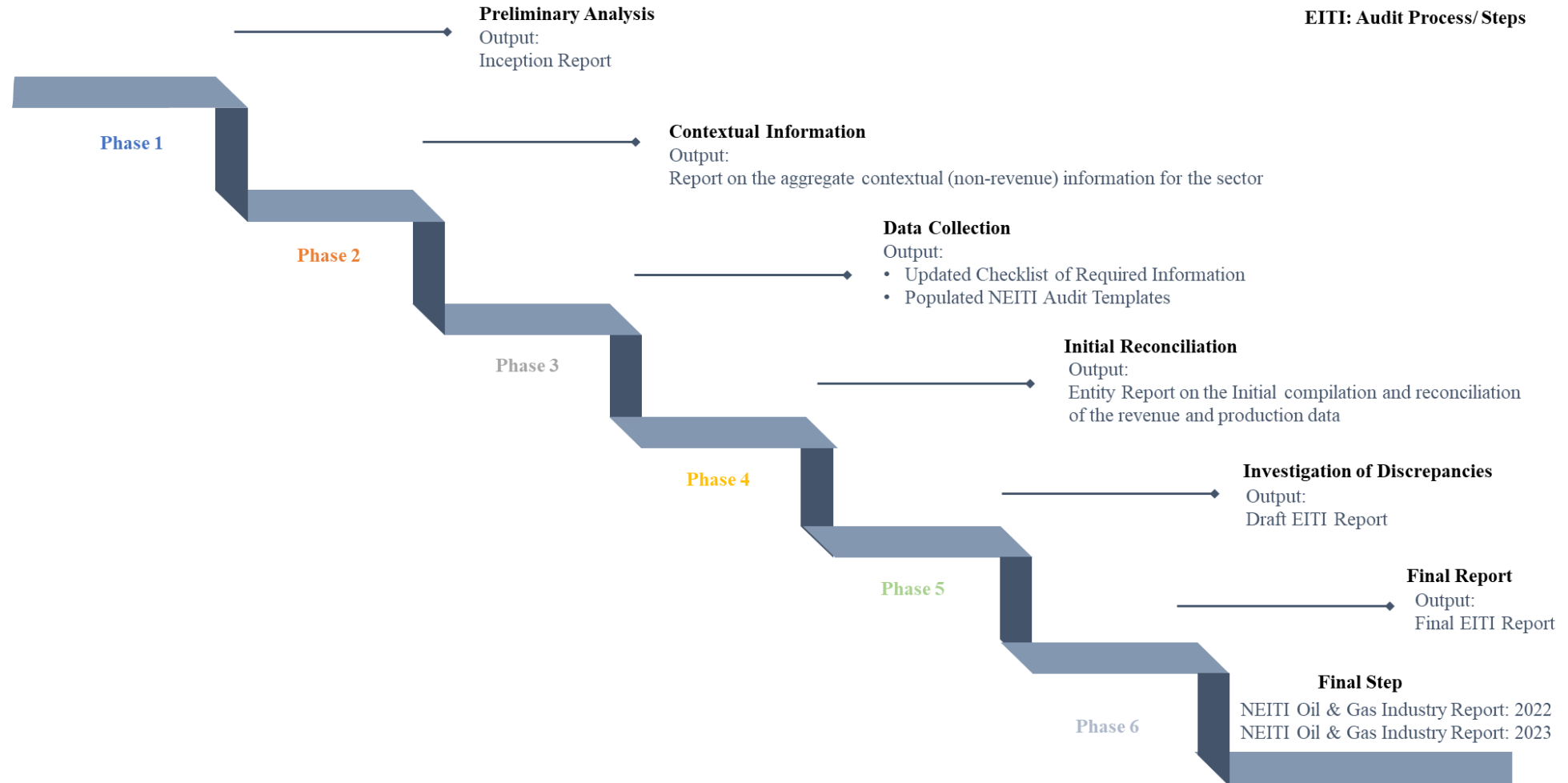
BACKGROUND: OBJECTIVES AND WORK DONE CONT'D

Key Requirement	Description
Export And Domestic Information	<ul style="list-style-type: none"> Reviewed and Disclosed information on <u>oil and gas export levels and a valuation of exports.</u>
Revenue and Payment Management and Distribution	<ul style="list-style-type: none"> Reviewed and Disclosed all <u>company payments and government revenues from the oil and gas sector</u> together with associated amounts lifted (oil) or sold (natural gas) to the required level of <u>disaggregation</u> while adhering to approved data quality assurance procedures. Reviewed and Disclosed the <u>revenues ultimately transferred to the Federation Account.</u> Reviewed and Disclosed information on revenue management and distribution, highlighting subnational transfers and revenue sustainability. Reconciled and Reported on the <u>revenue flows amongst the Covered Entities</u> and any <u>investment by the Federation in the oil and gas industry.</u> Reviewed and Reported on <u>balances payable/receivable at the end of the audit period</u> for certain financial flows as described by the National Stakeholder's Working Group (NSWG) contained in the Material Decision Information Memorandum. <u>Reviewed and Reconciled the physical/financial transactions</u> reported by payers and recipients as appropriate, as per the scope set out in the Terms of Reference vis-à-vis the NSWG Material Decision Information Memorandum.

BACKGROUND: OBJECTIVES AND WORK DONE CONT'D

Key Requirement	Description
Climate Change and Energy Transition Plan	<ul style="list-style-type: none">• Aggregated and Reviewed Data, and Disclosed <u>Greenhouse Gas (GHG) emissions</u> from the oil and gas sector.• Aggregated and Reviewed Data, and Disclosed information on <u>companies' social and environmental contributions</u> including assessing their compliance with legal and contractual obligations to undertake social and environmental expenditures.
Contribution to Gross Domestic Product (GDP)	<ul style="list-style-type: none">• Aggregated and Reviewed Data, and Disclosed information on the <u>contribution of the oil and gas sector</u> to the economy.
Outcomes and Impacts	<ul style="list-style-type: none">• Made observations, Implications and recommendations to support policymaking.

BACKGROUND: SCOPE OF WORK



BACKGROUND: REVENUE STREAMS

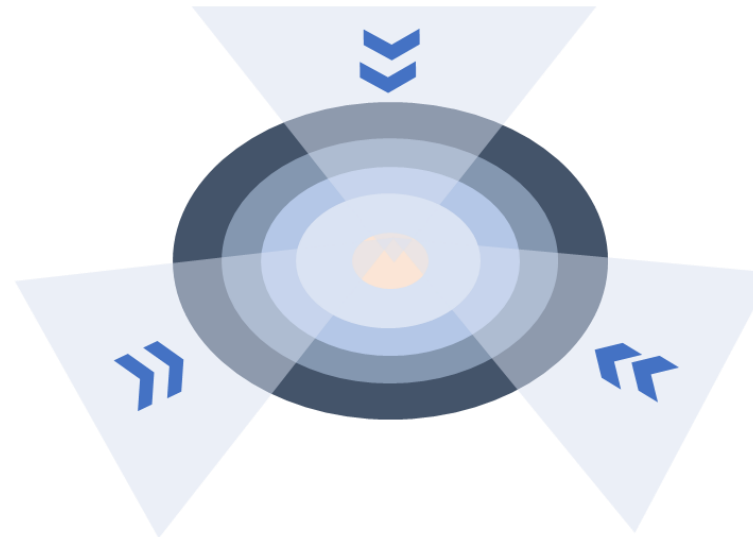
#	Revenue Streams	Responsible/ Oversight Entities
Reconciled		
1	Proceeds from the sale of profit oil	NNPC Limited
2	Dividends from NLNG	
3	Dividends from NNPC Limited	
4	Royalty (oil)	NUPRC
5	Royalty (gas)	
6	Signature bonus	
7	Gas flare penalty	
8	Concession rentals	NDDC
9	NDDC 3% levy	
10	NCD 1% levy	NCDMB
11	Petroleum Profit Tax (PPT)	FIRS
12	Company Income Tax	
13	Education Tax	
14	Value-added Tax	
15	Withholding Tax	
16	Pay As You Earn	
17	Capital Gains Tax	
18	Hydrocarbon Tax	

#	Revenue Streams	Responsible/ Oversight Entities
Unilaterally Disclosed		
1	Decommissioning and Abandonment Fund	NUPRC
2	Frontier Exploration Fund	
3	Upstream Environmental Remediation Fund	
4	3% Host Community Development Trust Fund	
6	0.5% Midstream and Downstream Gas Infrastructure Fund	NMDPRA
7	Police Trust Funds	FIRS
8	Stamp Duties	
9	National Agency for Science and Engineering Infrastructure (NASENI)	SIRS
10	Withholding Tax	
11	Pay As You Earn	
12	NESS fee	FMF
13	Environmental Payments	FMEv/ SMEv

BACKGROUND: OVERVIEW OF COVERED ENTITIES

Fund Custodian & Management

- CBN
- OAGF



Production Arrangement/ SOE

- Joint Ventures (JV) Companies
- Production Sharing Contracts (PSC) Companies
- Sole Risk (SR)
- Marginal Field Operators (MFO)
- Service Contracts (SC) Companies

78
Private

- Bilateral Arrangement (Nigeria Sao Tome Joint Development Zones)

1
Bilateral

- NNPC Ltd

1
SOE

Government Entities Revenue Collection

- FIRS
- NUPRC
- NCDMB
- NDDC
- FMF
- NMDPRA

6
Revenue
Collection

Others

- NOSDRA
- HYPREP
- NESREA

3
Others

BACKGROUND: MATERIALITY

2022 Materiality Outcomes

Description	#	%
Total Companies at the Start of the Audit	78	100.00%
Reconciled Companies	62	79.49%
Un-Reconciled Companies (In Production)	1	1.28%
Un-Reconciled Companies (Not in Production)	15	19.23%

Despite reconciling **sixty-two (62) companies**, **only twenty-eight (28)** with materiality threshold revised at 0.5%.

The material companies accounting for **US\$ 15.549 billion (96%)** and non-material companies **US\$695.604 million (4%)**.

2023 Materiality Outcomes

Description	#	%
Total Companies at the Start of the Audit	78	100.00%
Reconciled Companies	62	79.49%
Un-Reconciled Companies (In Production)	2	2.56%
Un-Reconciled Companies (Not in Production)	14	17.95%

Despite reconciling the **sixty-two (62) companies**, the **material companies are twenty-nine (29)** with **materiality threshold revised at 0.5%**.

The material companies accounted for **US\$21.415 billion (95%)** and non-material companies **US\$1.238 million (5%)**.

BACKGROUND: DATA COLLECTION AND SOURCES

Covered Entities	Primary Data	Secondary Data
Companies	<ul style="list-style-type: none"> • NEITI Audit Template • Template Checklist • Audit Information Request Checklist • NEITI Audit Management System • IA Electronic Data Collection and Storage Tools include- Google Drive, Microsoft SharePoint and One drive. 	<ul style="list-style-type: none"> • Audited Financial Statements • Systematic Disclosed Information on official website
Government	<ul style="list-style-type: none"> • Template Workshop with all Covered Entities. • Interviews and Continuously Interaction for Clarifications • Sustained Visits/ Meetings and Engagement with Covered Entities • Systems Walkthrough Sessions • Company Data Verification/ Revalidation Workshop 	<ul style="list-style-type: none"> • Systematic Disclosed Information on official website • Annual Reports

BACKGROUND: ASSESSMENT OF DATA QUALITY AND ASSURANCE

#	Steps	Actions	IA Assurance
1	Data Collection, Review and Validation	<ul style="list-style-type: none"> • Distributed the following to the covered entities: <ul style="list-style-type: none"> ✓ Audit data collection templates ✓ Template Checklist ✓ Information Request Checklist • Reviewed the populated and returned the NEITI Audit data collection templates of sixty-two (62) companies. • Reviewed the filled template checklist as well as the Audit Information Request Checklist 	<p>Returned subsequent and information/ clarification are relevant and sufficient, except otherwise stated in this report.</p> <p>Templates, explanation and additional clarification</p>
2	Data Cleaning	Performed data cleaning of returned template	
3	Data Verification	<ul style="list-style-type: none"> • Obtained and reviewed the source document as contained in the Audit Information Request Checklist to verify and validate populated data in the returned template. • Requested additional supporting documentation where necessary. • Reviewed audited financial reports and management accounts (where the audited financial statements are not available). • Obtained and reconciled production and lifting volumetrics with tripartite signed off report among the NUPRC, Companies and NNPC. 	
4	Data Completeness and Coverage	<ul style="list-style-type: none"> • Aggregated government revenue from the Revenue Generating Agencies and as populated by covered entities. • Obtained and reviewed RGA bank statements—especially for the NUPRC collections, and NNPC Federation flows. • Reconciled the aggregated revenue with the corresponding bank statements. • Identified any additional revenue in the bank statements that not covered I the audit and disclosed under unreconciled revenue. E.g. miscellaneous oil revenue, bank interest etc. • Cross-checked the CBN domiciled bank statements obtained from the RGA with the CBN to ensure authenticity. 	
5	Data Consistency	Reconciled the company record with RGA records and investigated discrepancies.	
6	Data Transparency and Accessibility	<ul style="list-style-type: none"> • Correspondences with covered entities are done with the designated email address for the exercise, copying the central email of NEITI Energy and Mining Department. • Accessibility of the Contextual Report prepared and referenced in this report. 	
7	Data Documentation and Audit Trail	<ul style="list-style-type: none"> • Obtained signed-off report post reconciliation workshop from the covered and participating companies. • Reconfirmed the final outcomes with RGAs—e.g. production and lifting volumetrics, and generated revenue. 	
8	Reporting and Recommendation	Made recommendation in subsequent sessions of this report.	



PRODUCTION AND LIFTING

PRODUCTION AND LIFTING : CRUDE OIL

CRUDE OIL PRODUCTION- 2022

Total fiscalised crude oil production was **490.945 million barrels in 2022, comparing 556.130 million barrels in 2021.** Fiscalised production decreased by **11.7% from 2021 to 2022 due to increase in production deferment in 2022.**

A ten (10) year trend (2013 - 2022) of fiscalised crude oil production in Nigeria shows that the highest production volumes of **800.488 million barrels was in 2013 and lowest of 490.945 million barrels was in 2022.** This indicates that the country's production capacity in 2022 was at **61.3% efficiency based on the 2013 production volume.**

The **38.7% inefficiency indicates lower operating capacities** of the production platforms, possible crude loss from unmetered Wellheads, increase in un-producing oil Wells due to abandonment, amongst other possible reasons.

PRODUCTION AND LIFTING : CRUDE OIL

CRUDE OIL PRODUCTION- 2023

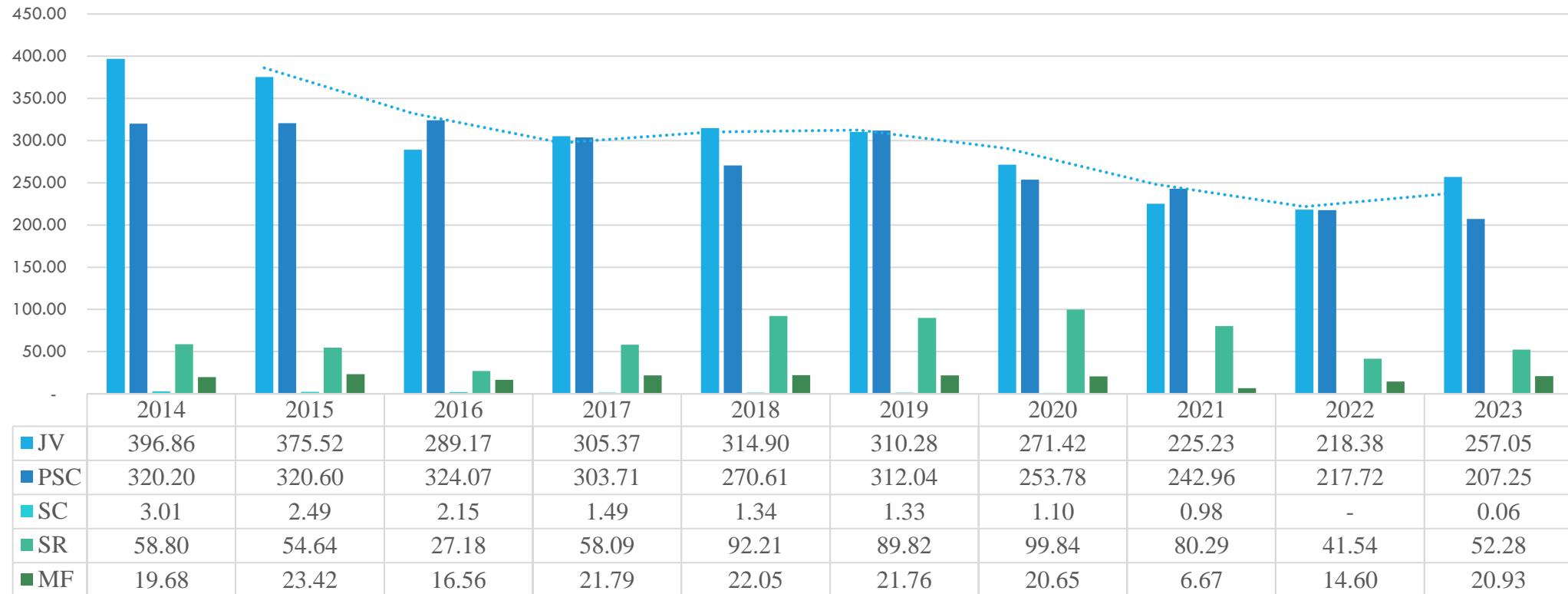
Total fiscalised crude oil production was **537.571 million barrels in 2023, comparing 490.945 million barrels in 2022**. The fiscalised crude oil production increased by **46.626 million barrels (9.5%) from 2022 to 2023 due to decrease in production deferment in 2023**.

A ten (10) year trend (2014 to 2023) of fiscalised crude oil production in Nigeria shows that the highest production volumes of **798.542 million barrels was in 2014 and lowest of 490.945 million barrels was in 2022**.

The country's production capacity in 2023 was at **67.16% efficiency based on the 2013 production volume of 800.488 million barrels**.

PRODUCTION AND LIFTING : CRUDE OIL

Ten-Year Trend of Fiscalised Crude Oil Production in Nigeria Million Barrels



Source: NEITI 2022-2023 OGA, 2024, Previous NEITI Reports

PRODUCTION AND LIFTING : CRUDE OIL

Crude Losses

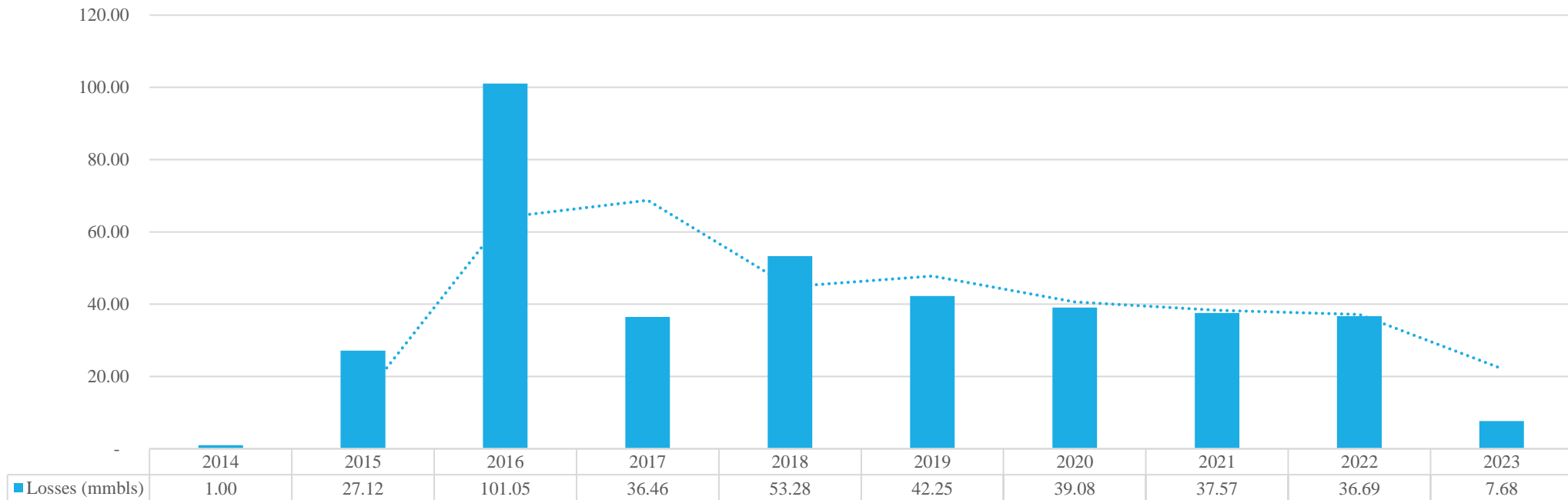
Crude losses were 7.68 million barrels in 2023, compared to 36.69 million barrels in 2022.
This dropped by 79% (29.02 million barrels).

This further **reinforces the positive impacts of government initiative towards eliminating crude losses** for greater efficiency in the sector. However, considering the proven crude oil reserves in the country, there is **need to ramp up production capacity to 2013 annual average of 800 million barrels through forensic audit of the Wellheads and production platforms.**

PRODUCTION AND LIFTING : CRUDE OIL

Ten-Year Trend of Crude Oil Losses in Nigeria Million Barrels

2023 Losses (mmbbls)



Source: NEITI 2022-2023 OGA, 2024, Previous NEITI Reports

PRODUCTION AND LIFTING : CRUDE OIL

CRUDE OIL LIFTING

2022

Total crude lifting was **482.074 million barrels in 2022**, comparing **551.006 million barrels in 2021**.

The **68.932 million barrels (13%) decrease** is the **impact of the decreased in fiscalised crude production**.

Decrease in production is largely due to **increase in crude production deferment** in the year.

2023

Total crude lifting was **534.159 million barrels in 2023**, comparing **482.074 million barrels in 2022**.

The **52.085 million barrels (11%) increase** is the **impact of the increase in fiscalised crude production**.

Increase in production is largely due to **decrease in crude production deferment** in the year.

PRODUCTION AND LIFTING : CRUDE OIL

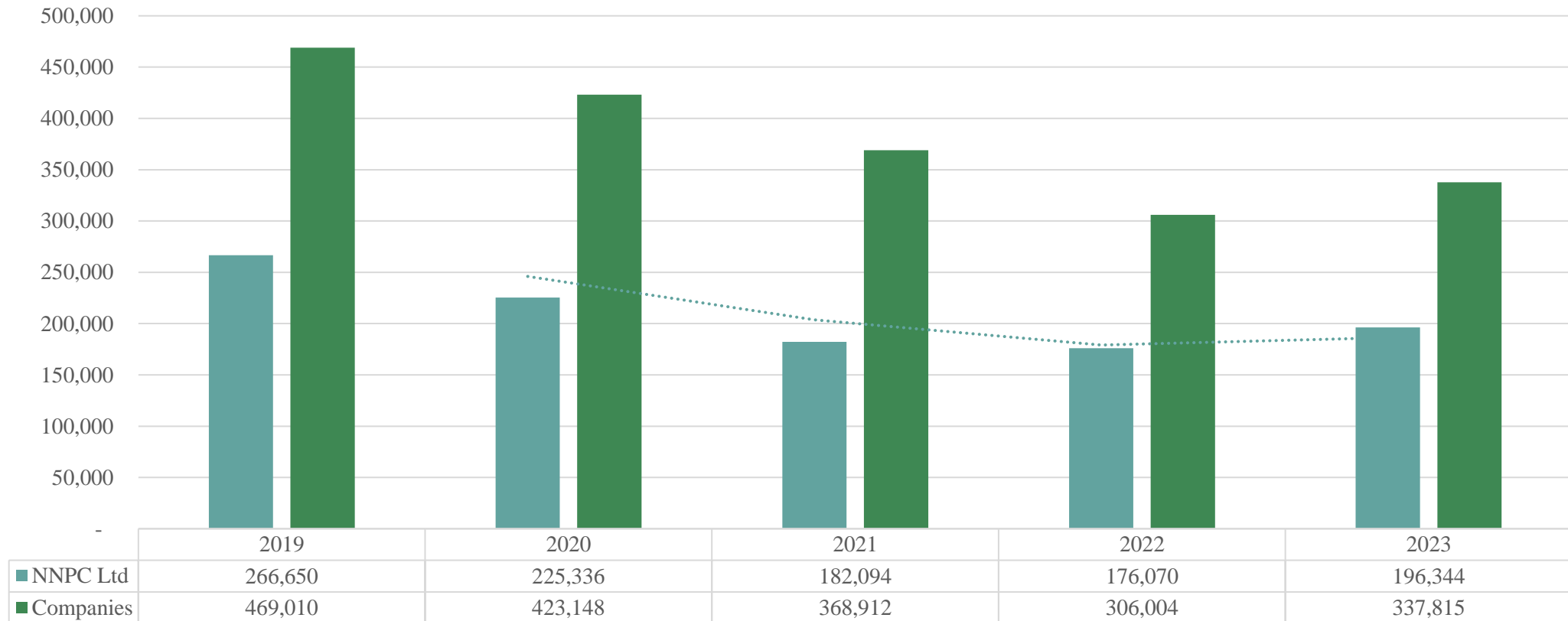
CRUDE OIL LIFTING 2022 AND 2023

Description	2023	2022	Changes	
	mbbls	mbbls	mbbls	%
Total NNPC Lifting	<u>196,344</u>	<u>176,070</u>	<u>20,274</u>	<u>12%</u>
Company Lifting				
Joint Venture	119,004	97,260	21,744	22%
Production Sharing Contract	136,229	147,027	(10,798)	-7%
Sole Risk	58,786	47,147	11,639	25%
Marginal Fields	23,796	14,570	9,226	63%
Total Company Lifting	<u>337,815</u>	<u>306,004</u>	<u>31,811</u>	<u>10%</u>
Total Crude Oil Lifting	<u>534,159</u>	<u>482,074</u>	<u>52,085</u>	<u>11%</u>

Source: NEITI 2022-2023 OGA, 2024 (Entities Submissions and NUPRC Signed-Off with Companies)

PRODUCTION AND LIFTING : CRUDE OIL

CRUDE OIL LIFTING: FIVE-YEAR TREND (2019-2023)



Source: NEITI 2022-2023 OGA, 2024 (Entities Submission/ NUPRC Signed-off Reports with Companies), Previous NEITI Reports

PRODUCTION AND LIFTING : CRUDE OIL

CRUDE OIL SELLING PRICES

The crude oil sold by NNPC Limited are owned by the Federation, NNPC Ltd, FIRS and NUPRC.

The selling price of crude oil are determined based on the selected pricing options of the buyer. This option could be, prompt, deferred or advance which is based on the Official Selling Price (OSP) and average of five (5) days dated Brent quotation from the Bill of Lading (B/L) date.

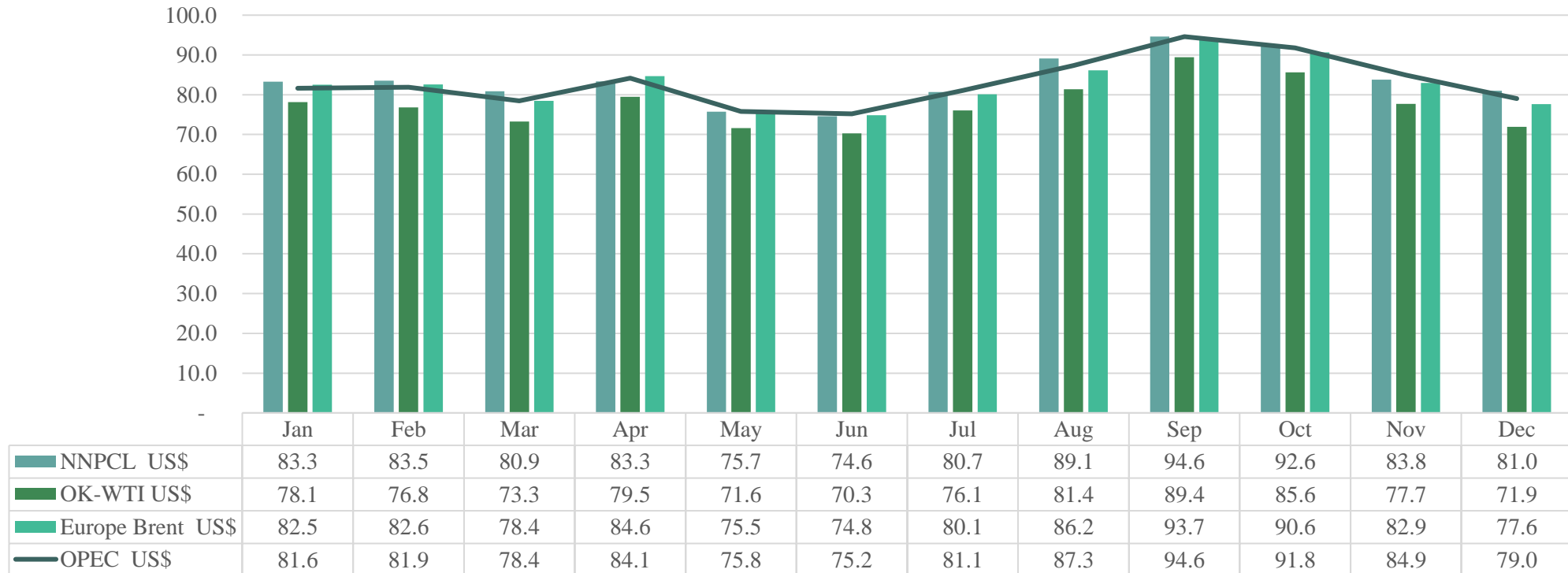
A global comparison of NNPC Limited monthly average crude oil selling prices in 2023 shows that the crude prices are higher than other international institutional pricing frameworks for seven (7) months – January, February, March, August, September, October and December.

For the other months (April, May June, July and November), NNPC Limited pricing was still higher than the West Texas Intermediate (WTI) - Cushing, Oklahoma Spot Prices as shown in the Figure below.

This implies that NNPC Limited pricing framework was considerably not below the global average, this gives further revenue assurances.

PRODUCTION AND LIFTING : CRUDE OIL

CRUDE OIL SELLING PRICES: 2023 MONTHLY GLOBAL COMPARISON OF NNPC LTD CRUDE OIL SELLING PRICES (US\$/ BBL)



Source: NEITI 2022-2023 OGA, 2024, NNPC Ltd Lifting and Sales Record , OPEC Publication, US Energy Information Administration (EIA)

NB:

- NNPCL: NNPC Limited Official Selling Price +/- Crude Type Differentials (US\$/Barrel)
- OK-WTI: West Texas Intermediate (WTI) - Cushing, Oklahoma Spot Price FOB (US\$/Barrel)
- Europe Brent: Europe Brent Spot Price FOB (US\$/Barrel)
- OPEC: OPEC Crude Oil Prices (US\$/Barrel)

PRODUCTION AND LIFTING : CRUDE OIL

GAS PRODUCTION- 2022

Total gas production was **2.521 trillion SCF in 2022**, comparing **2.744 trillion SCF in 2021**.
Gas production dropped by 222.417 billion SCF (8%) from 2021 to 2022.

A five (5) year trend (2018 - 2022) of gas production in Nigeria shows that the **highest production volumes of 3.048 trillion SCF was in 2019** and the **lowest of 2.521 trillion SCF was in 2022**. This implied that the country's production capacity in 2022 was at 82.73% efficiency based on the 2019 gas production volume.

The 17.27% inefficiency indicates lower operating capacities of the production platforms, gas loss from unmetered Wellheads, increase in un-producing oil Wells due to abandonment, amongst other possible reasons

PRODUCTION AND LIFTING : CRUDE OIL

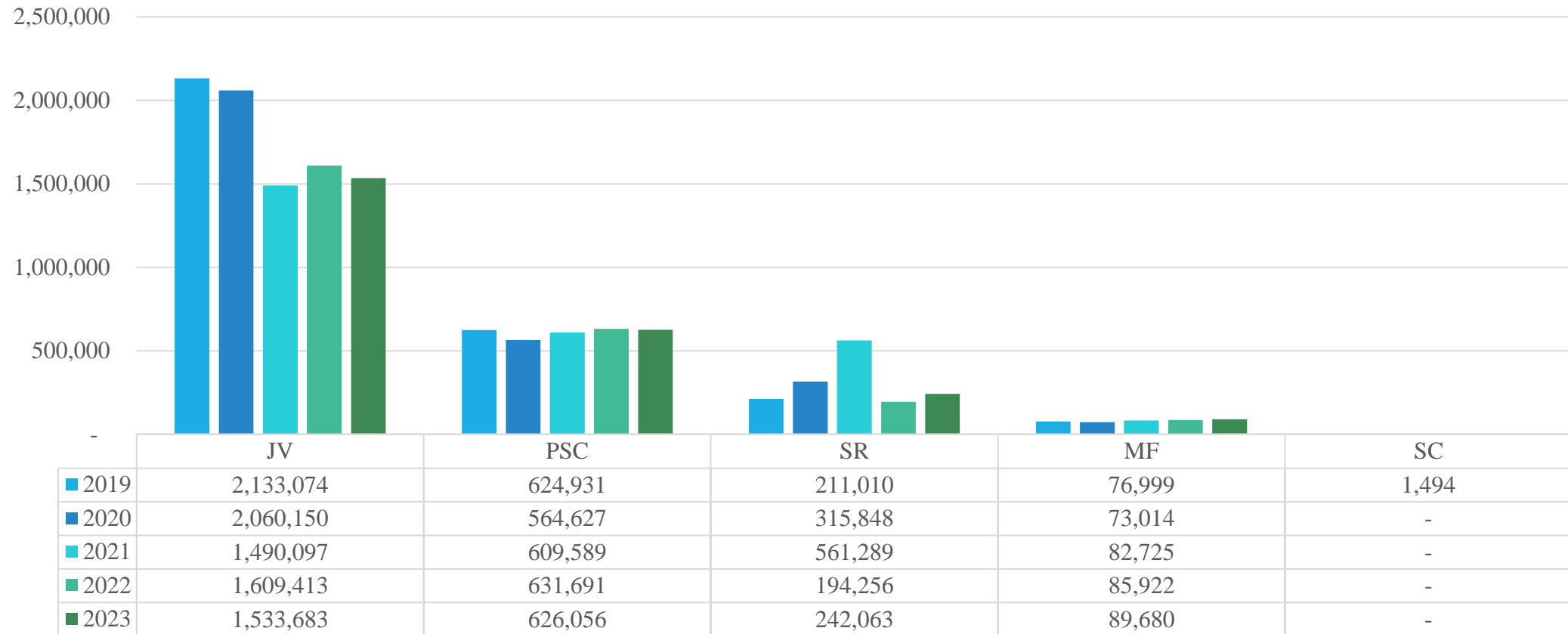
GAS PRODUCTION- 2023

Total gas production was **2.491 trillion SCF in 2023**, comparing **2.521 trillion SCF in 2022**. Gas production **dropped by 29.801 billion SCF (1%) from 2022 to 2023**.

A five (5) year trend (**2019 - 2023**) of gas production in Nigeria shows that the **highest production volumes of 3.048 trillion SCF was in 2019** and the **lowest of 2.491 trillion SCF was in 2023**. This implied that the country's **production capacity in 2023 was at 81.75% (82.73% in 2022) efficiency based on the 2019 gas production volume**. The **18.25% inefficiency indicates lower operating capacities** of the production platforms, possible gas loss from unmetered Wellheads, increase in un-producing oil Wells due to abandonment, amongst other possible reasons.

PRODUCTION AND LIFTING : CRUDE OIL

Five-Year Trend of Gas Production in Nigeria - Million SCF (MMSCF)



Source: NEITI 2022-2023 OGA, 2024 (Entities Submissions), Previous NEITI Reports



CRUDE SALES AND REVENUE

CRUDE SALES AND REVENUE: NNPC LIMITED

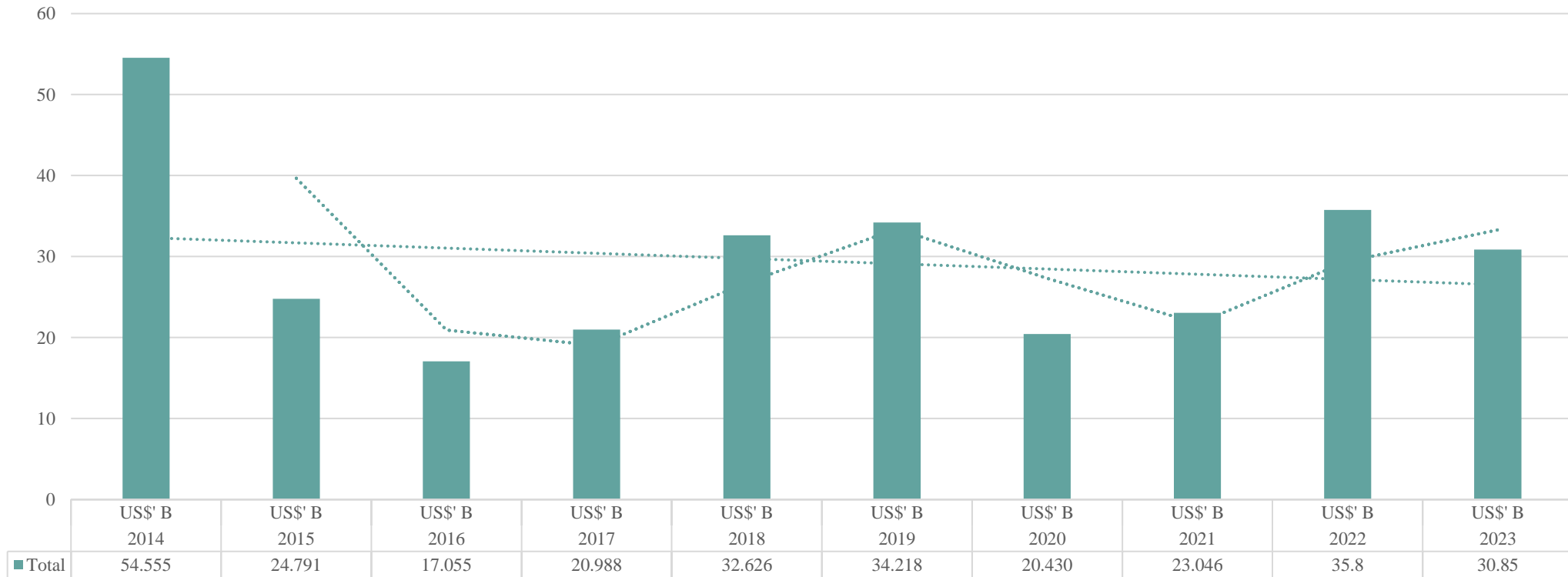
NNPC Limited Total Crude Oil Sales (Quantity and Value)

Year	Quantity	Value	Derived Annual Average Selling Price
	Barrels	US\$	
2023	196,344,187	16,467,282,096	83.87
2022	176,011,601	18,106,011,062	102.87
Change (US\$)	20,332,586	(1,638,728,966)	
Change (%)	11.6%	-9.1%	

CRUDE SALES AND REVENUE: TOTAL FINANCIAL FLOWS

Ten-Year Trend of Total Financial Flows

A ten-year aggregate revenue trend accrued to the Government from the sector was **US\$294.33 billion**.



Source: NEITI 2022-2023 OGA, 2024 (Entities Submissions), Previous NEITI Reports

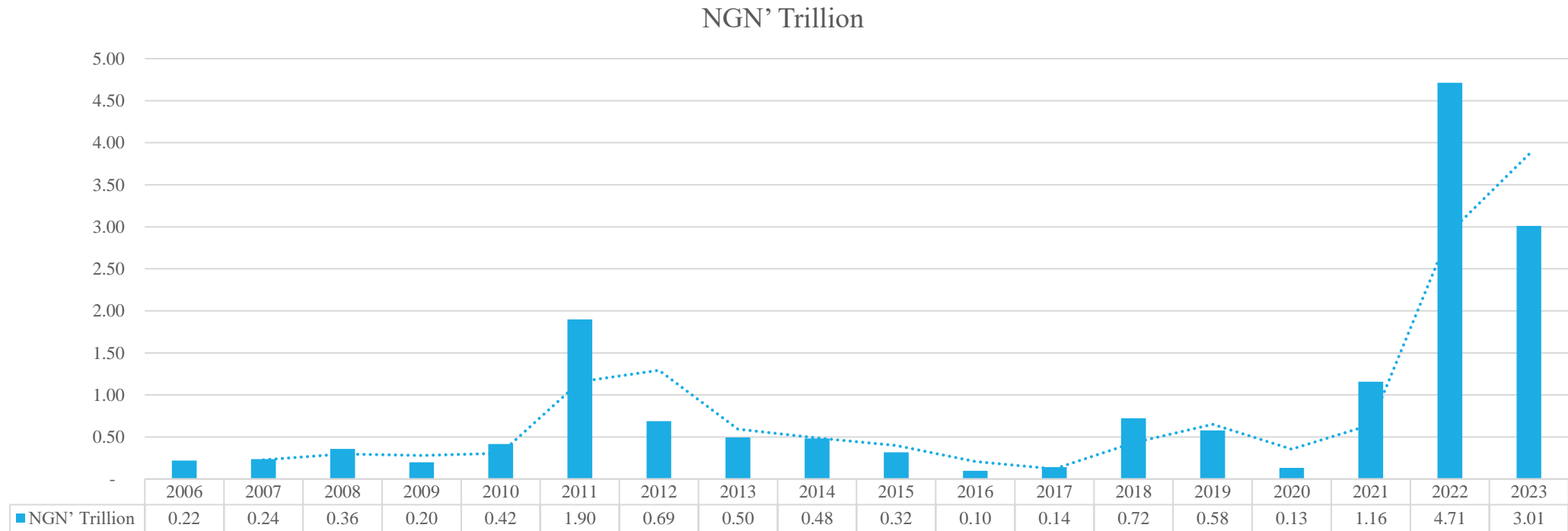


OTHERS + KEY FINDINGS

OTHERS + KEY FINDINGS: PRODUCT IMPORTATION

Eighteen (18) Year Trend of Petroleum Products Price Differentials- 2006 – 2023

A total of **N15.87 trillion** has been claimed as under recovery/ price differentials between 2006 and **2023**, with 2022 recording the highest of **N4.714 trillion**.



Source: NEITI 2022-2023 OGA, 2024 (NMDPRA Submissions), Previous NEITI Reports

OTHERS + KEY FINDINGS: PRODUCT IMPORTATION

PMS Importation Ten-Year Trend

Ten-year (2014 – 2023) trend of PMS importation shows that the highest annual importation **23.54 billion litres** was in 2022 and lowest of 16.88 billion litres was in 2017.

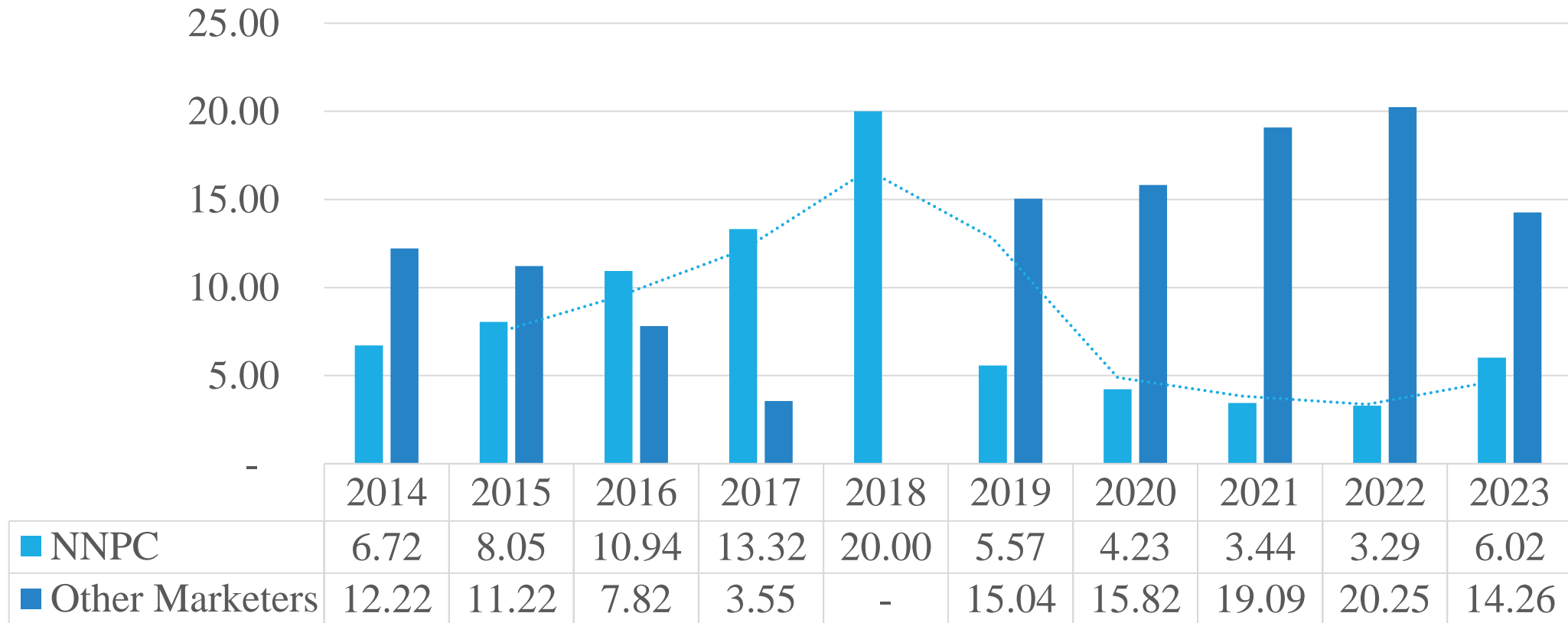
Furthermore, importation declined by **3.25 billion litres (14%)** from **23.54 billion litres in 2022 to 20.28 billion litres in 2023** which may be due to the announcement of removal of subsidy and alternative sourcing of energy.

PMS	1	2	3	4	5	6	7	8	9	10
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Billion Litres	Billion Litres	Billion Litres	Billion Litres	Billion Litres	Billion Litres	Billion Litres	Billion Litres	Billion Litres	Billion Litres
NNPC	6.72	8.05	10.94	13.32	20.00	5.57	4.23	3.44	3.29	6.02
Other Marketers	12.22	11.22	7.82	3.55	-	15.04	15.82	19.09	20.25	14.26
Total	18.93	19.27	18.76	16.88	20.00	20.60	20.05	22.54	23.54	20.28

Source: NEITI 2022-2023 OGA, 2024 (NMDPRA Submissions), Previous NEITI Reports

OTHERS + KEY FINDINGS: PRODUCT IMPORTATION

PMS Importation Ten-Year Trend (2014-2023) (Billion Litres)



Source: NEITI 2022-2023 OGA, 2024 (NMDPRA Records), Previous NEITI Reports

OTHERS + KEY FINDINGS: LIABILITIES

Liabilities – NUPRC and FIRS

Description	As at 31st August 2024	
	US \$	N
<u>NUPRC</u>		
Royalty Oil	5,017,779,729	-
Royalty Gas	153,211,170	-
Royalty Gas (Naira)	-	65,885,079,249
Gas Flare	861,947,470	-
Rent	17,015,605	-
Subtotal	6,049,953,974	65,885,079,249
As at 30th June 2024		
<u>FIRS</u>		
PPT	13,211,754	-
CIT	1,553,648	65,992,860
EDT	482,190	-
VAT	2,511,107	194,395,225
WHT	4,168,183	229,039,364
LRP	-	3,345,000
Subtotal	21,926,882	492,772,449
Total	6,071,880,856	66,377,851,698

Source: NEITI 2022-2023 OGA, 2024 (NUPRC and FIRS Submissions)

OTHERS + KEY FINDINGS: NNPC LTD FISCAL COMMITMENTS: LOANS AND GUARANTEES

Status of NNPC Limited Commitments and Contingencies as of 31st July 2024

Project Name	Beneficiary	Lender	Financing Details	NNPC Portion of the Facility		Remark
				Description	US\$ Million	
Joint Venture Project Financing Loans:						
Project Panther	NNPC/ CNL JV	Commercial Bank Consortium (NCB & ICB Facility), CNL (Co-Lender)	Year Obtained: 2022	Facility Amount	1400	Principal repayment to commence after moratorium.
			Tenor: 7 years			
			Maturity Year: 2029	Amount Drawn	359	
			NNPC Participating Interest: 60%	Repayment Amount-to Date	0	
			Pledged barrels: 23,500bopd	Balance Outstanding	359	
			Key Financing Terms: 3 Month SOFR + 5.5% Margin + 1% Liquidity Premium.			
			Security/Loan Covenants: SPV, Cash, Balance Sheet and Accounts of SPV			

OTHERS + KEY FINDINGS: NNPC LTD FISCAL COMMITMENTS: LOANS AND GUARANTEES

Status of NNPC Limited Commitments and Contingencies as of 31st July 2024

Project Name	Beneficiary	Lender	Financing Details	NNPC Portion of the Facility		Remark
				Description	US\$ Million	
Pre-Export Financing Loans (PxF Loans)						
Project Bison (20% equity acquisition of Dangote Refinery)	NNPC	Afrexim Bank - MLA	Year Obtained: 2021	Facility Amount	1040	Full and Final Repayment achieved on 28 June 2024.
			Tenor: 5 years			
			Maturity Year: 2026			
			NNPC Participating Interest: 100%			
			Pledged barrels: 35,000bopd			
			Key Financing Terms: International Commercial Banks Tranche – 3 Month Libor + 6.525% + 0.5% Liquidity Premium.			
Security/Loan Covenants: SPV, Cash and Accounts of SPV, DSU	Amount Drawn	1037				
			Repayment Amount-to Date	1037		
			Balance Outstanding	0		
Project Eagle Export Funding Original Debt	NEPL	Crude oil traders (NCB and ICB)	Year Obtained: 2020	Facility Amount	935	Full and Final Repayment achieved on 15 September 2023.
			Tenor: 5 years			
			Maturity Year: 2025			
			NNPC Participating Interest: 100%			
			Pledged barrels: 30,000bopd			
			Key Financing Terms: International Commercial Banks Tranche – 3 Month Libor + 4.5%; Nigerian Commercial Banks Tranche – 3 Month Libor + 4.5% + 0.75% Liquidity Premium. All-In Cost -5.05% p.a.			
Security/Loan Covenants: SPV, CASH AND ACCOUNTS OF SPV, Debt Service Undertaking (DSU)	Amount Drawn	841				
			Repayment Amount-to Date	841		
			Balance Outstanding	0		

OTHERS + KEY FINDINGS: NNPC LTD FISCAL COMMITMENTS: LOANS AND GUARANTEES

Status of NNPC Limited Commitments and Contingencies as of 31st July 2024

Project Name	Beneficiary	Lender	Financing Details	NNPC Portion of the Facility		Remark
				Description	US\$ Million	
Pre-Export Financing Loans (PxF Loans)						
Project Eagle Export Funding Subsequent Debt	NEPL	Crude oil traders (NCB and ICB)	Year Obtained: 2021	Facility Amount	635	Full and Final Repayment achieved on 15 September 2023.
			Tenor: 5 years			
			Maturity Year: 2026			
			NNPC Participating Interest: 100%			
			Pledged barrels: 6,000bopd			
			Amount Drawn			
Repayment Amount-to Date	635					
Key Financing Terms: International Commercial Banks Tranche – 3 Month Libor + 4.5%; Nigerian Commercial Banks Tranche – 3 Month Libor + 4.5% + 1.25% Liquidity Premium. All-In Cost - 5.40% p.a.	Balance	0				
Security/Loan Covenants: SPV, Cash and Accounts of SPV, DSU	Outstanding					

OTHERS + KEY FINDINGS: NNPC LTD FISCAL COMMITMENTS: LOANS AND GUARANTEES

Status of NNPC Limited Commitments and Contingencies as of 31st July 2024

Project Name	Beneficiary	Lender	Financing Details	NNPC Portion of the Facility		Remark
				Description	US\$ Million	
Pre-Export Financing Loans (PxF Loans)						
Project Eagle Export Funding Subsequent 2 Debt	NEPL	Crude oil traders (NCB and ICB)	Facility Amount: US\$540 million	Facility Amount	900	Principal repayment commenced after 12- month moratorium in June 2024.
			Year Obtained: 2023			
			Tenor: 5 years	Amount Drawn	900	
			Maturity Year: 2028	Repayment Amount- to Date	62	
			NNPC Participating Interest: 100%	Balance Outstanding	838	
			Pledged barrels: 21,000bopd			
			Key Financing Terms: International Commercial Banks Tranche – 3 Month SOFR + 4.5 + 0.5% Liquidity Premium; Nigerian Commercial Banks Tranche – 3 Month SOFR + 5.5% + 1% Liquidity Premium.			
Security/Loan Covenants: SPV, Cash and Accounts of SPV						
Project Yield	PHRC	Afrexim/ Metrix/ Gulf/ Zenith	Year Obtained: 2022			Principal repayment to commence in Dec 2024.
			Tenor: 7 years			
			Maturity Year: 2029	Facility Amount	950	
			NNPC Participating Interest: 100%	Amount Drawn	950	
			Pledged barrels: 67,000bopd	Repayment Amount- to Date	0	
			Key Financing Terms: International Commercial Banks Tranche – 3 Month Libor + 5.4; Nigerian Commercial Banks Tranche – 3 Month Libor + 5.4% + 0.5% Liquidity Premium.	Balance Outstanding	950	
			Security/Loan Covenants: SPV, Cash and Accounts of SPV			

OTHERS + KEY FINDINGS: OBSERVATION AND RECOMMENDATIONS

Observations/ Findings	Implications	Responsibility	Recommendations
<p>National Grid System for Acreege Management:</p>	<p>Non-compliance with sections 69 (1-7) Part 11- Administration of Upstream Petroleum Operations and Environment of the PIA, 2021</p> <p>Impact:</p> <p>Rating: Non-Compliance</p> <p>Interpretation: Not Favourable</p> <p>Priority:</p> <p>High and immediately</p>	<p>NUPRC/ National Security Adviser (NSA)/ General/ Ministry of Petroleum Resources</p>	<p>NUPRC and other stakeholders to accelerate the Surveyor-deployment of a National Grid System for the administration and safeguards of the upstream petroleum operations and assets.</p>
<p>Upstream Register of License:</p> <p>It was observed that NUPRC have not publicly disclosed Register of Licenses.</p>	<p>Non-compliance with sections 219, 222, 223, 224 of the PIA, 2021.</p> <p>Impact:</p> <p>Rating: Non-Compliance</p> <p>Interpretation: Not Favourable</p> <p>Priority:</p> <p>High and immediately</p>	<p>NUPRC and Ministry of Petroleum Resources (Oil and Gas)</p>	<p>NUPRC to establish and make publicly available comprehensive register</p>
<p>Decommissioning and Abandonment Fund</p> <p>Non-activation of the Fund over three (3) years after the PIA, 2021.</p>	<p>Non-compliance with sections 232 and 233 of the PIA, 2021.</p> <p>Impact:</p> <p>Rating: Non-Compliance</p> <p>Interpretation: Not Favourable</p> <p>Priority:</p> <p>High and immediately</p>	<p>NUPRC, CBN, Ministry of Finance, and Ministry of Petroleum Resources (Oil and Gas)</p>	<p>NUPRC and stakeholders are to accelerate the implementation of the relevant sections in the PIA to set up Decommissioning and Abandonment Fund.</p>

OTHERS + KEY FINDINGS: OBSERVATION AND RECOMMENDATIONS

Observations/ Findings	Implications	Responsibility	Recommendations
Upstream Environmental Remediation Fund: Non-activation of financial contribution to the Fund and related activities in line with the PIA.	Non-compliance with section 103 of the Petroleum Industry Act, 2021. Impact: Rating: Non-Compliance Interpretation: Not Favourable Priority: High and immediately	NUPRC, CBN, Ministry of Finance, and Ministry of Petroleum Resources (Oil and Gas)	NUPRC is to ensure that the Upstream Environmental Remediation Fund Regulations as prescribed under section 103 of the PIA, 2021 is gazetted to demonstrate institutional readiness to mitigating the effect of climate change.
Midstream and Downstream Register of License: It was observed that NMDPRA have not publicly disclosed Register of Licenses and awardees in line with section 219, 222 and 224 of the PIA, 2021.	Non-compliance with sections 219, 222, and 224 of the PIA, 2021. Impact: Rating: Non-Compliance Interpretation: Not Favourable Priority: High and immediately	NMDPRA and Ministry of Petroleum Resources (Oil and Gas)	NMDPRA and stakeholders should make publicly available, a comprehensive register
Framework for pricing and tariff: It was observed that NMDPRA have not publicly disclosed the pricing and tariff for natural gas in midstream and downstream gas operation and petroleum products in line with relevant sections of the PIA, 2021.	Non-compliance with sections 31 (L), 122 and 123 of the PIA. Impact: Rating: Non-Compliance Interpretation: Not Favourable Priority: High and immediately	NMDPRA and Ministry of Petroleum Resources (Oil and Gas)	NMDPRA and stakeholders should accelerate actions to deploy frameworks for pricing and tariff for all petroleum products in the midstream and downstream in line with the relevant sections of PIA, 2021.

OTHERS + KEY FINDINGS: OBSERVATION AND RECOMMENDATIONS

Observations/ Findings	Implications	Responsibility	Recommendations
<p>Cases of Petroleum Products Losses arising from Pipeline breaks, theft and sabotage:</p> <p>No institutionalized industry-wide control mechanism to aggregate the incidence of petroleum product losses arising from pipeline breaks, theft and sabotage in line with sections 32 (gg), (mm), and 33 (q) by the NMDPRA.</p> <p>Section 32 (gg) requires NMDPRA to keep and classify records, data and reports as may be prescribed in regulations or guidelines.</p>	<p>Non-compliance with sections 32 (gg) (mm) and 33 (q) of the PIA, 2021.</p> <p>Impact:</p> <p>Rating: Non-Compliance</p> <p>Interpretation: Not Favourable</p> <p>Priority:</p> <p>High and immediately</p>	<p>NMDPRA and Ministry of Petroleum Resources (Oil and Gas)</p>	<p>NMDPRA and stakeholders should accelerate actions to deploy a database and platform for aggregating cases of petroleum products losses that could disrupt optimal availability of petroleum products.</p>
<p>Product Importation Valuation:</p> <p>Petroleum importation valuations were carried out by the NNPC Limited upon which first-line deductions were made including subsidy/ price differentials arising from PMS importation. Though in line with section 64 (m).</p> <p>Section 64 (m) requires NNPC Ltd to be supplier of last resort for security reasons and all associated costs shall be for the account of the Federation.</p>	<p>Non-compliance with sections 31 (L), and 122 of the PIA, 2021.</p> <p>Impact:</p> <p>Rating: Non-Compliance</p> <p>Interpretation: Not Favourable</p> <p>Priority:</p> <p>High and immediately</p>	<p>NNPC Limited, NMDPRA and Ministry of Petroleum Resources (Oil and Gas)</p>	<p>Furthermore, NNPC Limited should discontinue the practice of unilateral valuation of petroleum products especially if it relates to product valuation with potential claims of price differentials/ subsidy from the government in line with Section 64 (m).</p> <p>NNPC Ltd should align petroleum products pricing with the pricing framework established by the NMDPRA in line section 122 of the PIA, 2021.</p>

OTHERS + KEY FINDINGS: OBSERVATION AND RECOMMENDATIONS

Key Point	IA Follow-up and Comments	Further Recommendation
NEITI Audit Remediation	<p>IA examined the coordination of remediation matters from previous NEITI audit Report and observed the following:</p> <ul style="list-style-type: none"> •NEITI has created a Remediation Unit as an internal organ and through the Inter-Ministerial Task Team (IMTT), drives implementation across relevant MDAs. 	<p>It is recommended that <u>NEITI should intensify remediation actions amongst stakeholders</u> through its newly created Remediation Unit and the IMTT.</p>
Issues related to PIA.	<p>The IA examined thorny issues regarding the PIA as outlined below:</p> <ul style="list-style-type: none"> •Section 64(m) of the PIA contains ambiguity regarding the allocation of <u>30% for both the management fee and the Frontier Exploration Fund (FEF). Needs for clarity on precise definitions for key terms such as "profit oil" and "management fee,"</u> •Regarding the provisions for deductions from profit oil in Section 64(c) and Section 9(4) of the PIA, clarity is needed <u>on the retention allocations.</u> If the intention is to establish a single <u>30% retention that covers both the management fee and the Frontier Exploration Fund (FEF),</u> the wording should be rephrased to explicitly reflect this. Alternatively, if separate 30% retentions are intended for each allocation, the language should be revised to clearly delineate these distinct provisions. 	<p>Federal Ministry of Justice needs to provide documentary guidance to harmonize and clarify aggregated issues within the PIA. Specifically, there is a need for clarification on the following:</p> <ul style="list-style-type: none"> •Contribution to Environmental Funds: The procedures for contributing to the Midstream and Downstream Environmental Funds. •Utilization of Penalties and Payments: The handling of flare gas penalties and flare gas payments. <p>Additionally, PIA mandates the Minister of Petroleum and the Minister of Finance to <u>identify and transfer assets, interests, and liabilities from NNPC to NNPC Limited within 18 months of the PIA's effective date, a detailed post-mortem valuation of Federation assets transferred to NNPC Limited should be conducted.</u> This valuation should determine the appropriate goods and valuable considerations owed to the Federation.</p>

Thank You

Comments

Question and Answer