NEITI Nigeria Extractive Industries Transparency Initiative

THE PRESIDENCY

OIL & GAS AUDIT 2017
FULL REPORT

SIAO

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NOVEMBER 2019

Contents

List of Tables

LIST OF FIGURES

LIST OF ABBREVATIONS

AENR	Agip Energy and Natural Resources 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
API	American Petroleum Institute (measurement for heaviness crude)
BBL	Barrels
Bbl/d	Barrels Per Day
BIS	Bank for International Settlement
BO	Beneficial Ownership
BSW	Basic Sediments and Water (number of contaminants in crude)
BTU	British Thermal Unit
CAC	Corporate Affairs Commission
CAPEX	Capital Expenditure
CBN	Central Bank of Nigeria
CGT	Capital Gains Tax
CITA	Company Income Tax Act
CIT	Company Income Tax
CNL	Chevron Nigeria Limited
COMD	Crude Oil Marketing Division of NNPC
COSM	Crude Oil Stock Management
CT	Commodity Trading
DMO	Debt Management Office
DPK	Dual Purpose Kerosene
DPR	Department of Petroleum Resources
DSDP	Direct Sale Direct Purchase
E&P	Exploration and Production
EDT	Education Tax
EGTL	Escravo Gas to Liquid Laboratory
EGP	Escravo Gas Plant
EITI	Extractive Industries Transparency Initiative
EEPNL	Esso Exploration and Production Nigeria Limited
EEPN(OE)L	Esso Exploration and Production Nigeria(Off Shore East) Limited
ERP	Enterprise Resource Planning
ES	Executive Secretary
FAAC	Federation Accounts Allocation Committee
FHN	First Hydrocarbon Nigeria Limited
FIRS	Federal Inland Revenue Service
FOB	Free on Board
GDP	Gross Domestic Product
GMD	Group Managing Director(NNPC)

IA	Independent Administrator
IFRS	International Financial Reporting Standards
IOC	International Oil Company
IPSAS	International Public Sector Accounting Standards
ISRS	International Standards on Related Services
JDZ	Joint Development Zone
JOA	Joint Operating Agreement
JVCC	Joint Venture Cash Calls
KRPC	Kaduna Refinery and Petrochemical Company
LC	Letter of Credit
LFN	Law of Federation of Nigeria
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MCA	Modified Carry Agreement
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPNU	Mobil Producing Nigeria Unlimited
MT	Metric Tons
NAE	Nigerian Agip Exploration Limited
NAOC	Nigerian Agip Oil Company
NAPIMS	National Petroleum Investment Management Service
NBS	National Bureau of Statistics
NCDMB	Nigerian Content Development and Monitoring Board
NDDC	Niger Delta Development Commission
NDPR	Niger Delta Petroleum Resources
NEITI	Nigeria Extractive Industries Transparency Initiative
NESS	Nigerian Export Supervision Scheme
NGC	Nigerian Gas Company
NGL	Natural Gas Liquid
NGMC	Nigeria Gas Management Company
NLNG	Nigeria Liquefied Natural Gas
NNPC	Nigerian National Petroleum Corporation
NOGIAR	Nigerian Oil and Gas Industry Audit Report
NPA	Nigerian Port Authority
NPDC	Nigerian Petroleum Development Company
NSWG	National Stakeholders Working Group
OML	Oil Mining Lease
OPCOM	Operating Committees
OPL	Oil Prospecting Licence
OSP	Official Selling Price
PAYE	Pay As You Earn
PHRC	Port Harcourt Refining Company
PLATFORM	Platform Petroleum Limited
PMS	Premium Motor Spirit

POCNL	Philips Oil Company Nigeria Limited
POOCN	Pan Ocean Oil Corporation (Nigeria) Limited
PPMC	Pipelines and Products Marketing Company
PPPRA	Petroleum Products Pricing Regulatory Agency
PPT	Petroleum Profits Tax
PSC	Production Sharing Contract
PSF	Petroleum Support Fund
QIT	Qua Iboe Terminal
RDP	Reserves Development Project
SC	Service Contracts
SDN	Sovereign Debt Note
SEEPCO	Sterling Oil Exploration and Energy Production Company Limited
SEPCOL	Shebah Exploration and Production Company Limited
SEPLAT	Seplat Petroleum Development Company Limited
SNEPCO	Shell Nigeria Exploration and Production Company Limited
SPDC	Shell Petroleum Development Company
STARDEEP	Star Deepwater Petroleum Limited
TEPNG	Total Exploration and Production Nigeria Limited
TOR	Terms of Reference
TUPNI	Total Upstream Nigeria Limited
USD	United States Dollar
VAT	Value Added Tax
WHT	Withholding Tax
WRPC	Warri Refining and Petrochemicals Company

Table 1-0 COMPUTED AVERAGE EXCHANGE RATE FOR 2015-2017 AS OBTAINED FROM CBN

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

Date above shows historical average exchange rate for period 2015 – 2017 as obtained from: *https://www.cbn.gov.ng/rates/ExchangeArchives.asp*

1. INTRODUCTION

This report sets out the results of reconciliation of the financial and physical flows from activities in the oil and gas sector in Nigeria for the 2017 fiscal year. The report was commissioned as part of the implementation of the NEITI Act 2007 and the 2016 EITI Standard. The report covers an overview of the oil and gas sector in Nigeria; exploration, production and exports; beneficial ownership; contract transparency; state participation in the extractive sector; revenue collection including reconciliation and allocation; social and economic spending; and the outcomes and impact of the EITI in Nigeria. It also provides recommendations for observations made, with the objective of improving upon the management of extractive resources and the Extractive Industries Transparency Initiative (EITI) process. This Report should be read along with some contextual information provided here and a Commodity Trading Report for the same fiscal year commissioned by the Nigeria Extractive Industries Transparency Initiative (NEITI). This Report can be viewed here.

1.1 EITI Implementation

The EITI is a global standard that promotes revenue transparency and accountability in the oil, gas and mining sectors. It has a robust yet flexible methodology for disclosing and reconciling companies' payments and Government receipts in implementing countries.

EITI Standard requires countries to publish timely and accurate information on key aspects of their natural resource management. By doing so, the EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management, and provide data to inform and drive reforms to curb corruption and improve accountability.

The EITI Standard requires information along the extractive industry value chain from the point of extraction, to how the payment and receipts make its way through to the Government, to how it benefits the citizens of the country whose natural resources are extracted. This includes how licenses and contracts are allocated and registered, who are the beneficial owners of those operations, what are the fiscal and legal arrangements, how much is produced, how much is paid, where are those revenues allocated, and what is the contribution to the economy, including employment. The driving force for the EITI initiative is a need to address the key governance issues of the oil, gas and mining sectors. Further information on the EITI and its standard can be found here.

1.2 History of EITI implementation in Nigeria

The NEITI is the subset of a global standard for transparency and accountability in the extractive sector.

Nigeria committed to EITI in November 2003 and launched NEITI in February 2004 as part of his overall economic reform programme.

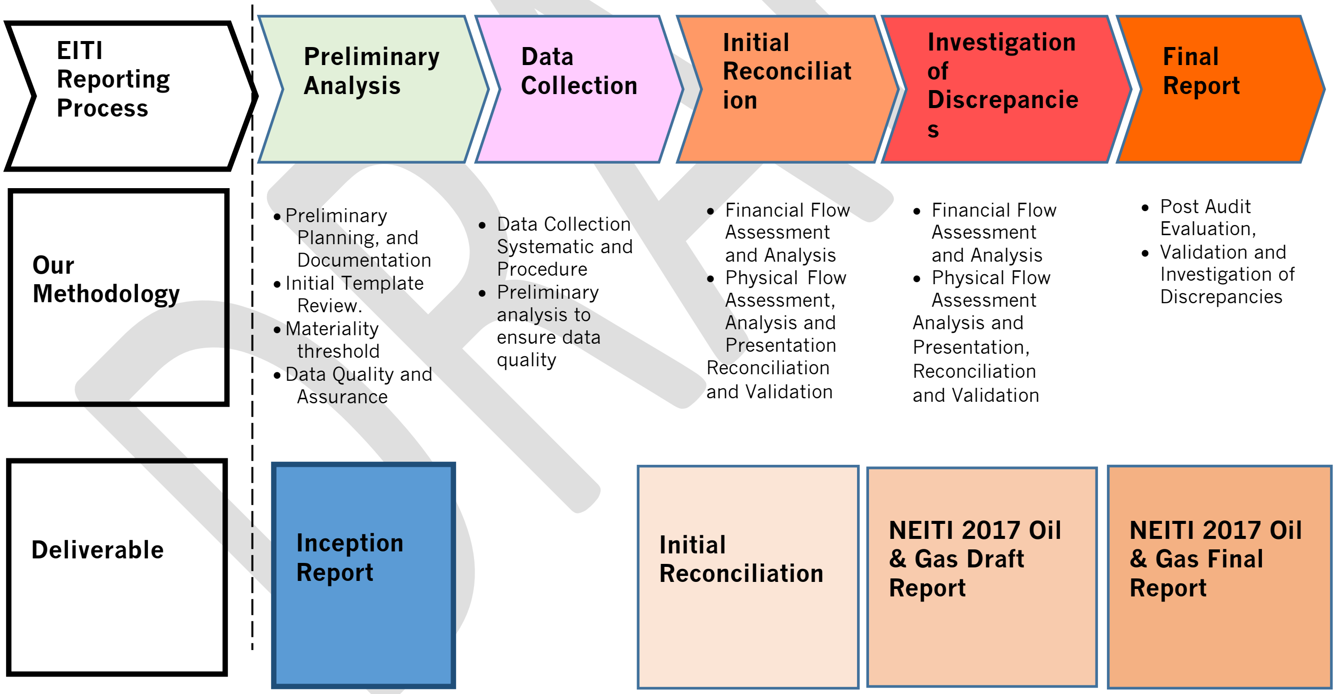
NEITI's implementation of EITI in Nigeria began with the enactment of a legislation, the NEITI Act 2007. This law was the first pillar in the institutionalization of NEITI and EITI process in Nigeria. It also made Nigeria the first country to back the process with law. The NEITI Act 2007 is today a reference point in all advocacy, public agitation and demand for transparency in the extractive sector in Nigeria.

EITI implementation in Nigeria is led by the National Stakeholders Working Group (NSWG). The NSWG comprises representatives from civil society, government, extractive industry companies and representatives from the six geo-political zones in Nigeria. The NSWG makes decisions based on consensus and is required to meet at least once every quarter. For more details on NEITI activities, see here.

In fulfillment of the requirements of the EITI standard and in line with the responsibility conferred on it by the NEITI Act 2007, NEITI through a letter of award dated December 18th, 2018 appointed SIAO Partners (a firm of chartered accountants) as the Independent Administrator (IA) to carry out the 2017 Financial, Physical and Process Audit of the Nigerian Oil and Gas Industry. For more on NEITI visit here.

1.3 Approach and Methodology

Our work programme has been specifically tailored to meet the project objectives. Each aspect of the exercise has been executed to reflect local and international standard requirements. Our overall methodology of the process review which has been adapted to the specifics of the Terms of Reference is presented in the following schematic.



1.4 Structure of the Report

This report consists of seven chapters;

- Chapter 1 describes the background and objective of reporting. It gives a description of the approach and methodology along with the materiality definition, threshold and the structural presentation of the aggregate financial flows,
- Chapter 2 provides a record of the total production of crude oil and gas in 2017, record of liftings of crude oil by all parties and the utilization of gas for the period as well as crude oil losses,
- The record of non-financial flows to the government in the year under review is contained in Chapter 3,
- Chapter 4 contains details on company-level financial flows,
- Cash call funding is contained in Chapter 5,
- Downstream operations is contained in chapter 6, and
- Chapter 7 covers outcomes and impacts, detailing findings and recommendations from the assignment.

In addition to the above,the report on Federation crude oil and gas sales is contained in NEITI's 2017 Commodity Trading Report earlier released in August, 2019.

1.5 Objectives of the Report

The objectives of the audit as contained in the Terms of Reference (TOR) required the IA to:

1. To report on the revenue flows between the covered entities and any investment by the Federation in the oil and gas industry, with transactions made by participants (both public and private) in Nigeria's oil and gas industry.
2. To undertake special verification work on certain classes of transactions.
3. To report on balances payable / receivable at the end of the audit period for certain financial flows.
4. To reconcile the physical/financial transactions reported by payers and recipients as appropriate.
5. To make observations and recommendations that will aid policy-making. This includes considering recommendations from past reports.
6. To produce sections of the NEITI 2017 Oil and Gas Industry Report in compliance with the NEITI Act and in accordance with the EITI Standard.

1.6 Sources of data

The main source of data used during the course of the audit was the completed templates submitted by the covered entities. Other sources of data include internal documents provided by the entities such as, accounting records, financial statements, bank statements and literature reviews and system documentations on the oil and gas sector in Nigeria.

In addition, previous NEITI Reports including the 2017 Commodity Trading Report, NNPC Annual Statistical Bulletin, DPR 2017 Annual Report, records from Revenue Mobilization Allocation and Fiscal Commission (RMAFC), Nigeria Bureau of Statistics (NBS) data, as well as third-party confirmations where consulted as appropriate.

1.7 Basis of accounting

The International Auditing Standard applicable to Related Services (ISRS 4400) was applied (to perform agreed upon procedures regarding Financial Information) and the TOR for the assignment. We carried out all validation and reconciliation of data as defined in the TOR.

1.8 Materiality of Reporting

1.8.1 NSWG materiality decisions

The NSWG approved the definition of the material revenue streams and companies to be covered by the report. The NSWG considered its responsibilities under the NEITI Act and obligations under the 2016 EITI Standard in arriving at the decision.

The NSWG defined the flows to be included in the reconciliation and the entities which should report, and provided definitions for some terms as appropriate. The NSWG's materiality decisions are included in Appendix 9 (NSWG Materiality Descisions).

Highlights of NSWG's decisions are:

i. The NSWG set a materiality threshold of 3% and above to determine material revenues.
ii. To every extent possible all revenues except Withholding Tax (WHT), NESS Fees and Pay As You Earn (PAYE) should be fully reconciled.
iii. The permissible margin of error for aggregate value of all revenues and investments flows is set at 0.05% of the annual total

1.8.2 IA's Opinion on Materiality Decisions

The IA reviewed the NEITI Act, materiality decisions approved by NSWG and hereby confirm that:

i. All the considerations made by NSWG in taking the materiality decisions are appropriate.
ii. Applicable materiality guidelines, stipulated in the TOR were the basis of addressing differences and discrepancies that arose from the reconciliation.

1.8.3 Auditors Opinion on materiality

We have reviewed the EITI requirements for setting materiality threshold as applied by NSWG in 2017 Oil and Gas Audit and hereby confirm that:

- The consideration made by NSWG on the companies and revenue streams to be covered are a true and fair representation of the flows in the Nigerian oil and gas sector.
- All information and explanations, which to the best of our knowledge and belief, were necessary for this Report,were obtained.
- All companies deemed material as required by the ToR and the EITI standard provided data for this exercise. This implies adequate representation of transactions fo the sector in 2017 and assures the comprehensiveness of data used for the report.

Table 1-1 Revenue streams covered

S/N	Revenue Streams in the Reconciliation Scope	Receiving Agency

1	Petroleum Profit Tax (PPT)	Federal Inland Revenue Service (FIRS)
2	Value Added Tax (VAT)	Federal Inland Revenue Service (FIRS)
3	Royalty oil	Department of Petroleum Resources (DPR)
4	Dividends and repayment of loans by NLNG	Nigerian National Petroleum Corporation (NNPC)
5	NDDC 3% levy	Niger Delta Development Commission (NDDC)
6	Company Income Tax (CIT)	Federal Inland Revenue Service (FIRS)
7	Education Tax (EDT)	Federal Inland Revenue Service (FIRS)
8	Royalty gas	Department of Petroleum Resources (DPR)
9	Signature bonus	Department of Petroleum Resources (DPR)
10	Gas Flare Penalty (GFP)	Department of Petroleum Resources (DPR)
11	Concession rentals	Department of Petroleum Resources (DPR)
12	Capital Gains Tax (CGT)	Federal Inland Revenue Service (FIRS)
13	Pipeline transportation fees	Nigerian National Petroleum Corporation (NNPC)
14	NCDMB 1% levy	Nigerian Content Development Monitoring Board (NCDMB)
	Revenue Streams that are Disclosed Unilaterally	**Receiving Agency**
15	NESS fee	Federal Ministry of Finance
16	Withholding Tax (WHT)	Federal Inland Revenue Service (FIRS)
17	Pay As You Earn (PAYE)	Federal Inland Revenue Service (FIRS)
	Reconciled Revenues from Nigeria Commodity Trading Report 2017	**Receiving Agency**
18	Proceeds from the sale of federation equity crude oil	Nigerian National Petroleum Corporation (NNPC)
19	Proceeds from the sale of domestic crude	Nigerian National Petroleum Corporation (NNPC)
20	Proceeds from the sale of profit oil	Nigerian National Petroleum Corporation (NNPC)
21	Proceeds from the sale of federation equity gas	Nigerian National Petroleum Corporation (NNPC)
22	Proceeds from the sale of feedstock	Nigerian National Petroleum Corporation (NNPC)

We carried out further analysis and determined material companies for reporting. This analysis showed that at a threshold of 0.3%, 22 companies contributed 97.83% to the total revenue from companies. For details of this analysis see Appendix 8 (Data Quality Compliance).

1.8.4 Covered Entities

Covered entities for the Report are classified into 2 groups:

1) The Oil production companies and;
2) The Government Agencies

The oil companies are those involved in oil and gas production either as operators or investors in oil assets. Government agencies are agents of Government who act as regulators, revenue collectors, participants or investors in the sector.

The companies and Government Agencies covered are as follows:

Table 1-2 Entities covered in this report

S/N	Company's Name	Government agencies
1	ADDAX Petroleum Development Nigeria Limited(APDNL)	Central Bank of Nigeria
2	ADDAX Petroleum Exploration Nigeria Limited (APENL)	Federal Inland Revenue Service
3	Agip Exloration Natural Resources (AENR)	Nigeria National Petroleum Corporation
4	AITEO Eastern Exploration & Production Company Limited	Department of Petroleum Resource
5	Amni International Petroleum Development Company Limited	Nigeria Content Development Monitoring Board
6	Atlas Petroleum International Limited	Niger Delta Development Commission
7	Belema Oil Producing Limited	Nigeria - Sao Tome & Principe Joint Development Authority
8	Brasoil Oil Services Company Nigeria Limited (Brasoil)	
9	Brittania-U Nigeria Limited	
10	Chevron Nigeria Limited (CNL)	
11	Conoil Producing Limited	
12	Continental Oil and Gas Limited	
13	Dubri Oil Company Limited	
14	Energia Limited	
15	Equinor Nigeria Energy Company Limited	
16	Eroton Exploration & Production Company Limited	
17	ESSO Exploration and Production Nigeria Limited (Erha)/(EEPNL)	
18	ESSO Exploration and Production Nigeria (Offshore East) Limited	
19	ESSO Exploration and Production Nigeria (Deepwater) Limited (Esso others)	
20	Excel Exploration & Production Company Limited	
21	Famfa Oil Limited	
22	First Hydrocarbon Nigeria (FHN)	
23	Frontier Oil Limited	
24	Green Energy International Limited (GEIL)	
25	Midwestern Oil and Gas Company Limited	
26	Mobil Producing Nigeria Unlimited (MPNU)	
27	Moni Pulo Limited	
28	Nigeria Agip Oil Company Limited (NAOC)	
29	ND Western Limited	
30	Neconde Energy Limited	
31	Network Exploration & Production Limited	
32	Newcross Exploration and Production Limited	
33	Newcross Petroleum Limited	
34	Niger Delta Petroleum Resources Limited (NDPR)	
35	Nigerian Agip Exploration Limited (NAE)	

36	Nigeria Petroleum Development Company Limited (NPDC)	
37	Oando Oil Limited	
38	Oando Production Development Company Limited	
39	Oando Qua Ibo Limited	
40	Oriental Energy Resources Limited	
41	Panocean Oil Nigeria Limited	
42	Petroleo Brasileiro Nigeria Limited (PETROBRAS)	
43	Pillar Oil Limited	
44	Platform Petroleum Limited	
45	South Atlantic Petroleum Limited (SAPETRO)	
46	Seplat Petroleum Development Company	
47	Shell Petroleum Development Company of Nigeria (SPDC)	
48	Shoreline Natural Resources Limited	
49	Shell Nigeria Exploration Production Company Limited (SNEPCO)	
50	Star Deep Water Petroleum Limited	
51	Sterling Oil Exploration & Energy Production Company Limited (SEEPCO)	
52	Total Exploration & Production Nigeria Limited (TEPNG)	
53	Total Upstream Nigeria Limited (TUPNI)	
54	Universal Energy Resources Limited (UERL)	
55	Waltersmith Petroman Oil Limited	

Table 1-3 Entities covered in the audit based on categories

S/N	Categories	Number
1	Government Agencies	7
2	Joint Venture (JV)	12
3	Production Sharing Contract (PSC)	13
4	Marginal Field (MF)	16
5	Sole Risk (SR)	13
6	Service Contract (SC)	1
7	NLNG	1

This list above includes material and non-material companies in fulfillment of NEITI's responsibilities under the NEITI Act.

1.9 Data Quality and Assurance

The data quality and assurance procedures deployed for the EITI reporting process included the review of the scope of work as stated in the TOR as agreed with the NSWG.

In carrying out the review, we had our particular focus on the following:

1. A review of the comprehensiveness of the payments and revenues covered in the EITI Report as proposed by the NSWG and in accordance with EITI Requirement 4.1.
2. A review of the comprehensiveness of the companies and government entities that are required to report as defined by the NSWG and in accordance with EITI Requirement 4.1.
3. An examination of the audit and assurance procedures of companies and government entities participating in the EITI reporting process in Nigeria. This includes examination of the relevant laws and regulations, any reforms that are planned or underway, and whether these procedures are in line with international standards and in accordance with EITI Requirement 4.9.
4. A summary of the findings, observations and recommendations of the prior year's report and the status of implementation.
5. An assessment of any improvement on the reporting templates based on the agreed benefit streams to be reported and the reporting entities. We also ensured that the templates included a provision requiring companies to report "any other material payments to government entities" above an agreed threshold.

1.9.1 Methodology Adopted for Data Quality and Assurance

The methodology for Quality Data Assurance involves evaluation and assessment of the covered entities. The aim of the process was to:

i. Review the legal and institutional framework or requirement(s) that support data quality and assurance in Nigeria;
ii. Assess the compliance with laid down data assurance procedure by the covered entities in Nigeria;
iii. Evaluate of the quality, comprehensiveness, and reliability of data collected and utilised; and
iv. Review the compliance level of the preceding year's recommendation.

The additional procedures adopted by the IA to ensure and assure quality of data and compliance with requirement 4.9 of the EITI Standard, on the credibility of the data submitted for the audit exercise are as follows:

1. The IA will visit all covered entities to validate data submitted. This will be done by matching data submitted in the templates against the source documents.
2. The Audited Financial Statements (AFS) from the covered entities shall be reviewed by the IA to ensure conformity with IFRS. Furthermore, the IA will require that the covered entities confirm that data provided on cash basis for the report is in conformity with their Management Account prepared on accrual basis.
3. Reconciliation meetings shall be held where companies and relevant government agencies' representatives shall agree on positions established by the IA from data analysis and review of supporting documents. Finally, CE's shall sign-off on the final reconciled position(s) to the effect that the data provided for the exercise are accurate, valid and complete.

As stated earlier, the audit exercise was carried out in compliance with ISRSs 4400 *Engagements to perform agreed-upon procedures regarding financial information.* These standards require us to comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that data provided is free from material misstatement.

It is our opinion, that reconciled data reported by Companies and Government agencies are reliable and consistent with the underlying records made available. Appropriate confidentiality agreements were also signed in order to ensure that the data provided is used only for its intended purpose.

In addition, the procedures enumerated above shall provide reasonable assurance that the data used reinforces data quality and assurance.

A numerical analysis of data quality setting and all other related matters can be found in Appendix 8 (Data Quality Compliance).

1.9.2 Legal framework/Assessment of practice

Part XI of CAMA 1990 mandates all registered companies, Extractive Industry (EI) companies inclusive, to prepare and publish AFS for a preceding year six months after the year end. Same is required for government Ministeries, Departments and Agencies (MDAs) by the Financial Regulation. In 2017, a total of 56 companies and 7 government agencies were covered in the audit. From this total, 43 had accounts that were audited as at the time of reporting.

The AFS for quoted companies are publicly available for the companies covered in this report. The AFS of companies limited by liability or shares submitted to the relevant institutions were confirmed by us. A deviation we observed from the covered entities (mainly government MDAs) that the financial regulations requirement to have accounts of all government agencies doing business audited six months at the latest after a preceding year has not been adhered to. Recent reforms related to financial reporting in Nigeria has not had the desired effect as far as compliance on the part of government agencies is concerned.

We suggest the accelerated and complete adoption of the provisions of IPSAS/IFRS by all government entities doing business. Compliance on the part of companies to the reporting requirement of CAMA was very high (over 70%) for the year 2017. However, continuous improvement in compliance to extant laws and regulations is highly encouraged.

1.9.2.1 Legal and institutional requirements

An environmental scan was conducted by the IA to confirm the existence of relevant legislation, regulations and institutions responsible for overseeing the audit of reporting government entities and companies In Nigeria. Below are the findings;

a. Companies

The extant law regulating companies in Nigeria is the Companies and Allied Matters Act (CAMA) 1990. Part XI of the Act states that every registered company operating in Nigeria keeps proper books of accounts, prepares and publishes annual Audited Financial Statements (AFS) at most six months after the financial year-end which must be mandatorily certified by an external auditor.

Part XII of the Act makes it mandatory for all registered companies to file annual returns and reports with the CAC and with the SEC if the company is quoted on the Nigerian Capital Market, i.e. companies with the public interest. Furthermore, it also requires every company operating in the country to prepare an annual audited financial statement in line with the IFRS.

b. Government

The laws regulating operations of public accounts of the Federation, Ministries, Departments and Agencies (MDAs) are the 1999 Constitution of the Federal Republic of Nigeria, Fiscal Responsibility Act, Financial Regulations, Nigerian National Petroleum Corporation Act, FIRS Act, Nigerian Oil and Gas Industry Content Development Act, and the Niger Delta Development Commission Act.

Section 85 sub-sections 1 - 6 of the 1999 Constitution provides that public accounts and reports of MDAs be audited by the Auditor General for the Federation and ultimately submitted to the National Assembly. Also, Sections 48 and 49 of the Fiscal Responsibility Act and Federal Government Financial Regulations stipulate that the MDAs must prepare financial statements on an accrual basis in compliance with the new financial framework – International Public Sector Accounting Standards (IPSA) or IFRS if the institution is not solely owned by the Federal Government of Nigeria.

1.9.3 Audit Opinion on Data Quality and Assurance

Having reviewed the legal/statutory requirements for both Companies and Government agencies regarding quality of data/information provided for the 2017 Oil and Gas Audit, we are of the opinion that the percentage established for material company's compliance in Appendix 8 is a true representation of the level of compliance to extant statutory requirements for auditing and assurance in Nigeria.

1.9.4 Assessment of compliance with overall data quality and assurance procedure

A combination of the AFS submissions and sign-off by all relevant parties (i.e material companies and government agencies (97.73%)) indicates strong compliance to the overall data quality and assurance procedure established.

Table 1-4 Assessment of compliance to data quality and assurance set for material companies in the report.

	Overall levels of compliance to set data quality and assurance procedure		
	Submission of AFS (a)	Sign-off on Reconciled positions (b)	Calculation of total compliance c=(a+b)/2
Companies	95.45%	100.00%	97.73%

1.9.5 IA's assessment on the quality, comprehensiveness, and reliability of data utilized

Considering the outcome of the quality assurance procedure (97.73%), it is our professional view that data used for the exercise is comprehensive, reliable and meets minimum data quality standard and assurance required.

Furthermore, having reviewed the legal/statutory audit requirements for both companies and government entities regarding the quality of data/information provided for the 2017 Oil and Gas NEITI report, the IA's opinion is expressed below:

- From a total of 68 companies covered in the exercise, 13 did not provide data. The overall financial contribution attributed to these companies is US$23.915m. This represents 0.0022% of the total financial flows from all companies for the year under review. The contribution of these companies are deemed immaterial by the IA and thus does not affect the comprehensiveness and completeness of the data used for the report.
- Relevant financial data used in the report matched information in the AFS and/or management accounts of companies. The IA considers the data used as reliable, accurate, and credible.
- The validation and reconciliation process employed by the IA provides additional quality assurance required for the exercise. The IA concludes that data used for the report is of high quality (97.73%).

1.10 Limitation of the assessment

In the course of carrying out this assesment, a major limitation was identified. The impact of this limitation is minimized by leveraging on the expertise and experience of the IA in handling similar assignments and adherence to guidelines set in generally accepted standards for reporting financial data.

The underlisted is a major limitation observed by the IA;

Veracity of data used from third party sources: Data utilised for instance from the AFS of companies are third party sourced i.e the External Auditors to the company. Since the exercise is not an audit or review in accordance with standards such as the IFRS,ISA etc, misstatement's of any form in the AFS or management accounts by covered entities cannot be detected.

1.11 Recommendations

From the preceding, the IA recommends the following:

I. The government should pursue full compliance by the MDAs to the requirement of audit and assurance laws and regulations (e.g. Financial Regulations, Financial Reporting Act, CAMA etc.)in Nigeria.

II. In addition, the Federal government should improve upon the capacity of and support the Office of the Auditor General for the Federation (OAuGF) to conduct audits of public sector agencies as at when due as enshrined in the Nigerian Constitution.

1.12 Aggregate Financial flows

Table 1-5 Summary of 2017 Aggregate Financial Flows

FINANCIAL FLOWS STATEMENT		
		2017

	Table Ref.	US$
Sales of Federation Crude Oil and Gas		
Crude Oil Sales	5-2	13,176,813,513.00
Gas sales	5-3	1,323,517,241.00
Total Sales of Federation Crude Oil and Gas (i)		**14,500,330,754.00**
*PSCs / MCAs in Kind Payments		
Petroleum Profit Tax (PPT) Oil- MCAs	4-2	430,823,026.00
Petroleum Profit Tax (PPT) - PSCs	4-1	3,143,564,119.04
Company Income Tax (CIT) Gas- MCAs	4-3	46,348,767.00
Royalty (Oil) - MCAs	4-2	116,160,733.00
Royalty (Oil) - PSCs	4-1	553,392,747.68
MCA Gas EDT	4-3	2,213,893.00
MCA Oil EDT	4-2	7,035,743.00
MCA Gas Royalty	4-3	11,628,723.00
Concession Rentals- PSCs	4-1	181,544.01
Total PSCs / MCAs/ Other fin.flows in Kind Payments (ii)		**4,311,349,295.73**
Sub total (A)=(i)-(ii)		**10,188,981,458.27**
Other Specific Financial Flows to Federation		
Petroleum Profit Tax (PPT)	5-5	5,047,573,682.51
Oil Royalty	5-5	2,187,709,484.50
Gas Royalty	5-5	113,756,681.32
Gas Flare Penalty (GFP)	5-5	6,553,242.26
Concession Rentals	5-5	1,163,457.47
Pipeline Transportation Fee	Sec 5.6	99,475,483.58
Signature Bonus	5-5	156,765,109.00
Total Other Specific Financial Flows to Federation (iii)		**7,612,997,140.64**
Other Flows to Federation		
Company Income Tax (CIT)	5-5	268,776,202.75
Value Added Tax (VAT)	5-5	548,931,774.63
NLNG Dividend, Interest and Loan Repayments	5-5	833,734,746.00
PAYE	5-5	4,940,592.80
Capital Gains Tax	5-5	519,499.50
WHT Incorporated	5-5	573,930,150.62
Education Tax	5-5	286,575,032.85
Total Other Flows to Federation (iv)		**2,517,407,999.15**
Total Flows to Federation (B)=(iii)+(iv)		**10,130,405,139.79**
Flows to other Entities		
Contributions to NDDC	5-5	545,328,071.31
NCDMB 1% Levy	5-5	99,609,247.33
NESS	5-5	24,111,597.29
Total Flows to other Entities (C)		**669,048,915.93**
Grand Total (A)+(B)+(C)		**20,988,435,513.99**

**These are Non-Financial Flows relating to in-kind transactions and the settlement of PPT and Royalty by means of Crude Oil and Gas allocations rather than direct financial payments and they are already captured along with the figures reported for Petroleum Related Taxes, Levies and Fees and are thus reported for memorandum purposes only.*

1.12.1 Five-year aggregate financial flows

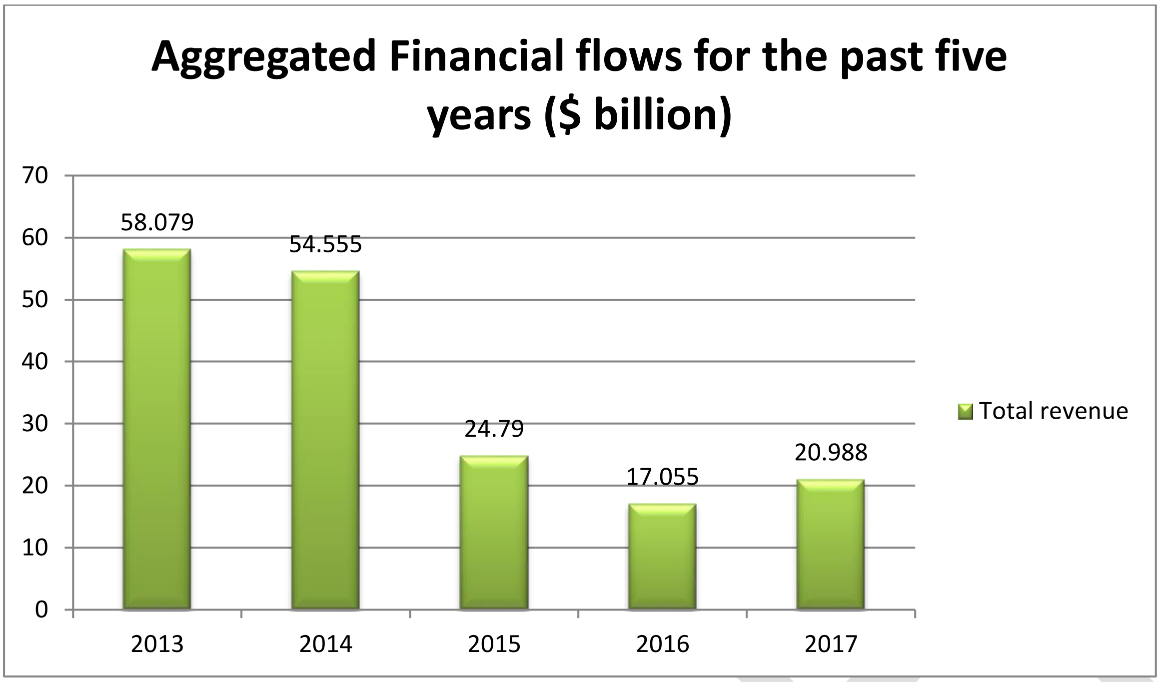
The table below shows the trend analysis of petroleum revenues to the government from 2013 to 2017. There was a steady decline in year-on-year revenues from 2013 to 2016, with the sharpest drop of 55% in 2015 compared to the preceding year. The year under review experienced an increase in revenue by 23% from US$17.055billion in 2016 to US$20.988billion in 2017.

Table 1-6 Aggregate financial flows in the past five years

	2013	2014	2015	2016	2017
	$"000	**$"000**	**$"000**	**$"000**	**$"000**
Sale of Federation Crude Oil and Gas					
Crude Oil Sales	36,486,704	33,871,186	15,372,332	9,876,953	13,176,813.51
Gas Sales	1,973,531	2,279,675	1,352,515	1,051,994	1,323,517.24
Sales of Crude Oil and Gas (Total)	**38,460,235**	**36,150,861**	**16,724,847**	**10,928,947**	**14,500,330.75**
Less: PSCs/MCAs in Kind Payments					
Petroleum Profit Tax (PPT)- PSCs/MCAs	10,273,854	7,094,219	2,956,542	2,460,447	3,574,387.15
Royalty (Oil) - PSCs/MCAs	993,167	2,328,222	1,097,705	464,583	669,553.48
MCA Gas CIT/EDT	83,954	22,437	16,831	22,764	48,562.66
MCA Royalty (Gas)	18,343	68,952	3,649	5,287	11,628.72
Concession Rental	-	-	138	115	181.54
MCA Oil EDT	-	-	-	-	7,035.74
Total PSCs/MCAs In- Kind Payment	**11,369,318**	**9,513,830**	**4,074,865**	**2,953,196**	**4,311,349.30**
Sub-Total (A)	**27,090,917**	**26,637,031**	**12,649,982**	**7,975,751**	**10,188,981.45**
Other Sector Specific Financial Flows					
Petroleum Profit Tax (PPT)	17,591,512	15,697,977	5,389,868	4,216,908	5,047,573.68
Royalty (Oil)	6,182,319	6,311,102	2,784,534	1,577,040	2,187,709.48
Royalty (Gas)	119,093	135,030	107,160	66,078	113,756.68
Signature Bonus	12,500	142,249	902,720	0	156,765.11
Gas Flared Penalties	18,475	18,693	12,683	8,799	6,553.24
Concession Rental	133,750	2,628	1,006	824	1,163.46
Total Confirmed Flows	**24,057,649**	**22,307,679**	**9,197,971**	**5,869,648**	**7,513,521.66**

Other Flows to Federation					
Companies Income Tax (CIT)	556,050	521,827	603,499	314,846	268,776.20
Value Added Tax (VAT)	965,521	619,779	-	563,801	548,931.77
Capital Gains Tax	-	-	-	176,516	519.50
Total Other Flows to Federation	**1,521,571**	**1,141,606**	**603,499**	**1,055,163**	**818,227.48**
Sub-Total (B)	**25,579,220**	**23,449,285**	**9,801,470**	**6,924,811**	**8,331,749**
Total Flows to Federation (A+B)	**52,670,137**	**50,086,316**	**22,451,452**	**14,900,562**	**18,520,730.45**
Other Flows					
Dividends & Repayment of Loans by NLNG	1,289,592	1,420,406	1,076,012	390,234	833,734.75
PAYE	168,524	24,170	-	41,210	4,940.59
Withholding Tax (WHT)	991,693	697,095	-	763,936	573,930.15
Total Other Flows	**2,449,809**	**2,141,671**	**1,076,012**	**1,195,380**	**1,412,605.49**
Flows to States and Local Govt					
Withholding Tax (WHT)	17,740	857	-	-	-
PAYE	556,030	366,425	-	-	-
Dividends & Repayment of Loans by NLNG	1,089	-	-	-	-
Total Flow to States	**574,859**	**367,282**	**-**	**-**	**-**
Flows to other entities					
Contribution to NDDC	562,921	846,081	387,621	492,066	545,328.07
Education Tax	1,477,764	605,597	667,770	317,853	286,575.03
NCDMB 1% Levy	115,925	153,924	135,828	129,403	99,609.25
NESS Fee	63,100	38,875	47,504	16,805	24,111.60
NIWA Levy	221	-	-	-	-
Cabotage Levy	164,945	26,401	-	-	-
NIMASA Levy-Gross					
Freight	-	262,082	-	-	-
Pipeline Transportation	-	27,050	24,610	2,529	99,475.48
Total Flows to other entities	**2,384,876**	**1,960,010**	**1,263,333**	**958,656**	**1,055,099.43**
Grand Total	**58,079,681**	**54,555,279**	**24,790,797**	**17,054,599**	**20,988,435.51**
Difference		(3,524,402.00)	(29,764,482.00)	(7,736,198.00)	3,933,836.51
% Change		-6%	-55%	-31%	23%

Figure 1-1 Aggregate Financial flows for the past five years



2. PRODUCTION

2.1 Crude Oil Production

Crude oil production involves the extraction of hydrocarbons from the subsurface with an established quantity of recoverable reserve. The crude oil produced from the subsurface usually comes out with gas and water. The gas is first removed from the crude oil at flow stations to be used for other industrial purposes. Water is later removed from crude oil leaving an exportable crude oil base, sediment and water not more than 0.5% at the terminals.

The quantity of crude oil and gas produced is evaluated in this section along with the total crude oil lifted, total gas utilized, total gas sold and total gas flared.

It also further looks into the various production arrangements; Joint Ventures (JVs), Production Sharing Contracts (PSCs), Sole Risk (SRs), Marginal Field (MFs) and their contributions to the aggregate crude oil and gas production and lifting in the country.

2.2 Total Crude Oil Production and Lifting

Nigeria's economy depends largely on the revenue realized from the oil and gas sector. In recent years, there has been a steady decline in production. This can be attributed to a host of factors some of which are; high cost of production, vandalism etc. Notwitstanding, 2017 witnessed some increase in production from 659.13Mbbls in 2016 to 690.46Mbbls in 2017. This caused the sector to contribute in GDP terms 8.68% to the Nigerian economy in 2017, an increase from 8.35% in 2016 according to the NBS GDP Q4 2017 full report.

Table 2-1 provides data on total production and lifting in 2017. Lifting records are further sub-divided into federation and company liftings.

Table 2-1 Total Crude Oil Production and Lifting

Total Crude Oil Production and Lifting	2017	2016	VARIANCE
PRODUCTION	**000 bbls**	**000 bbls**	**%**
Joint Venture (JV)	305,373	289,174	6%
Production Sharing Contract (PSC)	303,714	324,071	-6%
Service Contract (SC)	1,491	2,153	-31%
Sole Risk (SR)	58,094	27,182	114%
Marginal Fields (MF)	21,793	16,557	32%
TOTAL PRODUCTION	**690,465**	**659,137**	5%
Total Opening Stock	13,044	17,817	-27%
Total Stock for Lifting	**703,509**	**676,954**	4%
*Zafiro Crude	1,898	3,259	-42%
Terminal Adjustment/ Shrinkage			
Total available crude for lifting	**705,407**	**680,213**	4%

LIFTING			
FEDERATION LIFTING:			
Joint Venture (JV)	68,282	138,206	-51%
Production Sharing Contracts (PSC)	66,621	71,776	-7%
Marginal Field (MF)	-	707	-100%
Service Contracts (SC)	145	780	-81%
SUB- TOTAL FEDERATION EXPORT	**135,049**	**211,469**	-36%
Domestic Lifting (Refinery and Export)			
Joint Venture (JV)	105,763	33,046	220%
Production Sharing Contracts (PSC)	-	-	
Service Contracts (SC)	-	-	
Marginal Field (MF)	162	100	62%
SUB- TOTAL DOMESTIC CRUDE SUPPLY (REFINING/EXPORT)	**105,925**	**33,146**	220%
Sub-Total (Federation + Domestic Lifting)	**240,973**	**244,615**	-1%
COMPANY LIFTING:			
Joint Venture(JV)	129,624	125,415	3%
Production Sharing Contract (PSC)	222,770	253,655	-12%
Sole Risk (SR)	78,707	28,346	178%
Marginal Field (MF)	15,129	14,616	4%
Service Contract (SC)	1,088	1,500	-27%
Sub-Total Company Lifting	**447,318**	**423,532**	6%
Total Lifting	**688,291**	**668,147**	3%
Balance Closing Stock	**17,115**	**12,068**	

SOURCE: Neiti 2016 Audit Report and DPR 2017 Reconciliation Sign-Off

**Zafiro crude represents the production from unitized zone operation by Nigeria and Mobil Equatorial Guinea which is not included in the production volumes of company but included in lifting volumes of NNPC and the operating company*

A total of 79 OMLs produced oil in the year under review. Details are presented in Table 2-2 below;

Table 2-2 Total crude oil production and lifting per project (OML)

OML	CRUDE OIL PRODUCTION	CRUDE OIL LIFTING	LIFTING TERMINAL	PERCENTAGE HOLDING	PRODUCTION LOCATION
	BBLS	BBLS			
OML 29	13,153,963	13,218,290	BONNY	AITEO-45%, NNPC-55%	Bayelsa State

OML 120	1,959,653	2,096,260	OYO	ALLIED-97.5%, CAMAC-2.5% (ERIN ENERGY-100%)	70km Offshore Western Delta
OML 112	3,958,457	4,195,087	IMA/OKORO	AMNI-60%, ELF-40%	12km offshore Eastern Delta
OML 109	145,281	220,000		ATLAS-70%,SUMMIT OIL-30%	30KM South Northwestern Niger Delta
OML 55	2,250,946	2,627,513	BONNY	BELEMAOIL -40% NNPC-60%	Offshore South Eastern Delta
OML 49			ESCRAVOS	NNPC-60%, CNL-40%	Offshore North Western Delta
OML 90			AJAPA	NNPC-60%, CNL-40%	Offshore North Western Delta
OML 95			ESCRAVOS	NNPC-60%, CNL-40%	Offshore North Western Delta
OML 86			ESCRAVOS	NNPC-60%, CNL-40%	Offshore North Western Delta
OML 88	63,510,977	68,489,974	PENNING TON	NNPC-60%, CNL-40%	30km Offshore Central Delta
OML 103	428,505		ESCRAVOS	CONOIL -100%	North West Niger Delta
OML 59	4,343,210	374,000	PENNING TON (CONOG)	CONOIL -100%	South Eastern Niger Delta
OML 96	115,414	87,900	ESCRAVOS	DUBRI - 100%	Edo State
OML 138	35,645,714	35,911,668	USAN	SINOPEC-20%,EXXON-30%,CNL-30%,NEXEN-20%	70 Kilometres Offshore, Eastern Niger Delta
OML 99			AMENAM, USAN, BONNY, FORCADO	NNPC-60%, TOTAL-40%	30KM Offshore Eastern Delta
OML100			SEA,	NNPC-60%, TOTAL-40%	65km Offshore South-Eastern Delta
OML 102			BONGA,	NNPC-60%, TOTAL-40%	65km Offshore South-Eastern Delta
OML 58	40,295,690	44,206,655	EKANGA	NNPC-60%, TOTAL-40%	River state
OML 18	9,752,531	8,456,884	BONNY	EROTON-45%, NNPC-55%	Rivers State
OML 133	45,145,584	44,849,711	ERHA	EXXON - 56.25%, SNEPCO-43.75%	100 Kilometres Offshore.
OML 108		15,779	UKPOKITI	EXPRESS-57.5%,SHEBBAH-40%,CAMAC-2.5%	Off Shore Western Edge of Niger Delta
OML 127	53,528,247	53,277,515	AGBAMI (STARDEEP)	FAMFA-60%, CNL-32%, PETROBRAS-8%	Off Shore Western edge of Niger Delta
OML 128	32,169,189	32,357,349	AGBAMI (STARDEEP)	STATOIL-53.85%, CNL-46.15%	Off Shore Western Edge of Niger Delta
OML 104			YOHO	NNPC-60%, MPN-40 %	75 KM Offshore Akwa Ibom State
OML 67				NNPC-60%, MPN-40 %	50 KM Offshore Akwa Ibom State
OML 68				NNPC-60%, MPN-40 %	Offshore Akwa Ibom State
OML 70	98,982,898	98,027,459	QIT	NNPC-60%, MPN-40 %	30 KM Offshore Akwa Ibom State
OML 114	975,312	947,560	ANTAN	MONIPULO-60%, CAMAC-40%	Cross River State
OML 24	5,151,561	4,209,890	BONNY	NEWCROSS E&P-45%, NNPC-55%	Rivers State,Port Harcourt
OML 125	4,933,672	4,967,452	ABO (NAE)	ENI-85%, OANDO-15%	40KM Western Niger Delta
OML 60				NNPC-60%, NAOC-20%, OANDO-20%	Bayelsa State,Imo State,Delta
OML 61				NNPC-60%, NAOC-20%, OANDO-20%	State,Rivers State
OML 62				NNPC-60%, NAOC-20%, OANDO-20%	
OML 63	23,967,086	22,792,561	BRASS	NNPC-60%, NAOC-20%, OANDO-20%	
OML 116	1,490,985	1,290,000	BRASS	ENI-100%	Bayelsa State
OML 126	3,597,061	3,316,423	OKWORI	ADDAX-100%	River state, Port Harcourt
OML 123	8,109,957	7,678,085	ANTAN	ADDAX-100%	Cross Rivers State
OML 124	950,206	878,048	BRASS	ADDAX-100%	Imo State
OML 40	3,085,415	2,522,054	FORCADOS	NPDC-55%, ELCREST-45%	75KM offshore Northwestern Warri, Delta State
OML 42	9,435,766	7,776,849	FORCADOS	NECONDE-45%, NPDC-55%	Delta State
OML 26	716,324	750,000	FORCADOS	FIRST HYDROCARBON-45%, NPDC-55%	Delta State

OML 34	2,791,468	2,205,130	FORCADOS	NPDC-55%, ND WESTERN-45%	Delta State
OML 119	7,855,558	8,437,717	OKONO/ OKPOHO	NPDC-100%	50km offshore South eastern Niger Delta
OML 111	643,851	776,900	FORCADOS	NPDC-100%	Edo State
OML 65	1,208,644	1,079,087	FORCADOS	NPDC-100%	Edo State
OML 30	6,907,938	5,809,249	FORCADOS	NPDC-55%, SHORELINE NAT RESOURCES-45%	Delta State
OML 115				ORIENTAL-60%, AFREN-40%	Offshore eastern Niger Delta
OML 98	692,444	400,000	FORCADOS	NNPC-60%, PANOCEAN-40%	Delta State
OML 4			FORCADOS	SEPLAT-45%,NPDC-55%	Warri, Delta State
OML 38			FORCADOS/BRASS	SEPLAT-45%,NPDC-55%	Warri, Delta State
OML 41	13,439,340	14,079,703	FORCADOS	SEPLAT-45%,NPDC-55%	Warri, Delta State
OML 53	927,953	1,075,000	BRASS	SEPLAT -45% NNPC-55%	Imo State
OML 11	1,588,002	1,458,204	IMA/OTAKIKPO	NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Offshore South eastern Niger delta
OML 17			BONNY,	NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Port Harcourt , River State
OML 20			FORCADOS, BRASS	NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Port Harcourt , River State
OML 21				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Port Harcourt , River State
OML 22				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Port Harcourt , River State
OML 23				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Delta State
OML 25				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Delta State
OML 27				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Central onshore Niger Delta
OML 28				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Bayelsa State
OML 32				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Onshore Central Niger Delta
OML 35				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Onshore Western Delta
OML 46				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Bayelsa State
OML43				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Warri, Delta State
OML 45				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Warri, Delta State
OML 36				NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	Bayelsa State
OML 79	53,863,195	53,664,029	EA	NNPC-55%, SPDC-30%,ELF-10%, AGIP--5%	25-60km Offshore Western Niger Delta
OML 118	61,197,298	61,371,978	BONGA	SNEPCO-55%, EXXON-20%,ENI-12.5%,ELF-12.5%	75km offshore Niger Delta
OML 130	45,145,907	45,045,662	AKPO (TUPNI)	CNOOC-45%, SOUTH ATL.-15%, PETROBRAS-16%, TOTAL-24%	Port Harcourt, River State
OML 143	13,290,948	13,834,995	TULJA	STERLING GLOBAL 80%, ALLENE 20%	Kwali Delta State
OML 113	912,870	822,669	AJE	YINKA PET-69% (VITOL-12.83,EER-9%, Pan Petroleum-6.502%, and MX Oil Plc-2.667%)	Lagos State
OML 13	918,938	929,873	QIT	FRONTIER (UQUO FIELD)	Akwa Ibom State
OML 54	1,430,437	1,613,036	BONNY	NDPR (OBGELE FIELD)	Port Harcourt, Rivers State
OML 16	1,444,238	1,477,822	BONNY	WALTERSMITH (IBIGWE FIELD)	Imo State
OML 14	945,709	955,808			South East Nigeria
OML 56	621,298	1,390,000	BRASS/FORCADOS	ENERGIA (EBENDO-OBODOGWA)	KWALE, DELTA STATE
OML 56	706,918	1,022,000	BRASS	PILLAR (UMUSATI)	KWALE, DELTA STATE
OML 56	6,132,150	5,301,900	BRASS	MIDWESTERN	KWALE, DELTA STATE
TOTAL	**690,464,708**				
EKANGA/ZAFFIRO	**1,897,507**				
GRAND TOTAL	**692,362,215**	**688,291,728**			

SOURCE: DPR 2017 Records; Company's Gas and Volumetric Flows Template

2.3 Five-year Analysis of crude oil production and lifting

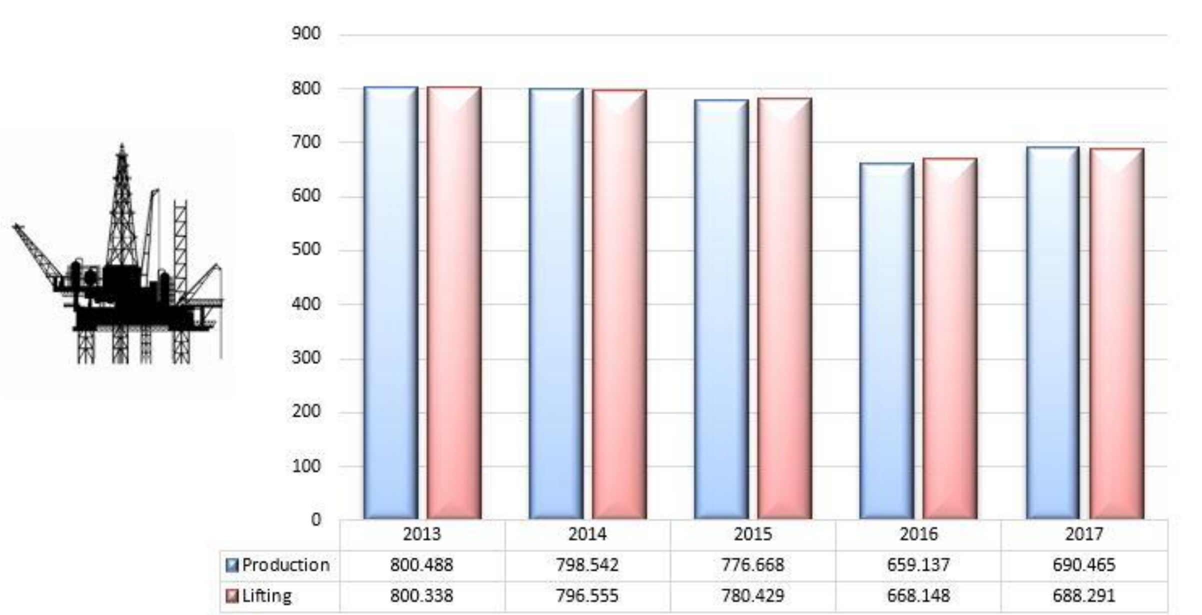
The table below shows a five-year analysis of total crude oil production and lifting in Nigeria.

Table 2-3 Five-year analysis of total crude oil production and lifting

Crude oil production and lifting (mbbls)	2013	2014	2015	2016	2017
Production	800.488	798.542	776.668	659.137	690.465
Lifting	800.338	796.555	780.429	668.148	688.291
% change in Production		-0.24%	-2.74%	-15.13%	4.75%
% change in Lifting		-0.47%	-2.02%	-14.39%	2.93%

Source: NEITI Oil and Gas Industry Report 2016 and Commodity Trading Report 2017

Figure 2-1 Five-year analysis of total crude oil production and lifting



In 2017, Nigeria's total crude oil production increased by 5% from 2016. Crude oil lifting volumes increased by 2.77% when compared to 2016 lifting volumes.

The NNPC Monthly Financial and Operations Report of 2017 highligths the underlisted as factors that impacted overall production performance at some major terminals;

Table 2-4 Summary of major incidents at terminals in 2017

TERMINAL	DAYS	DATE	REASONS FOR SHUT-INs
BONGA	35 days	4/3/17-7/4/17	35-day Turn Around Maintenance (TAM)
	7 days	20/6/17 - 27/6/17	To effect urgent repairs on a leaking line along a degassing tank pipe work
	5 days	24/8/17 - 28/8/17	Due to a platform shut down for maintenance and inspection of plant
BONNY	7 days	15/3/17 - 21/3/17	Shut down as a result of leak at OLOMA axis
	14 days	1/8/17-14/8/17	Shut-in due to leaks on the pipeline
	15 days	11/11/17 - 15/11/17	Shut-in due to a leaking crude theft point in the NOKPOR area

BRASS	28 days	1/2/17 - 28/2/17	Shut-in due to no flow, sabotage and community issues
ERHA	4 days	20/3/17-23/3/17	The terminal cut back production due to late arrival of export loading vessel of the Terminal
FORCADOS		21/2/16-3/17	Shutdown of the Forcados 48-inch crude export line following multiple sabotages
	5 days	28/8/17-2/9/17	Trans Forcados Pipeline was shut down on 28/8/2017 due to failed illegal connections in the Yeye/Chanomi and Oteghele Batan axis
QUA IBOE		Feb 2017 - March 2017	Due to pipeline integrity issues
		May-17	Well integrity issues and high water production
		Oct-17	Shut-in due to slow recoveries from some wells and repairs on the 42-inch export line and fuel gasline
USAN		May-17	Malfunctioning of valves in the separator
YOHO		15/5/17 - 18/5/17	Leaking flow line & low wellhead pressure issues and flare optimization

Source: NNPC Monthly Financial and Operations Report

The reduction in projected production figures due to unscheduled maintenance and repair of equipment posed a challenge to production in the year under review. In addition, the government's inability to meet its cash call obligations featured in 2017 as only 49% of the total cash call required was paid in the year. This may have impacted production in the IA's view. See Chapter 5 for details on outstanding cash call liabilities.

2.4 Monthly crude oil production by production arrangement

The table below shows disaggregated crude oil production per month, per production and the contribution to the total production in 2017

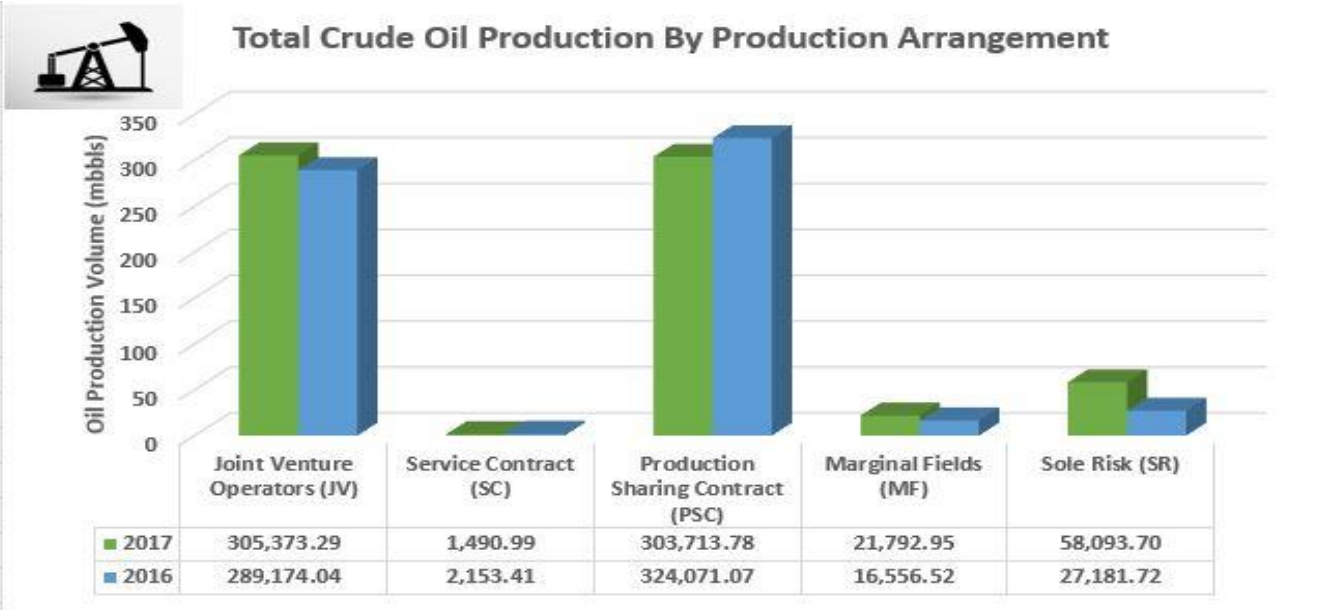
Table 2-5 Monthly crude production – by – production arrangements

Month	Production	Per Day	JV	SC	PSC	NPDC	MARGINAL FIELDS	SOLE RISK
	bbls	bbls	Bbls	bbls	bbls	bbls	bbls	bbls
January	56,917,114	1,836,036	24,866,217	131,095	28,067,877	1,001,875.25	1,339,039	1,511,010.75
February	51,183,158	1,827,970	21,634,557	112,161	25,595,778	1,033,724.30	1,293,260	1,513,677.70
March	48,930,178	1,578,393	22,430,837	124,044	22,514,123	916,964.35	1,515,027	1,429,182.65
April	53,624,599	1,787,487	25,028,577	125,301	24,606,572	795,396.65	1,727,019	1,341,733.35
May	59,063,613	1,905,278	26,736,223	129,525	26,757,641	1,525,590.10	1,883,858	2,030,775.90
June	59,159,234	1,971,974	25,124,241	122,320	25,158,895	3,353,778.05	2,081,744	3,318,255.95
July	61,898,627	1,996,730	26,176,509	124,766	26,985,961	3,252,598.95	2,116,077	3,242,715.05
August	62,388,512	2,012,533	26,959,158	124,632	25,679,548	3,720,162.75	2,226,688	3,678,323.25
September	58,107,551	1,936,918	24,658,656	124,279	24,840,140	3,083,657.50	2,187,650	3,213,168.50
October	59,733,012	1,926,871	26,205,984	127,461	25,704,415	3,177,911.05	1,908,281	2,608,959.95
November	58,871,763	1,962,392	27,590,675	122,550	23,607,832	3,089,837.50	1,657,657	2,803,211.50
December	60,587,347	1,954,431	27,961,654	122,851	24,195,001	3,318,366.85	1,856,653	3,132,821.15

Total	**690,464,708**	**1,891,684**	**305,373,288**	**1,490,985**	**303,713,783**	**28,269,863**	**21,792,953**	**29,823,836**

Source: DPR Production Reconciliation Sign-Off

Figure 2-2 Total crude oil production – by – production arrangement



** The production figure in the graph for Sole Risk includes NPDC and other Sole Risk production as seen in the Table 2-5 above*

In 2017, overall production from the JV companies increased by 16.199Mbbls , a 6% increase from 2016 volumes. Sole Risk operations produced the highest percentage increase of 114%, and Marginal Field operations witnessed an increase of 32% in the year under review. On the contrary, PSC and SC operations suffered volume reductions of 6% and 31% respectively.

In general, 2017 witnessed a slight improvement in overall production volumes of 5% and an increase in liftings of 3% when compared to 2016.

2.1 Monthly Crude Oil Lifting by Production Arrangement

The monthly crude oil lifting by production arrangement below (Table 2-6) indicates that NNPC lifted 35% of all crude lifted from all arrangements. This represented the highest liftings from anyone group. Next was liftings by PSC companies - 222.770Mbbls. Combined, both groups lifted 67% of all crude lifted in 2017.

Table 2-6 Total Crude Oil Lifting by Production Arrangement

Month	Production	Per Day	JV	SC	PSC	NNPC	MF	SOLE RISK
January	53,712,067	1,732,647	8,802,914	-	20,667,233	18,863,407	250,000	5,128,513
February	50,067,698	1,788,132	9,346,809	-	18,577,545	18,161,479	1,115,313	2,770,188
March	49,190,330	1,586,785	9,493,676	-	18,581,102	16,076,582	668,755	4,466,579
April	51,310,905	1,710,364	9,005,085	90,000	16,193,739	21,097,686	685,924	4,238,471

May	61,798,018	1,993,484	12,249,239	180,000	21,174,675	21,859,912	1,819,697	4,415,504
June	56,852,592	1,895,086	8,316,264	90,000	17,908,712	20,241,469	1,769,120	8,527,517
July	63,766,795	2,056,993	9,856,519	80,000	19,779,418	23,371,578	1,020,031	7,782,177
August	61,465,566	1,982,760	12,727,366	100,000	19,985,972	19,421,419	1,888,708	8,380,460
September	64,664,817	2,155,494	13,004,690	100,000	19,543,025	19,124,452	1,099,188	11,705,235
October	55,565,074	1,792,422	8,405,744	-	17,346,958	21,107,358	1,735,139	7,995,316
November	58,955,945	1,965,198	13,150,607	200,000	16,576,873	19,305,774	1,361,968	6,610,247
December	60,941,921	1,965,868	15,265,119	248,180	16,435,052	22,342,360	1,715,283	6,686,403
Total	**688,291,728**	**1,885,731**	**129,624,032**	**1,088,180**	**222,770,304**	**240,973,476**	**15,129,126**	**78,706,610**

Sourc: DPR Export Reconciliation Sign-Offf

For details of Federation share of production, lifing along with company level disaggregation, see Appendix 4

2.5 Gas production

2.5.1 Introduction

The process of crude oil production is accompanied by an uncertain amount of gas. The gas produced is processed at well heads. This gas is separated from the crude oil at the flow stations and used for both domestic (cooking gas) and industrial purposes i.e for power generation, liquefaction,as raw material for some industries, or for re-injection to support the production process.

This section considers the associated gas which refers to the natural gas found in association with oil within the reservoir.

2.5.2 Gas production and utilization

In 2017, total gas production was 3,499,695mmscf from all arrangements, sligthly higher than 2016 production of 3,051,249mmscf by 15%.

Table 2-7 Comparative Summary of Gas production and utilization (mmscf) in 2017 and 2016

	2017	2016
Gas utilized	1,216,154	919,095
Gas flared	354,681	288,209
Gas sales	1,362,317	1,422,939
Unaccounted gas	562,368	421,006
Shrinkage	4,175	-
Total Gas Produced	**3,499,695**	**3,051,249**

2.5.3 Gas Production and Utilization per Company

Table 2-8 2017 Gas Production and Utilisation

SUMMARY OF 2017 GAS PRODUCTION AND UTILIZATION (MMSCF) AS PER COMPANY'S TEMPLATE

ENTITY	GAS PRODUCED			FLARE					
	COMPANY	THRID PARTY TRANSACTIONS	REINJECTED	COMPANY	FUEL	SHRINKAGE	SALES	% GAS FLARED	UNACCOUNTED GAS
AADAX (APDNL)	30,701		11,942	16,713	1,589			54%	457
AADAX (APENL)	6,375		3,121	2,434	820			38%	-
AENR	1,543			1,433	110			93%	-
AITEO	14,678			12,488	282		1,908	85%	0
AMNI									-
ATLAS	744			568	176			76%	-
BELEMA OIL									-
BRITTANIA U	355,071			71,174	283,897			20%	-
CHEVRON	233,414		33,718	16,408	29,960		168,808	7%	(15,480)
CONOIL	322			293	56			91%	(26)
CONTINENTAL	2,118			2,014	104			95%	-
DUBRI OIL	2,036			2,011				99%	26
ENERGIA	7,610							0%	7,610
EROTON	27,869			10,521	419		16,489	38%	441
EXCEL E&P	12			12				100%	
ESSO 133_ERHA	117,838		100,403	10,527	6,908			9%	-
ESSO 138_USAN	56,655		51,261	8,784	5,254			16%	(8,643)
FRONTIER	30,541			114	161		30,442	0%	(175)
MIDWESTERN	471			2,144				455%	(1,672)
MOBIL	391,320	220,813	285,106	31,006	20,975			5%	275,047
MONIPULO	198			192	4,958			97%	(4,952)
NAE	16,175		13,136	1,326	1,713			8%	-
NAOC	314,304		2,015	17,047	27,184		228,243	5%	39,816
NDPR	14,326			157	144		14,025	1%	-
NEWCROSS EXPLORATION									-
NETWORK	450			742	7			165%	(300)
NPDC 100% OML 65 (ABURA)	495			495				100%	-
NPDC 100% OML111 (OREDO)	11,136			4,748	264		6,124	43%	-
NPDC 55% -AENR 45% (OML 119)	26,900			25,723	1,178			96%	-
NPDC 55% - FHN 45% (OML 26)	142			142				100%	-
NPDC 55% SHORELINE 45% (OML 30)	-			-					-
NPDC 55% - ND WESTERN 45% (OML 34)	88,787			2,713			86,074	3%	-
NPDC 55% -ELCREST 45% (OML 40)	438			394	44			90%	-
NPDC 55% -NECONDE 45% (OML 42)	7,707			7,684	233			100%	(210)
OOL	21,525		3,343	3,407	5,437	4,175		16%	5,163
OANDO QUA IBOE	179							0%	179
ORIENTAL	2,007			1,143				57%	864
PANOCEAN	5,494			22	218		5,160	0%	94
PILLAR	233			222	12			95%	-
PLATFORM	9,316			8,965	25		327	96%	-
SEEPCO	2,153			223	1,930			10%	-
SEPLAT	102,838			8,379	81		92,811	8%	1,567
SNEPCO	45,624			7,138	3,518			16%	34,968
SPDC	709,077		4,840	25,383	9,910		567,272	4%	101,672
STAR DEEP	149,390		105,989	36,730	6,671			25%	0
TEPNG	257,676		90,432	10,428	12,182		144,634	4%	-
TUPNI	211,879		77,543	2,008	6,406			1%	125,922
UNIVERSAL	634			626	8			99%	-
WALTERSMITH	471		471					0%	-
TOTAL	**3,278,872**	**220,813**	**783,320**	**354,681**	**432,834**	**4,175**	**1,362,317**		**562,368**

Source: 2017 Company's Gas and Volumetric Flows Templates

From table 2-8, the total volume of unaccounted gas in 2017 was 562,368mmscf. Mobil and TUPNI had the highest volumes of unaccounted gas - 275,047mmscf and 125,922mmscf respectively.

2.6 Crude losses from production

2.6.1 Losses from sabotage and theft

Crude oil losses occurred during the year due mainly to theft and sabotage. The companies suffer huge losses in this manner yearly. Losses are experienced when crude is pumped from flow stations through pipelines to terminals. The nature of these losses makes them permanent losses; by extension companies and government suffer significant revenue losses as a result of this.

A total of 25 operators reported losses due to theft and sabotage totaling 36.457Mbbls; 68% of the lost volumes occurred vide pipelines that supply Bonny terminal. The Joint venture entities suffered the most losses with SPDC, Aiteo and Eroton being the biggest losers in 2017.

Table 2-9 Losses from theft and sabotage

CRUDE OIL LOSSES DUE TO THEFT AND SABOTAGE (BBLS) 2017		
S/N	COMPANY	SABOTAGE/THEFT
1	ADDAX	21,954
2	AENR	34,778
3	AITEO	7,314,439
4	BELEMA OIL	863,966
5	ENERGIA	13,729
6	EROTON	5,057,469
7	EXCEL	8,999
8	MIDWESTERN	165,007
9	MILLENIUM	27,652
10	NAOC JV	567,390
11	NEWCROSS EP	2,793,413
12	NIGER DELTA PETROLEUM	142,074
13	NPDC	345,137
14	ELCREST	148,897
15	FHN	380,573
16	ND-WESTERN	598,476

17	NECONDE	1,156,227
18	SHORELINE	3,984,742
19	PAN OCEAN	25,155
20	PILLAR OIL	16,042
21	PLATFORM	18,845
22	SEPLAT	414,463
23	SPDC	11,469,940
24	TEPNG	723,528
25	WALTERSMITH	164,216
	TOTAL	**36,457,111**

Source: DPR 2017 Terminal Sign-Offs

2.6.2 Deferred Production

Deferment is a decrease in production or injection due to routine mainteinance or unplanned repairs of production facility/equipments. Production stops whilst maintenance or repairs are ongoing. This situation is not considered a loss in absolute terms as production will be rescheduled in the future, however, the event invariably affects overall projected production for any defined period.

Deferments are broadly categorised into two; planned and unplanned. The major difference between both is the cause of the deferment. An unplanned deferment may be as a result of unforeseen failure of equipments, sabotage, theft and a host of factors beyond the control of the company causing a loss in production volumes. However, a planned maintainance will not lead to losses in planned production volumes because it would have been discounted for in the monthly production plan.

Table 2-10 Losses from all deferments

COMPANY	Monthly volumes, Barrels
Aiteo	8,507,494
Eroton	4,131,804
Oando	113,584
Pillar	250,340
SPDC	56,210,682
Total deferment	**69,213,903**
Average Deferment (BOPD)	***189,627***

Source: NEITI 2017 Companies crude loss (deferment) template

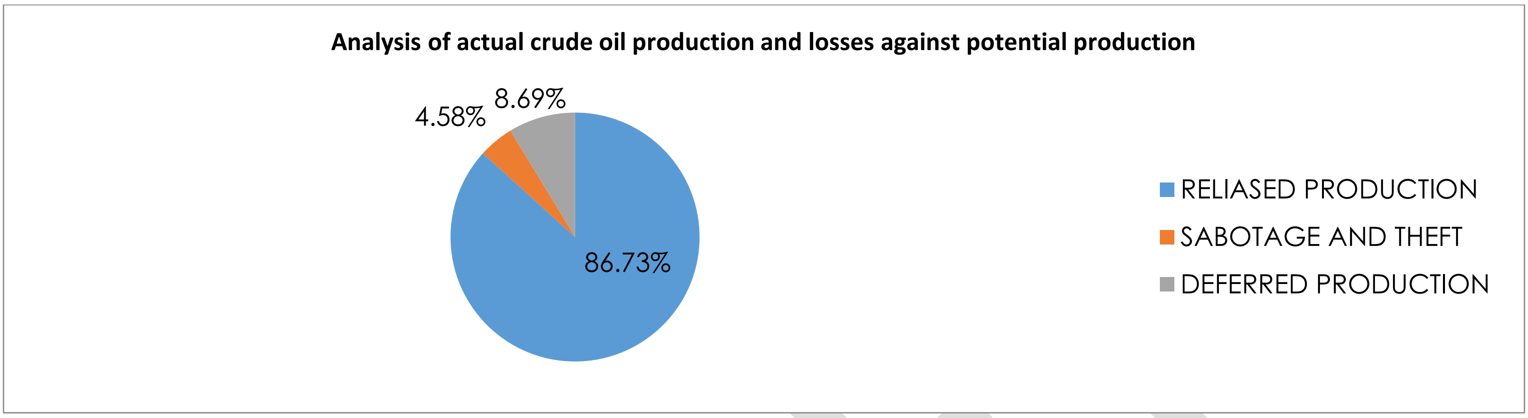
2.6.3 Analysis of crude oil production and losses against expected production

Table 2-11 Analysis of crude oil production and losses against expected production

	ITEMS	VOLUMES (bbls)	%
A	Realised production	690,744,213	86.73%

B	Sabotage & Theft	36,457,111	4.58%
C	Actual production (A+B)	**727,201,324**	
D	Deferred production	69,213,903	8.69%
	Potential production (C+D)	**796,415,227**	100.00%

Figure 2-3 Crude oil losses to crude oil produced



The volume of deferment in production was 8.69% of the potential production volumes in 2017. Losses due to theft and sabotage was 4.58% of potential production. For 2017, theft and sabotage constituted 5% of realised production volumes, this is an improvement from 13% in 2016.

Table 2-12 Comparative analysis of losses and deferred production in 2016 and 2017

Nature of loss	2016	2017
Theft and Sabotage	101,053,104	36,457,111
Deferred production	144,398,873	69,213,903
TOTAL	**245,451,977**	**105,671,014**

Source: NEITI Oil and Gas Report 2016, DPR production reconciliation sign-offs and Companies filled templates.

3. FEDERATION SHARE OF CRUDE OIL AND GAS

The Nigerian National Petroleum Corporation (NNPC), a state owned enterprise (SOE) was established on April 1, 1977 and assigned amongst other functions the responsibility of the sale of crude oil and gas on behalf of the Federation.

The Federation earns a portion of production from crude oil and gas from its share in the Joint Ventures, receives in-kind earnings (through non-financial transactions) from Production Sharing Contracts, joint venture atlernative funding arrangements and its Service Contract with AENR . The Commodity Trading Report details the record of sales for the 2017 fiscal year is presented here. Further details of in-kind earnings are discussed in the rest of this Chapter and Appendix 3.

3.1 Non-Financial Transactions

Non-financial transactions involves paying and/or settling liabilities with crude oil allocations in place of cash. These settlements represent transactions between parties engaged in the production of crude oil and gas. They occur under the following arrangements:

1. ***Non-Financial Transactions under Production Sharing Contract (PSC):*** Here, NNPC the SOE, enters a contract with an exploration and production company to explore for oil and gas resources with exclusively the company's resources (human, capital, technological etc). The company will recoup when successful in its investment, and a share of the final profits (after all costs are settled in accordance with the contract terms) with Nigeria (via NNPC) in crude oil. Under this arrangement, government receives crude oil for the settlement of Profit oil, Petroleum Profit Tax (PPT) and Royalty liabilities. Conversely, the company gets Cost Oil (OPEX and CAPEX), and the share of profit oil in like manner. In 2017, total crude oil produced from PSCs was 303.714Mbbls. See details on production from PSCs in Appendix 4.

   PSCs have the following main features:

- The contractor bears all costs of exploration and production without reimbursement of such cost if no find is made in the acreage,
- Cost is recoverable with crude oil in the event of commercial find, with provisions made for royalty oil, cost recovery oil, tax oil and profit oil.

   See Appendix 3 (Non-Financial Flows), Table 1.1 for more details on production sharing contract and licenses operating under this arrangement.

2. ***Non-Financial Transactions under Joint Venture Alternative Funding Arrangements:*** These arrangements arise when government cannot meet its cash call obligations as at when due. In view of this constraint, government seeks alternative funding arrangements with its joint venture partners. These arrangements are in the following categories;
   i. Carry Agreements
   ii. Modified Carry Agreements (MCAs)
   iii. Third-Party Financing

   More information on the afore-mentioned arrangements can be found in Appendix 3

3.2 Summary of Quantity and Value of NNPC Lifting from PSC Operations in 2017

The total quantity of crude lifted to settle liabilities (non-financial transactions) for PPT, Royalty and others from the PSCs was 67.189Mbbls, valued at US$3.697 billion. The quantities and values that constitute this volume are; FIRS liftings for PPT of 57.290Mbbls valued at US$3.144 billion; DPR liftings for Royalty Oil of 9.896Mbbls valued at US$553.393 million and DPR lifting for Concession Rentals of 3.430Mbbls valued at US$181,544. This is detailed below:

Table 2-6 Summary of Quantity and Value for Lifting by PSC

	FIRS		DPR						
	PPT		ROYALTY		CONCESSION RENTALS		TOTAL		
ENTITIES	QTY IN BBLS	SALES VALUE IN US$	QTY IN BBLS	SALES VALUE IN US$	QTY IN BBLS	SALES VALUE IN US$	QTY IN BBLS	SALES VALUE IN US$	% CONTRIBUTION
ESSO (Erha)	15,767,127	863,540,771.66	800,000	44,488,800.00	600	30,251.40	16,567,727	908,059,823.06	25%
ESSO (Usan)	-	-	2,991,933	169,921,160.97	-	-	2,991,933	169,921,160.97	5%
ADDAX	2,554,144	131,162,463.60	535,119	28,730,354.19	-	-	3,089,263	159,892,817.80	4%
*AENR	188,840	10,941,856.87	159,530	9,184,844.52	1,630	88,748.61	350,000	20,215,450.00	1%
CNL	1,456,337	76,743,049.05	949,632	55,890,591.36	-	-	2,405,969	132,633,640.41	4%
NAE	-	-	399,616	23,543,376.64	-	-	399,616	23,543,376.64	1%
SEEPCO	-	-	3,110,000	170,539,820.00	-	-	3,110,000	170,539,820.00	5%
SNEPCO	22,850,844	1,282,587,060.99	950,000	51,093,800.00	600	31,254.60	23,801,444	1,333,712,115.59	36%
STATOIL	14,472,740	778,588,916.87	-	-	600	31,289.40	14,473,340	778,620,206.27	21%
Total	**57,290,032**	**3,143,564,119.04**	**9,895,830**	**553,392,747.68**	**3,430**	**181,544.01**	**67,189,292**	**3,697,138,410.73**	**100%**

*Source: 2017 COMD-NNPC Templates   *AENR is in a service contract with NNPC*

3.3 Summary of Quantity and Value of Revenue Derived by the Federation from MCA Projects

In the year under review, five JV companies were involved in MCAs to produce oil and gas. The total inflow from the MCAs was US$789.136 million, with MCA Crude oil revenue constituting 79% while Gas had 21% of the total flow. Details of these flows are presented in Table 4-2 and 4-3 respectively:

3.3.1 Summary of MCA Revenue from Crude Oil and Gas Lifting in 2017 and its Distribution

Presented below are the summaries of revenues from sale of crude oil and gas from MCA projects in 2017 and their distribution.

Table 2-7 MCA Crude Oil Revenue and its Distribution

ENTITY	PRODUCTION ARRANGEMENT	QTY IN BBLS	SALES VALUE IN US$	FIRS-PPT	DPR-ROYALTY	FIRS - EDU. TAX	CNL/MPN/NAOC CARRY OIL	CNL/MPN/NA SHARE O
SPDC	MCA-JV	320,000	17,644,158.00	11,998,026.80	3,528,832.00	-	2,117,299.20	-
CNL	MCA-JV	241,800	12,927,263.81	8,955,362.00	2,391,543.82	260,077.24	-	1,320,280.75

MPN	MCA-JV	5,286,341	304,381,149.69	210,860,041.45	56,310,512.70	5,120,529.49	20,616,478.02	11,473,588.03
NAOC	MCA-JV	783,000	42,598,022.00	28,966,654.96	8,519,604.40	589,084.81	2,337,645.83	2,185,032.00
TEPNG	MCA-JV	4,369,000	245,460,759.03	170,042,940.82	45,410,240.42	1,066,051.86	28,941,525.93	-
Total		**11,000,141**	**623,011,352.53**	**430,823,026.03**	**116,160,733.34**	**7,035,743.40**	**54,012,948.98**	**14,978,900.78**

Source: 2017 COMD-NNPC Templates

The total crude oil revenue from MCA projects for the year under review was 11.000Mbbls valued at US$623.011 million.

Table 2-8 MCA Gas Revenue and Distribution

	SALES (LIFTING)	SALES VALUE IN US$	FIRS - GAS @ CIT	DPR-ROYALTY	FIRS - EDU. TAX	SPDC/TEPNG/NAOC CARRY GAS	SPDC/TEPNG/NAOC SHARE GAS
ENTITIES	QTY IN BTU	MCA VALUE 100%	Value US$	Value US$	Value US$	Value US$	Value US$
NAOC	16,687,755	22,790,531.44	6,358,558.25	1,595,337.21	357,179.71	14,479,456.27	-
SPDC	85,680,554	118,217,327.05	32,982,634.25	8,275,212.90	1,338,299.04	47,579,286.88	28,041,893.98
TEPENG	16,539,127	25,117,054.26	7,007,574.42	1,758,172.83	518,414.50	6,763,475.90	9,069,416.61
Total	**118,907,436**	**166,124,912.75**	**46,348,766.92**	**11,628,722.94**	**2,213,893.25**	**68,822,219.05**	**37,111,310.59**

Source: 2017 COMD-NNPC Templates

From Table 4-3 above, total gas revenue from MCA projects was US$166.125 million with the Carry Gas constituting the largest part of this flow at 41.43%. This draws attention to the cost of ''Carrying'' as it where. Other revenue streams account for the remaining 58.57%.

3.4 Third Party Facility Arrangement Status as at 31st December 2017

The table below shows the status of third party facility arrangements as at 31st December, 2017.

Table 2-9 Summary of third-party facility arrangement status as at December, 2017

S/N	Project	Loan Amount US$	Drawdown US$	Outstanding Drawdown US$	Total Principal Repayment to date US$	Outstanding Principal US$	NNPC's Share of Outstanding Principal US$
1	NNPC/MPN JV - Satellite Fields Project	600,000,000.00	600,000,000.00	0.00	587,804,280.00	12,195,720.00	7,317,432.00
2	NNPC/MPN JV - 2012 RDP	1,500,000,000.00	1,500,000,000.00	0.00	1,470,000,000.00	30,000,000.00	18,000,000.00
3	NNPC/MPN JV - NGL	2,375,500,000.00	2,375,500,000.00	0.00	2,335,495,109.67	40,004,890.33	19,602,396.26
4	NNPC/CNL JV - Project Cheetah	1,200,000,000.00	812,258,801.28	387,741,198.72	195,000,000.00	617,258,801.28	370,355,280.77
5	NNPC/CNL JV - Project Falcon	780,000,000.00	247,466,379.91	532,533,620.09	0.00	247,466,379.91	148,479,827.95
6	NNPC/SPDC JV - Santolina 1 & 2	1,000,000,000.00	118,017,133.19	881,982,866.81	0.00	118,017,133.19	67,923,078.56
7	PXF 1	1,500,000,000.00	1,500,000,000.00	0.00	1,173,965,778.44	326,034,221.56	326,034,221.56

8	PXF 2	1,528,877,115.33	1,528,877,115.33	0.00	31,341,145.50	1,497,535,969.83	1,497,535,969.83
	Total	**10,484,377,115.33**	**8,682,119,429.71**	**1,802,257,685.62**	**5,793,606,313.61**	**2,888,513,116.10**	**2,455,248,206.93**

Source: NNPC populated templates

There were eight active facilities at different levels of execution in the review year. As at December 31st 2017, NNPC's share of outstanding principal stood at US$2.455billion.

3.5 Other transactions and revenues

3.5.1 Infrastructure provisions and Barter arrangements

Infrastructure provisions and Barter arrangements are any provisions in the form of goods and services (including loans, grants and infrastructure works) in full or partial exchange for oil, gas or mining exploration or production concessions entered between the government and/or any of its agents with any third party(s). In line with NSWG definition of this item, we confirm that there was no infrastructure provisions in full or partial exchange for oil and gas exploration or production concessions in 2017. However, the report confirms the existence of barter arrangements in 2017 which featured in the form of Direct Sales Direct Purchase (DSDP). These are agreements entered by the SOE for the sale of crude oil and subsequent purchase of petroleum products of commensurate value for local consumption. See more details on tender process and buyers of crude from the DSDP in sections 3.5 and 5.1.5 of the 2017 Commodity Trading Report.

4. LEVEL OF FINANCIAL FLOWS

4.1 Summary of Aggregated Financial Flows

The aggregate financial flows from all sources in the oil and gas sector in Nigeria in 2017 amounted to US$20.988 billion as summarized in Table 5-1. The aggregate flows constitute total revenue that accrued from the petroleum sector to the Federation and other sub-national entities in 2017. However, the actual flow into the federation account was lower than the amount reported. Total established flows to the federation account with respect to federation crude oil and gas sales was US$3.339 billion; made up of US$854.462 million from export of crude oil and gas and US$2.485 billion from domestic crude oil sales.

Table 4-1 Summary of 2017 Financial Flows

FINANCIAL FLOWS STATEMENT		
		2017
	Table Ref.	**US$**
Sales of Federation Crude Oil and Gas		
Crude Oil Sales	5-2	13,176,813,513.00
Gas sales	5-3	1,323,517,241.00
Total Sales of federation Crude Oil and Gas (i)		**14,500,330,754.00**
***PSCs / MCAs in Kind Payments**		
Petroleum Profit Tax (PPT) Oil- MCAs	4-2	430,823,026.00
Petroleum Profit Tax (PPT) - PSCs	4-1	3,143,564,119.04
Company Income Tax (CIT) Gas- MCAs	4-3	46,348,767.00
Royalty (Oil) - MCAs	4-2	116,160,733.00
Royalty (Oil) - PSCs	4-1	553,392,747.68
MCA Gas EDT	4-3	2,213,893.00
MCA Oil EDT	4-2	7,035,743.00
MCA Gas Royalty	4-3	11,628,723.00
Concession rentals- PSCs	4-1	181,544.01
Total PSCs / MCAs/ Other fin.flows in Kind Payments (ii)		**4,311,349,295.73**
Sub total (A)=(i)-(ii)		**10,188,981,458.27**
Other Specific Financial Flows to federation		
Petroleum Profit Tax (PPT)	5-5	5,047,573,682.51
Oil Royalty	5-5	2,187,709,484.50
Gas Royalty	5-5	113,756,681.32
Gas Flare Penalty (GFP)	5-5	6,553,242.26
Concession Rentals	5-5	1,163,457.47
Pipeline Transportation Fee	Sec 5.6	99,475,483.58
Signature Bonues	5-5	156,765,109.00

Total Other Specific Financial Flows to Federation (iii)		**7,612,997,140.64**
Other Flows to Federation		
Company Income Tax (CIT)	5-5	268,776,202.75
Value Added Tax (VAT)	5-5	548,931,774.63
NLNG Dividend, Interest and Loan Repayments	5-5	833,734,746.00
PAYE	5-5	4,940,592.80
Capital Gains Tax	5-5	519,499.50
WHT	5-5	573,930,150.62
Education Tax	5-5	286,575,032.85
Total Other Flows to Federation (iv)		**2,517,407,999.15**
Total Flows to Federation (B)=(iii)+(iv)		**10,130,405,139.79**
Flows to other Entities		
Contributions to NDDC	5-5	545,328,071.31
NCDMB 1% Levy	5-5	99,609,247.33
NESS	5-5	24,111,597.29
Total Flows to other Entities (C)		**669,048,915.93**
Grand Total (A)+(B)+(C)		**20,988,435,513.99**

**These are Non-Financial Flows relating to in-kind transactions and the settlement of PPT and Royalty by means of Crude Oil and Gas allocations rather than direct financial payments and they are already captured along with the figures reported for Petroleum Related Taxes, Levies and Fees and are thus reported for memorandum purposes only.*
***Payments classified as signature bonus were payments for renewal of license that were captured/classified as signature bonus by DPR*

4.1.1 Sale of Federation Crude Oil and Gas

The total sales of crude oil amounted to US$13.177 billion for the fiscal year 2017. Below is the details of the federation crude oil sales.

Table 4-2 Sale of Federation Crude Oil

Description	Quantity lifted in bbl.	Crude Oil value (USD million)	%
Federation Domestic	105,924,597	5,756.44	44%
FIRS liftings	57,101,192	3,132.62	24%
Federation Exports	50,596,153	2,741.22	21%
Third party financing	17,613,434	1,002.23	7%
DPR liftings	9,738,100	544.30	4%
Total	**240,973,476**	**13,176.81**	**100%**

The value of the federation Gas sold during the year under review was US$1.324 billion as shown below:

Table 4-3 Sale of Federation Gas

Type	Qty	Unit	Amount (US$)	%
NLNG feedstock	718,824,908	BTU	1,016,602,137	77%
LPG/NGL Sales	640,569	MT	251,592,471	19%
EGTL/EGP Sales	79,164	MT	33,925,124	3%
NGCL	49,005	MT	21,397,509	2%
Total			**1,323,517,241**	**100%**

For more information on federation sales of crude oil and gas see 2017 Commodity Trading Report.

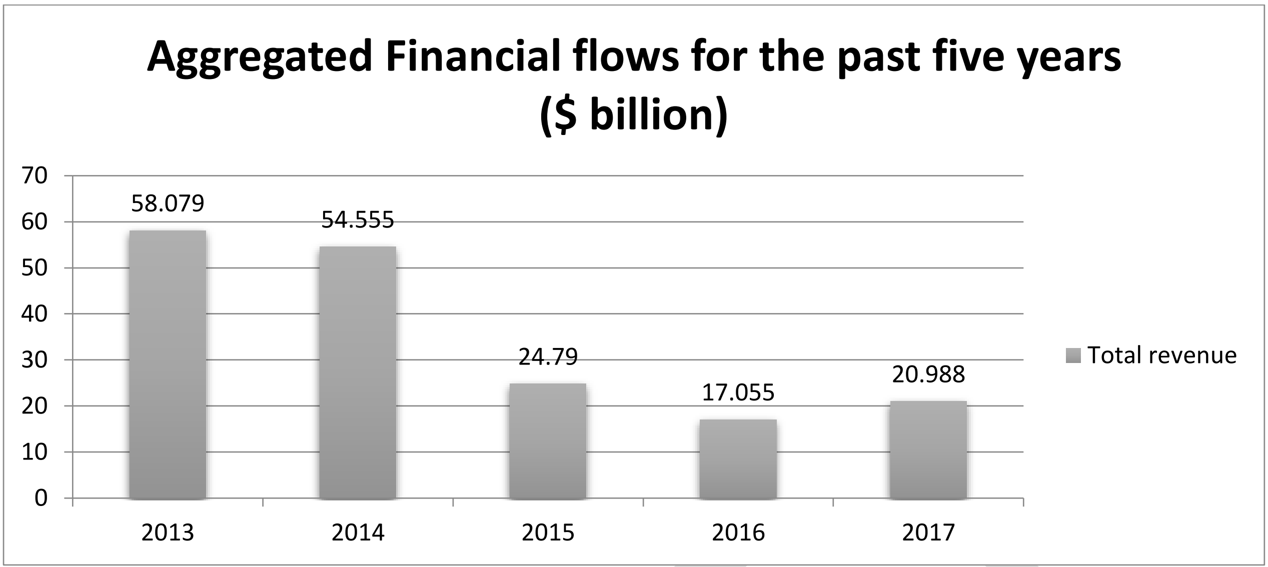
4.1.2 Five-year aggregate financial flows

The table below shows the trend analysis of petroleum revenues to the government from 2013 to 2017. There was a steady decline in year-on-year revenues from 2013 to 2016, with the sharpest drop of 54.55% observed in 2015 from 2014. The year under review experienced an increase in revenue by 20%, i.e from US$17.055billion in 2016 to US$20.988billion in 2017.

Table 4-4 Aggregate financial flows in the past five years

YEAR	2013	2014	2015	2016	2017	TOTAL
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Total	58,079,681.00	54,555,279.00	24,790,797.00	17,054,599.00	20,988,435.51	175,215,401.69
Difference		(3,524,402.00)	(29,764,482.00)	(7,736,198.00)	3,933,836.51	-
% Change		(6%)	(55%)	(31%)	23%	-

Figure 4-1 Aggregate financial flows in the past five years



4.2 Company Level Financial Flows

The report considered seventeen financial flows as listed below. Fourteen from that list were reconciled using both primary source documents and third-party confirmations. Whereas three were unilaterally disclosed. The revenue streams validated and reconciled are:

1. Petroleum Profits Tax (PPT)
2. Royalty (oil)
3. Royalty (gas)
4. Company Income Tax (CIT)
5. Education Tax
6. Concession Rentals
7. NDDC Levy
8. NCDMB Payments
9. Gas Flared Penalty
10. Dividend, interest and loan repayment by NLNG
11. Capital Gains Tax
12. Value Added Tax
13. Signature Bonus
14. Pipeline Transportation fee

The revenue streams unilaterally disclosed are:

15. NESS Fees
16. Withholding Tax
17. Pay as You Earn (PAYE)

Tables 5-5 and 5-6 show financial flows from the 17 revenue streams and summaries from companies in 2017;

Table 4-5 Summary of financial flows by Revenue streams

S/N	Financial flows	2017 ($)	2016 ($)	% Change
1	PPT	5,047,573,682.51	4,216,907,537.00	20%
2	Royalty Oil	2,187,709,484.50	1,577,039,768.00	39%
3	Royalty Gas	113,756,681.32	66,077,913.00	72%
4	CGT	519,499.50	176,515,841.00	-99.7%
5	VAT	548,931,774.63	563,801,405.00	-3%
6	CIT	268,776,202.75	314,845,606.00	-15%
7	WHT	573,930,150.62	763,936,272.00	-25%
8	EDT	286,575,032.85	317,853,133.00	-10%
9	NESS	24,111,597.29	16,805,364.00	43%
10	NCDMF	99,609,247.33	129,403,420.00	-23%
11	NDDC	545,328,071.31	492,065,771.00	11%
12	Concession Rentals	1,163,457.47	824,018.00	41%
13	Gas Flare Penalty	6,553,242.26	8,799,411.00	-26%
14	PAYE	4,940,592.80	41,209,736.00	-88%
15	Signature Bonus	156,765,109.00		
16	NLNG Dividend, Interest and Loan Repayment	833,734,746.00	390,234,415.70	114%
17	Pipeline Transportation Fee	99,475,483.58	2,528,552.00	3834%
	Total	**10,799,454,055.72**	**9,078,848,162.70**	**19%**

Table 5-5 shows an increase of 19% in aggregate company level flows from 2016.

Table 4-6 Summary of financial flows for companies

S/N	Company's Name	Amount $
1	ADDAX Petroleum Exploration Nigeria Ltd	33,515,539.79
2	Agip Exploration Natural Resources (AENR)	4,735,630.69
3	AITEO Eastern E&P Company Ltd	33,218,414.67
4	Amni International Petroleum Development Company Limited	8,479,514.41

5	Atlas Petroleum International Ltd	9,375,524.38
6	Belema oil Producing Limited	8,371,018.64
7	Britannia- U Nigeria Ltd	895,004.06
8	Chevron Nigeria Ltd	644,372,193.48
9	Conoil Producing Ltd	13,542,385.75
10	Continental Oil and Gas Ltd	22,279,874.00
11	Dubri Oil Company Ltd	1,274,443.19
12	Energia Limited	7,042,266.42
13	Equinor Nigeria Energy Company Limited	692,133,586.83
14	Eroton E&P company limited	50,018,426.64
15	ESSO Exploration and Production Nigeria (Offshore East) Limited	188,591,459.99
16	Excel E&P	331,211.56
17	Famfa Oil Ltd	350,946,545.86
18	FHN	6,393,263.99
19	Frontier Oil Limited	1,555,775.04
20	GEIL	3,449,711.69
21	Midwestern Oil and Gas Company Ltd	25,147,383.21
22	Mobil Producing Nigeria Ltd	1,350,548,128.48
23	Moni Pulo Limited	14,671,251.86
24	ND Wesstern	4,468,356.11
25	Network E&P	1,465,322.37
26	Newcross Exploration and Production	6,189,602.88
27	Newcross Petroleum	2,401,382.32
28	Niger Delta Petroleum Resources Limited	7,514,050.92
29	Nigerian Agip Exploration (NAE)	24,516,877.14
30	OANDO Oil Ltd	103,148,438.56
31	OANDO Production Development Company Ltd	-
32	OANDO Qua Ibo Ltd	-
33	Panocean Oil Nigeria Limited	192,609.80
34	Platform Petroleum	3,707,281.95
35	Seplat Petroleum Development Company	54,431,763.90
36	Shell Petroleum Development Company	769,222,108.12
37	Shoreline Natural Resources Ltd	14,613,909.53
38	SNEPCO	1,353,114,365.83
39	Star Deep Water Petroleum Limited	600,101,850.67
40	Sterling Oil Exploration & Energy Production Company Limited (SEEPCO)	200,062,845.91
41	TEPNG	595,961,224.47
42	Universal Energy Resources Limited	1,229,636.43
43	Waltersmith Petroman Oil Ltd	3,197,761.11
44	NPDC	846,308,159.55
45	Oriental Energy Resources Limited	50,673,269.79
46	ESSO E&P (Erha)	922,665,124.12
47	Petrobrass	150,617,380.28

48	Brasoil	4,270,835.78
49	TUPNI	367,179,973.55
50	NAOC	310,386,168.31
51	Neconde	2,937,689.25
52	Sapetro	3,155,759.68
53	ADDAX Petroleum Development Nigeria Ltd(APDNL)	79,528,611.88
54	Pillar Oil	7,029,251.60
55	ESSO OTHERS	2,220,656.49
	Sub Total	**9,963,400,822.97**
	Unilateral Disclosure	2,318,486.75
	NLNG	833,734,746.00
	TOTAL	**10,799,454,055.72**

From Table 5-5, the sum of US$10.799 billion flowed from seventeen revenue streams and Table 5-6 shows each company's total contribution to these revenue streams. The unilateral disclosure of US$2.318 is the aggregate of concession rentals and signature bonus confirmed from DPR records.

There was a total underpayment of US$677.087 million from seven revenue streams as at 31st December, 2017 as shown in Table 5-7. NPDC accounted for 73% of this underpayment. However most of the underpaid amounts were subsequently cleared by concerned companies as at the time of reporting. For more details and breakdown on companies responsible for the underpayment, see Appendix 5.

Table 4-7 Underpaid Flows

Financial Flows	Amount ($)
NESS	754,124.87
Gas Royalty	40,668,066.37
Oil Royalty	594,377,220.70
Gas Flare Penalty	2,926,900.27
NDDC	37,519,017.62
NCDMB	723,730.77
Concession Rentals	117,495.30
Total	**677,086,555.90**

Source: NEITI Oil and Gas Templates

4.3 Summary of reconciliation of aggregate company financial flows

Reconciliation of financial flows was conducted by; validating the data provided in initial templates with payment instruments (source documents) to ensure completeness and accuracy and comparing initial data from templates submitted by government agencies and companies. To aid analysis, payments made in Naira and other were converted to US$ using an international average rate as presented in Table 1-0. The total unresolved difference with respect to company level flows was US$155.855 million. This represents 1.44% of the aggregated company level flows of US$10.799 billion.

The unresolved difference between government and companies arose from the following:

- Concession Rentals: The un-reconciled difference of US$542,855 arose from payments not reported by the companies but confirmed in DPR records.
- NCDMB Levy: The un-reconciled difference of US$28,130 (US$265 from NAOC, US$9,552 from NAE and US$18,313 from GEIL).
- Signature Bonus: The un-reconciled difference of US$154.765 million was because these payments were not reported by the companies but were confirmed in DPR records.
- Capital Gains Tax: The un-reconciled difference of US$519,500 was from payment not reported by the company but was confirmed in FIRS records.

A summary is presented in the Tables 5-8 and 5-9 below.

Table 4-6 Reconciliation of company financial flows by revenue stream

		Initial Templates			Adjustment			Reconciled
S/N	Financial Flow	Govt	Company	Difference	Govt	Company	Difference	Govt
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
1	CIT	266,449.44	267,549.39	-1,099.95	2,326.76	1,226.81	1,099.95	268,776.20
2	EDT	251,648.26	258,693.36	-7,045.10	34,926.77	27,881.67	7,045.10	286,575.03
3	GFP	6,452.10	6,798.19	-346.09	101.15	-244.94	346.09	6,553.25
4	NDDC	420,456.35	536,310.20	-115,853.85	124,871.72	9,017.87	115,853.85	545,328.07
5	Oil Royalty	1,675,024.31	1,744,515.98	-69,491.67	512,685.17	443,193.50	69,491.67	2,187,709.48
6	Gas Royalty	110,923.46	121,023.77	-10,100.31	2,833.22	-7,267.09	10,100.31	113,756.68
7	PPT	2,933,207.51	3,733,423.52	-800,216.01	2,114,366.18	1,314,150.17	800,216.01	5,047,573.69
8	VAT	576,330.81	544,141.54	32,189.27	-27,399.03	4,790.24	-32,189.27	548,931.78

9	Concession Rentals	1,163.46	620.6	542.86	-	-	-	1,163.46	
10	NLNG Dividend, Interest and Loan Repayments	833,734.75	-	833,734.75	-	833,734.75	833,734.75	833,734.75	
11	NCDMF	101,109.89	98,483.55	2,626.34	-1,500.65	1,097.57	-2,598.22	99,609.24	
12	Pipeline Transportation	-	99,475.48	-99,475.48	99,475.48	-	99,475.48	99,475.48	
13	CGT	519.49		519.49	-	-	-	519.49	
14	Signature Bonus	156,765.00	2,000.00	154,765.00	-	-	-	156,765.00	
	Total	**7,333,784.83**	**7,413,035.58**	**-79,250.75**	**2,862,686.77**	**2,627,580.55**	**235,106.22**	**10,196,471.60**	**1**

Table 4-9 Reconciliation of company financial flows by company

		Initial Templates			Adjustment			Reconc
S/N	**Entity**	**Govt**	**Company**	**Difference**	**Govt**	**Company**	**Difference**	**Govt**
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
1	Network E&P	869.24	2,521.52	-1,652.29	596.09	-1,056.20	1,652.29	1,465.32
2	Oando Oil Ltd	99,654.36	101,654.45	-2,000.09	3,494.08	1,493.99	2,000.09	103,148.44
3	Equinor	694,567.90	673,245.42	21,322.47	-2,434.31	18,856.88	-21,291.19	692,133.59
4	Shoreline	11,275.48	24,033.18	-12,757.70	3,338.43	-9,419.27	12,757.70	14,613.91
5	Continental.	31,779.77	22,279.87	9,499.90	-9,499.90	0	-9,499.90	22,279.87
6	CONOIL	7,612.08	7,894.47	-282.39	5,930.30	1,647.94	4,282.36	13,542.39
7	CNL	656,567.69	705,497.60	-48,929.91	-12,195.50	-61,125.41	48,929.91	644,372.19
8	Beleema	7,612.08	7,894.47	-282.39	758.93	476.55	282.39	8,371.02
9	ATLAS	7,612.08	7,894.47	-282.39	1,763.44	-8.95	1,772.39	9,375.52
10	SNEPCO	854,567.90	1,328,490.20	-473,922.30	498,546.47	24,605.04	473,941.43	1,353,114.37
11	SAPETRO	3,033.87	3,327.27	-293.4	121.89	-171.51	293.4	3,155.76
12	MONIPULO	11,617.71	333.19	11,284.51	3,053.55	14,293.89	-11,240.35	14,671.25
13	Frontier	989.71	1,519.04	-529.33	566.07	36.73	529.33	1,555.78
14	Esso Erha	893,456.79	938,774.36	-45,317.56	29,208.33	-16,139.48	45,347.82	922,665.12
15	SPDC	765,434.57	766,323.46	-888.89	3,787.54	-31,101.35	34,888.89	769,222.11
16	Pillar Oil	6,367.50	6,424.88	-57.39	661.76	304.37	357.39	7,029.25
17	FHN	6,367.50	6,424.88	-57.39	25.77	-31.62	57.39	6,393.26
18	Britania-U	806.21	25,790.42	-24,984.21	88.79	-24,895.42	24,984.21	895
19	AMNI	2,552.98	2,430.93	122.05	5,926.53	2,044.90	3,881.64	8,479.51
20	TUPNI	380,663.15	367,947.76	12,715.38	-13,483.17	-767.79	-12,715.38	367,179.97

21	TEPNG	548,616.77	556,911.79	-8,295.03	47,344.46	39,049.43	8,295.03	595,961.22
22	Neconde	3,826.27	3,826.27	0	-888.58	-888.58	0	2,937.69
23	Waltersmith	2,804.27	3,311.58	-507.32	393.49	-113.82	507.32	3,197.76
24	Petrobrass	144,567.89	150,651.77	-6,083.88	6,049.49	-34.39	6,083.88	150,617.38
25	Universal	886.7	1,487.22	-600.52	342.94	-257.58	600.52	1,229.64
26	SEEPCO	178,909.88	200,662.81	-21,752.93	21,152.97	-615.62	21,768.59	200,062.85
27	Excel E&P	461.84	531.69	-69.85	-130.63	-200.48	69.85	331.21
28	Stardeep	802,990.06	596,725.04	206,265.02	-202,888.21	3,376.81	-206,265.02	600,101.85
29	APDNL	35,270.41	80,036.89	-44,766.47	44,258.20	-508.27	44,766.47	79,528.61
30	Oando Production Development Company ltd	-	-	-	-	-	-	-
31	Oando Qua Iboe	-	-	-	-	-	-	-
32	Newcross Pet.	2,239.41	2,418.50	-179.09	161.97	-527.12	689.09	2,401.38
33	Newcross E&P	6,122.13	6,201.34	-79.2	67.47	-11.73	79.2	6,189.60
34	ND Western	1,104.69	1,574.24	-469.55	3,363.67	2,894.12	469.55	4,468.36
35	AENR	4,608.75	66,751.84	-62,143.09	126.88	-62,104.96	62,231.84	4,735.63
36	GEIL	3,215.67	49,664.14	-46,448.47	234.04	-46,232.74	46,466.78	3,449.71
37	NAE	28,496.20	29,058.94	-562.74	-3,979.33	-4,551.62	572.29	24,516.88
38	NAOC	298,735.94	326,869.41	-28,133.47	11,650.23	-16,433.64	28,083.87	310,386.17
39	NPDC	723,256.60	748,922.12	-25,665.51	123,051.56	-8,961.73	132,013.28	846,308.16
40	Energia	44,916.91	47,859.17	-2,942.26	-37,874.65	-41,016.91	3,142.26	7,042.27
41	Eroton	59,335.80	54,869.42	4,466.38	-9,317.37	-4,999.78	-4,317.59	50,018.43
42	Mobil	1,349,319.04	1,345,444.71	3,874.33	1,229.09	4,583.93	-3,354.84	1,350,548.13
43	Platform	2,710.88	2,893.51	-182.62	996.4	113.82	882.57	3,707.28
44	Seplat	47,376.76	53,702.12	-6,325.36	7,055.00	719.67	6,335.33	54,431.76
45	Esso Usan	187,654.79	183,456.10	4,198.69	936.67	4,635.36	-3,698.69	188,591.46
46	Aiteo	35,131.70	32,938.94	2,192.75	-1,913.28	279.47	-2,192.75	33,218.41
47	APENL	20,124.00	27,608.72	-7,484.73	13,391.54	5,906.81	7,484.73	33,515.54
48	Brasoil	2,093.60	4,246.05	-2,152.45	2,177.23	24.78	2,152.45	4,270.84
49	Famfa Oil	345,898.77	343,456.79	2,441.98	5,047.78	7,489.76	-2,441.98	350,946.55
50	Midwestern	25,037.84	30,260.81	-5,222.97	109.54	-5,113.43	5,222.97	25,147.38
51	NDPR	7,806.75	9,714.09	-1,907.34	-292.7	-2,200.04	1,907.34	7,514.05
52	Panocean	195.16	30.34	164.82	-2.55	162.27	-164.82	192.61
53	Dubri	4,376.38	3,552.30	824.08	-3,101.94	-2,277.86	-824.08	1,274.44
54	Oriental	47,459.38	48,553.64	-1,094.26	3,213.89	1,519.67	1,694.22	50,673.27
55	ESSO Others	1,980.22	2,004.45	-24.24	240.44	216.2	24.24	2,220.66
	Sub-Total	**9,410,940.03**	**10,016,898.59**	**-605,958.62**	**552,460.80**	**-207,034.91**	**759,495.71**	**9,963,400.81**
	Unilateral disclosure	2,318.38		2,318.38				2,318.49
	NLNG	833,734.75		833,734.75		833,734.75	-833,734.75	833,734.75
	Total	**10,246,993.16**	**10,016,898.59**	**230,094.51**	**552,460.80**	**626,699.84**	**-74,239.04**	**10,799,454.0**

4.4 Social Expenditures by Extractive Companies

4.4.1 Social expenditure

Social expenditures are expenses or contributions by extractive companies in their areas of operations that aim to promote socioeconomic and infrastructural development and foster better partnerships with host communities. These payments can be mandatory (mandated by law or contractual obligations) or non-mandatory (i.e. discretionary) and can be made either in cash or in-kind.

In the oil sector, mandatory social expenditures or contributions are; the Niger Delta Development Commission (NDDC) and Nigerian Content Development Monitoring Board (NCDMB) levies. These mandatory contributions are for specific purposes and are made to subnational government entities. See sections 3.1.11 and 3.1.12 of Appendix 2 for details of these contributions.

Non-mandatory social expenditures are those incurred by companies to increase their social capital with the communities they operate in. Table 5-10 contains non-mandatory social expenditure by oil and gas companies in 2017.

Table 5-10 Social Expenditure by companies

S/N	ENTITY	NUMBER OF PROJECTS	BASE FIGURE($)
1	SPDC	120	4,972,315.02
2	WALTERSMITH	3	113,822.47
3	PILLAR OIL	5	180,201.23
4	UNIVERSAL ENERGY	45	257,410.21
5	ESSO ERHA	1	54,377.05
6	PLATFORM	9	250,293.14
7	BRITTANIA-U	1	2,022,400.92
8	NETWORK E&P	10	76,826.07
9	CHEVRON NIG LTD	47	3,330,732.87
10	ENERGIA	41	1,440,242.91
11	ORIENTAL ENERGY	1	65,573.77
12	SNEPCO	21	338,490.79
13	NDPR	4	965,067.15
14	MOBIL	12	1,206,106.22
15	TEPNG	8	20,479,320.75
16	ADDAX-APDNL	24	659,000.00
17	MIDWESTERN	24	196,791.74
18	BELEMA	8	2,752,257.45
19	SEPLAT	4	731,432.35
20	FRONTIER	3	82,830.35
21	GREEN ENERGY	1	491,320.01
22	SAPETRO	1	139,634.46
23	SEEPCO	8	5,354,591.19
24	STARDEEP	35	13,529,206.46
25	NAE	4	436,570.59
26	AENR	1	212,030.79

	GRAND TOTAL	**441**	**60,338,845.96**

Source: NEITI Oil and Gas templates

From the table above,the sum of US$60.339 million was expended for this category of social expenditure by extractive companies in 2017. More details on non-mandatory social expenditure can be found in Appendix 6.

4.5 Quasi-Fiscal Expenditure

Quasi-fiscal expenditures according to the EITI, "refer to payments for social services, public infrastructure, and fuel subsidies and national debt servicing outside the national budgetary process". It also refers to material public expenditures made by a State-Owned Enterprise (SOE) or its subsidiaries on behalf of the State outside the budgetary process.

For the year under review, a quasi-fiscal expenditure termed ''Under Recovery'' was identified, this came on stream in 2016 as a replacement of the subsisting subsidy. Under Recovery is an associated cost incurred by NNPC in the process of importation of PMS for domestic use. This amount is deducted as a first item of expenditure from revenues realised from domestic crude sales. The total cost incurred for Under Recovery in the year under review, was N141.632 billion. This amount was offset from domestic crude sales as a first item of cost to the refined product importation process. See the 2017 Commodity Trading Report for more details.

4.6 Transportation Revenue

Transportation revenue accrues to government through the transport of crude oil by third parties (sole risk and marginal field operators) through pipelines owned by the joint venture (JV) partners. The JV operator in-turn pays the federation its share through NNPC on the basis of the federation's equity in the respective JV. The transportation revenue in this category is the crude handling or haulage fees or charges. These fees are determined by the JV operator based on prevailing market rates. They also confirm that crude handling charges are paid by third parties to the JV operator in cash and the third parties capture these payments as operating expenses hence they are tax deductible.

In 2017, the revenue earned from the pipeline transportation stream was US$99.475 million. This was the earnings from federation's 55% share in the SPDC JV. The report confirms this payment based on evidence provided by the paying company, this payment was however not confirmed by NNPC as at the time of reporting.

5. CASH CALL FUNDING

5.1 Introduction

The Federation via NNPC participates in joint ventures with oil companies for the exploration and production of crude oil in Nigeria. NAPIMS, a business unit of the NNPC manages amongst other functions, the interests of the Federation in these ventures with a view to maximize return on investments through effective supervision. As the operators of these arrangements in most instances, the JV companies carry out exploration and production activities. These processes require funding from equity partners on a defined basis in this instance - monthly basis. The funding is provided on the basis of equity holding as drawn out in the Joint Venture or Operating Agreement (JVA/JOA). This process is termed Cash Call.

Table 5-1: Schedule of Joint Venture Companies and their Equity Participation

S/NO	JV OPERATOR	EQUITY PARTICIPATORY INTEREST														
		NNPC	SHELL	MOBIL	CHEVRON	TEPNG	NAOC	PANOCEAN	NEWCROSS	FIRST E&P	EROTON	AITEO	BELEMA	SEPLAT	WAEP	AMNI
		%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
1	SHELL	55	30			10	5									
2	MOBIL	60		40												
3	CHEVRON	60			40											
4	TEPNG	60				40										
5	PANOCEAN	60						40								
6	NPDC /CNL	60			40											
7	NPDC /SPDC	55	45													
8	NNPC/NEPL	55							45							
9	NNPC/FEPL	60								40						
10	NNPC/EROTON	55									45					
11	NNPC/AITEO	55										45				
12	NNPC/BELEMA	60											40			
13	NNPC/SEPLAT	60												40		
14	NNPC/WAEP	55													45	
15	NNPC/AMNI	60														40

From the schedule above, fifteen JV companies were in operation in 2017 with the Federation owning stakes ranging from 55-60 across these ventures.

In 2016, NNPC transferred its equity stake in Nigeria Agip Oil Company (NAOC) JV to NPDC, while AMNI International Petroleum Development Company joined the ranks of JV companies in December 2016 by acquiring stakes divested by some JV companies.

5.2 Cash Call Budget

Cash calls are based on the Annual Work Programme of each Joint Operation. This covers all exploration, development, production, drilling, technical and administrative operations for both oil and gas.

The NNPC presents cash call budget to the National Assembly for approval as required by the Constitution. NNPC and other partners including the JV operator sign off the agreement after the requests are reviewed. The Operating Committee (OPCOM) as provided in the Joint Operation Agreement (JOA) approves the work programme agreed in advance by the JV partners. The OPCOM is constituted in accordance with the JOA and is charged with the overall supervision, control and direction of all matters pertaining to the joint operations.

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5.2.1 Variance analysis of budgeted cash call to actual funding for 2017

The table below shows the comparison of budgeted cash call to actual funding.

Table 5-2 comparison of budgeted cash call to actual funding

	Budget	Actual	VARIANCE	% Funding
	US$'000	US$'000	US$'000	%
Cash call for 2017	8,473,835	4,129,963	4,343,871	49%

The total cash call budget for 2017 was US$8.474 billion while the actual funds made available for the year was US$4.129 billion causing a variance of US$4.344 billion. This implies that only 49% of the approved budget in respect of the fifteen JV operations was funded in the year.

5.3 Monthly Cash Call Funding

The Federation funded the JV operations based on monthly request as per the operational campaign to meet approved expenditure (Capex and Opex). See below the bank accounts maintained in Naira and Dollar for JV Cash call:

Table 5-3 List of JV USD Proceed Accounts

LIST OF JV PROCEED ACCOUNTS – USD		
S/NO	**DESCRIPTION**	**BANK**
1	NAPIMS CBN USD JVCC ACCOUNT	STANDARD CHARTERED BANK
2	CBN NNPC OIL AND GAS PROCEEDS AGIP JVC USD	ZENITH UK
3	CBN NNPC OIL AND GAS PROCEEDS AITEO JVC USD	ZENITH UK
4	CBN NNPC OIL AND GAS PROCEEDS EROTON JVC USD	ZENITH UK
5	CBN NNPC OIL AND GAS PROCEEDS MOBIL JVC USD	ZENITH UK
6	CBN NNPC OIL AND GAS PROCEEDS NEWCROSS JVC USD	ZENITH UK
7	CBN NNPC OIL AND GAS PROCEEDS BELEMA JVC USD	ACCESS UK
8	CBN NNPC OIL AND GAS PROCEEDS CHEVRON JVC USD	ACCESS UK
9	CBN NNPC OIL AND GAS PROCEEDS PANOCEAN JVC USD	ACCESS UK
10	CBN NNPC OIL AND GAS PROCEEDS SHELL JVC USD	ACCESS UK
11	CBN NNPC OIL AND GAS PROCEEDS TOTAL JVC USD	ACCESS UK
12	CBN NNPC OIL AND GAS PROCEEDS AMNI JVC USD	FCMB UK
13	CBN NNPC OIL AND GAS PROCEEDS WAEP JVC USD	FCMB UK
14	CBN NNPC OIL AND GAS PROCEEDS SEPLAT JVC USD	FBN UK
15	CBN NNPC OIL AND GAS PROCEEDS FIRST E&P JVC USD	FBN UK

Joint venture cash call bank accounts were maintained in Zenith Bank , Access Bank , Standard Chartered Bank, First City Monument Bank and First Bank Nigeria (all domiciled in the United Kingdom) for the dollar JV cash call function while the Central Bank of Nigeria served as bankers for the JV Naira function.

Table 5-4 List of JV Proceed Accounts – Naira

LIST OF JV PROCEED ACCOUNTS - NAIRA		
S/NO	**DESCRIPTION**	**BANK**
1	NAPIMS CBN NAIRA JVCC ACCOUNT	CBN
2	CBN/NNPC OIL & GAS PROCEEDS AITEO JVC USD A/C	CBN
3	CBN/NNPC OIL & GAS PROCEEDS EROTON JVC USD A/C	CBN
4	CBN/NNPC OIL & GAS PROCEEDS NEWCROSS JVC USD A/C	CBN
5	CBN/NNPC OIL & GAS PROCEEDS TOTAL JVC USD A/C	CBN
6	CBN/NNPC OIL & GAS PROCEEDS PANOCEAN USD JVC A/C	CBN
7	CBN/NNPC OIL & GAS PROCEEDS BELEMA JVC USD A/C	CBN
8	CBN/NNPC OIL & GAS PROCEEDS CHEVRON JVC USD A/C	CBN
9	CBN/NNPC OIL & GAS PROCEEDS SHELL JVC USD A/C	CBN
10	CBN/NNPC OIL & GAS PROCEEDS MOBIL JVC USD A/C	CBN
11	CBN/NNPC OIL & GAS PROCEEDS AGIP JVC USD A/C	CBN

12	CBN/NNPC OIL & GAS PROCEEDS AMNI JVC USD A/C	CBN
13	CBN/NNPC OIL & GAS PROCEEDS WAEP JVC USD A/C	CBN
14	CBN/NNPC OIL & GAS PROCEEDS SEPLAT JVC USD A/C	CBN
15	CBN/NNPC OIL & GAS PROCEEDS FIRST E&P JVC USD A/C	CBN

Source: NAPIMS Response

5.3.1 Analysis of Monthly Cash Call Funding

The summary of Cash Call paid (on Crude Oil and Domestic Gas) by NNPC/NAPIMS to JV operators in 2017 was US$4.129 billion.

Table 5-5 Monthly Summary of Naira and Dollar Cash call paid by NNPC to JV operators

Month	US$'000	=N='000	EQV. USD $'000	Weighted Average
January	115,598	53,913,499	292,364	7%
February	131,648	49,172,341	292,869	7%
March	134,102	47,287,906	289,144	7%
April	146,109	44,477,267	291,936	7%
May	139,913	49,103,995	300,910	7%
June	165,244	59,922,028	361,710	9%
July	169,460	54,391,348	347,792	8%
August	178,160	56,302,479	362,759	9%
September	185,024	59,888,409	381,379	9%
October	185,173	59,455,910	380,110	9%
November	195,821	63,859,899	405,198	10%
December	209,489	65,362,735	423,793	10%
TOTAL	**1,955,741**	**663,137,814**	**4,129,963**	**100%**

Source: 2017 NAPIMS template

5.4 Analysis of Dollar and Naira Cash call (on Crude Oil and Domestic Gas) paid by NNPC to JV operators

The table below shows the summary of US Dollar and Naira cash call for crude oil and domestic gas paid by NAPIMS to JV operators for the year under review.

Table 5-6 summary of US Dollar and Naira cash call for crude oil and domestic gas paid by NAPIMS to JV operators

S/NO	JV OPERATORS	US$'000	=N='000	US$'000	Weighted Average
1	SHELL	617,319	199,317,911	1,270,820	30.77%
2	MOBIL	479,873	140,619,795	940,921	22.78%
3	CHEVRON	433,856	146,557,749	914,373	22.14%
4	TEPNG	224,472	80,636,090	488,853	11.83%
5	PANOCEAN	14,413	6,117,083	34,469	0.83%
6	NPDC /CNL	2,164	1,962,526	8,599	0.21%
7	NPDC /SPDC	10,121	3,313,511	20,985	0.51%
8	NNPC/NEPL	34,079	12,086,454	73,707	1.78%
9	NNPC/FEPL	3,152	2,784,821	12,283	0.30%
10	NNPC/EROTON	39,809	14,457,275	87,210	2.11%
11	NNPC/AITEO	51,830	37,561,946	174,984	4.24%
12	NNPC/BELEMA	37,129	13,942,289	82,842	2.01%
13	NNPC/SEPLAT	5,101	2,229,250	12,410	0.30%
14	NNPC/WAEP	3	1,155,373	3,791	0.11%
15	NNPC/AMNI	2,419	395,739	3,717	0.09%
	TOTAL	**1,955,740**	**663,137,814**	**4,129,963**	**100%**

Source: 2017 NAPIMS cash call bank statements

From the sum of US$4.129 billion paid by NNPC/NAPIMS as cash call to all JV operators shown in Table 6-6, payments to three companies; Shell, Chevron and Mobil constituted US$ 3.126 billion (i.e 75.68%) of the total cash call paid for the year under review.

5.5 Analysis of E&P (Crude) Dollar and Naira Cash call paid by NNPC to JV operators

The table below shows the summary of dollar and naira cash call for crude oil paid by NAPIMS to JV operators for the year under review.

Table 5-7 Summary of dollar and naira cash call for crude oil paid by NAPIMS to JV operators

S/NO	JV OPERATORS	US$'000	=N='000	EQV. USD'000	Weighted Average
1	SHELL	376,213	175,682,008	952,220	25%
2	MOBIL	470,068	138,797,431	925,141	25%
3	CHEVRON	408,492	144,569,666	882,491	24%
4	TEPNG	224,472	80,636,090	488,853	13%
5	PANOCEAN	14,069	6,069,902	33,971	1%

6	NPDC /CNL	2,164	1,962,526	8,599	0.2%
7	NPDC /SPDC	8,103	3,021,980	18,011	0.5%
8	NNPC/NEPL	34,058	12,040,886	73,536	2%
9	NNPC/FEPL	3,152	2,784,821	12,283	0%
10	NNPC/EROTON	36,821	13,842,583	82,206	2%
11	NNPC/AITEO	51,830	37,561,946	174,984	5%
12	NNPC/BELEMA	37,129	13,942,289	82,842	2%
13	NNPC/SEPLAT	5,101	2,229,250	12,410	0.3%
14	NNPC/WAEP	3	1,155,373	3,791	0.1%
15	NNPC/AMNI	2,419	395,739	3,717	0.1%
	TOTAL AMOUNT	**1,674,095**	**634,692,490**	**3,755,054**	**100%**

Source: 2017 NAPIMS cash call bank statements

From the table above, US$3.755 billion was transferred by NAPIMS to JV operators for E&P (crude) cash call in 2017. In the case of E & P activities for crude production, the total amount in dollar for cash call paid during the year was US$3.755 billion. Forty Five (45%) of this amount was paid in dollar while the remaining balance of 55% was paid in Naira.

5.6 Analysis of DOM GAS Dollar and Naira Cash call paid by NNPC to JV operators

The table below shows the summary of dollar and naira cash call for domestic gas paid by NAPIMS to JV operators for the year under review.

Table 5-8 summary of dollar and naira cash call for domestic gas paid by NAPIMS to JV operators

S/NO	JV OPERATORS	US$'000	=N='000	EQV. USD'000	Weighted Average
1	SHELL	241,106	23,635,903	318,601	85%
2	MOBIL	9,805	1,822,364	15,780	4%
3	CHEVRON	25,363	1,988,084	31,881	9%
4	TEPNG	-	-	-	
5	PANOCEAN	343	47,182	498	0.1%
6	NPDC /CNL	-	-	-	
7	NPDC /SPDC	2,019	291,531	2,974	0.8%
8	NNPC/NEPL	21	45,568	171	0.05%
9	NNPC/FEPL	-	-	-	
10	NNPC/EROTON	2,989	614,693	5,004	1%
11	NNPC/AITEO	-	-	-	
12	NNPC/BELEMA	-	-	-	
13	NNPC/SEPLAT	-	-	-	

14	NNPC/WAEP	-	-	-	
15	NNPC/AMNI	-	-	-	
	TOTAL AMOUNT	**281,645**	**28,445,324**	**374,909**	**100%**

Source: 2017 NAPIMS cash call bank statements

From the table above, US$374.909 million was transferred by NAPIMS to JV operators as cash call for Domestic Gas production in 2017. Of that total amount, 75% was paid to the operators in dollar while the remaining 25% was paid in Naira.

5.7 Cash Call Payment Trend Analysis (2013-2017)

See below trend analysis of Cash Call funding (Oil and Domestic Gas) from 2013 to 2017.

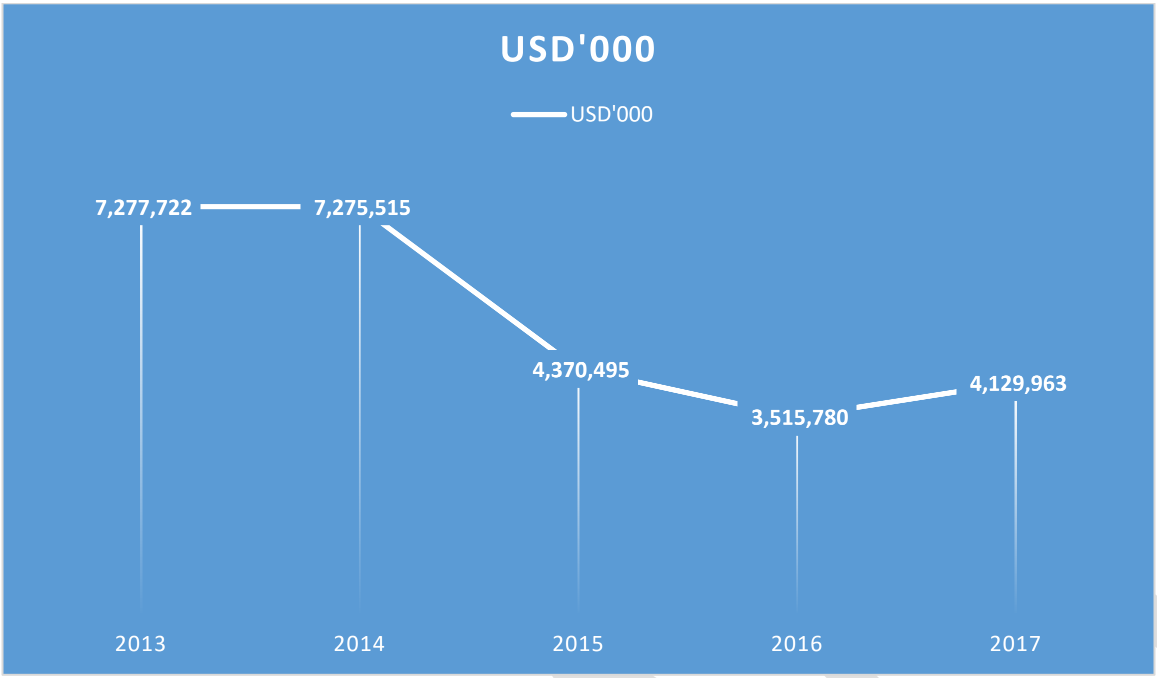
Table 5-9 Trend analysis of Cash Call funding (Oil and Domestic Gas) from 2013 to 2017

	2013	2014	2015	2016	2017
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**
TOTAL FUNDING	7,277,722	7,275,515	4,370,495	3,515,780	4,129,963
Percentage Increase/(Decrease)		-0.03%	-39.93%	-19.56%	17.49%

Source: NEITI Audit Reports.

From the schedule above, it can be observed that Cash Call payments made by NAPIMS to JV operators has experienced fluctuations overtime.

Figure 5-1 Trend Analysis (2013-2017)



There was a steady decline in the year-on-year cash call payment from 2013 to 2016, with the sharpest drop of 39.93% experienced in 2015 when compared with 2014. This general decline in payment of cash call from 2013 to 2016 could be a result of; economic meltdown and low oil prices during these periods amongst other factors. The year under review experienced an increase in cash call paid to JV operators from; US$3.516billion in 2016 to US$4.129 billion in 2017.

Table 6-10 Comparison of cash call payment by NNPC/NAPIMS to JV operators (2016-2017)

	2016	2017	Increase/(Decrease)	
JV OPERATORS	**USD'000**	**USD'000**	**USD'000**	**%**
SHELL	846,854	1,270,820	423,966	50.06%
MOBIL	626,155	940,921	314,766	50.27%
CHEVRON	989,665	914,373	(75,292)	-7.61%
TEPNG	527,466	488,853	(38,613)	-7.32%
PANOCEAN	196,092	34,469	(161,623)	-82.42%
NPDC /CNL	2,627	8,599	5,971	227.29%
NPDC /SPDC	13,509	20,985	7,476	55.34%
NNPC/NEPL	48,461	73,707	25,246	52.09%
NNPC/FEPL	8,541	12,283	3,742	43.81%
NNPC/EROTON	57,005	87,210	30,205	52.99%
NNPC/AITEO	101,417	174,984	73,566	72.54%

NNPC/BELEMA	7,980	82,842	74,861	938.09%
NNPC/SEPLAT	8,048	12,410	4,363	54.21%
NNPC/WAEP	722	3,791	3,069	425.04%
NNPC/NAOC	81,237	-	(81,237)	
NNPC/AMNI	-	3,717	3,717	
TOTAL	**3,515,780**	**4,129,963**		
Percentage Increase/(Decrease)		17.49%		

Shell, Mobil, Chevron and Total E&P received 75.68% of the total amount paid as cash call in 2017. There was a significant increase in cash call payments to NPDC/CNL, NNPC/Belema Oil, and NNPC/WAEP by 227.29%, 938.09% and 524.59% respectively from 2016 to 2017.

5.8 Status of 2016 Negotiated Cash Call Liabilities

The table below shows the cash call liabilities owed by the Federation

Table 5-11 Cash Call Liabilities Owed by Federation

		Negotiated cash call laibitibities as at 1st january 2016	Total arrears paid as at 31st december 2017	Total arrears paid as at 31st may 2019	Total arrears balance as at 31st may 2019
S/N	**COMPANIES**	**EQV. USD $'M**	**EQV. USD $'M**	**EQV. USD $'M**	**EQV. USD $'M**
1	NEWCROSS E & P	28	-	28	-
2	EROTON	66	-	66	-
3	AITEO	199	-	199	-
4	PanOcean	143	-	143	-
5	FEPL	0.2	-	0.2	-
6	SPDC	1,372	-	-	1,372
7	CHEVRON	1,098	-	563	534
8	MPN	834	-	791	43
9	TEPNG	611	-	135	476
10	NAOC	775	-	252	523
	TOTAL	**5,125**	**-**	**2,177**	**2,948**

Source: NAPIMS response

The total negotiated cash call liabilities as at 1st of January 2016 is US$5.125 billion. No payment was made to entities concerned as at 31st December 2017. However, at the time of filling this report, NAPIMS has made payment of US$2.177 billion leaving an outstanding balance of US$2.948 billion. All the liabilities owed to Indigenous oil companies have been settled.

All currencies are converted to US$ using an average exchange rate of N305 to US$1.00.

6. DOWNSTREAM OPERATIONS

6.1 Introduction

Downstream operations involves crude oil refining, transportation, storage and distribution. The NNPC, in 2016 assumed the responsibility of major supply of PMS to the country. This was managed through a scheme called the ''DSDP''. Under this scheme, crude is sold in the international market and the proceeds are used to purchase and import white products of equivalent value. Crude utilized through the DSDP process is sourced from crude oil allocated for domestic use. In addition to the volumes supplied by the NNPC through this programme, some volumes were supplied from the NNPC owned refineries and importation by other marketers. The white products are distributed locally across the country via pipelines and trucks.

6.2 Crude Allocation for Domestic use

The amount of crude allocated daily in Nigeria for local refining is derived from the installed refining capacities of the four government owned refineries i.e. 445.000Mbbls combined. In the last decade,this daily allocation has not reflected the actual refining capacities of these refineries.

6.2.1 Actual domestic allocation

In 2017, the NNPC allocated 105.925Mbbls for domestic use. Supply to refineries was 25% of the total volumes allocated while 69% was utilised for the DSDP scheme.

Table 6-1 Schedule of Domestic Allocation

Domestic Allocation (bbls)	
Refinery supply	26,452,014
Direct Sale Direct Purchase	72,828,139
PPMC lifting (crude product exchange and un-utilized export)	6,644,444
Total	**105,924,597**

Source: 2017 COMD-COSM Template

6.3 Utilization of Domestic Allocation

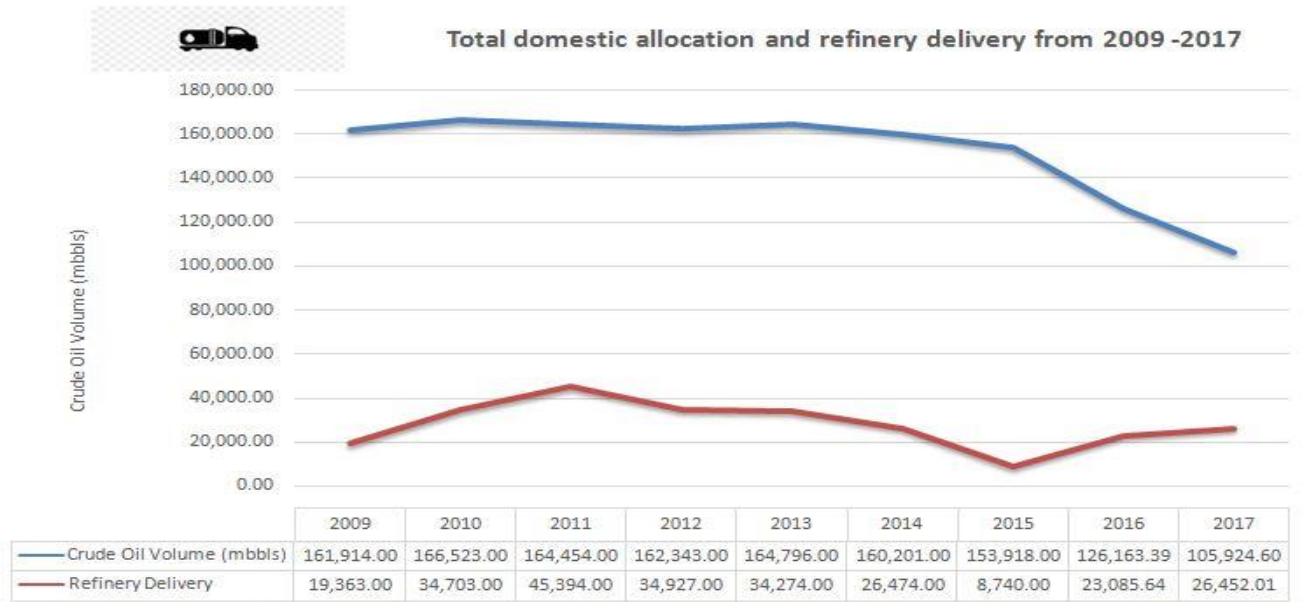
Table 6-2 Comparison of utilization of domestic allocation from 2013 – 2017

Year	Total Domestic Allocated Crude	Refinery Delivery	Unprocessed Crude Export	Offshore Processing	Crude Product Exchange	Direct Sale Direct Purchase
	Bbls'000	**Bbls'000**	**Bbls'000**	**Bbls'000**	**Bbls'000**	**Bbls'000**
2013	164,796.00	34,274.00	36,392.00	24,665.00	59,464.00	-
2014	160,201.00	26,474.00	56,181.00	21,111.00	56,435.00	-
2015	153,918.00	8,740.00	56,111.00	89,067.00	-	-
2016	126,163.39	23,085.64	*	10,440.76	36,641.60*	55,995.40
2017	105,924.60	26,452.01	1,899.97	-	4,744.47	72,828.14

Source; NEITI 2013 - 2017 Oil and Gas Audit Reports/COMD

36,641.60 - These are PPMC liftings which include crude product exchange and un-utilized export*

Figure 6-1 Total domestic allocation and refinery delivery – 2009 to 2017



Source: NEITI 2009 -2016 Oil and Gas Audit Report/NEITI Commodity Trading Report 2017

The data in table 7-2 indicates an increased delivery to refineries from 23.085Mbbls in 2016 to 26.452Mbbls in 2017.

6.4 Direct Sale Direct Purchase

The DSDP process is initiated by a request from the PPMC to COMD to provide the federation's demand for white products.

Table 6-3 Quantity of PMS supplied in 2017 through DSDP

Quantity of PMS Supplied in 2017 Under DSDP			
Month	**PPMC MT**	**NNPC RETAIL MT**	**TOTAL MT**
January	687,662.48	37,258.55	724,921.03
February	783,727.18	37,160.26	820,887.44
March	1,041,361.31	109,907.33	1,151,268.64
April	869,191.56	99,507.93	968,699.49
May	695,802.62	38,437.15	734,239.77
June	722,622.43	37,945.47	760,567.90
July	719,632.16	-	719,632.16
August	790,897.63	-	790,897.63
September	707,927.11	37,481.73	745,408.85
October	874,184.49	-	874,184.49
November	575,123.30	37,032.31	612,155.61
December	891,507.14	-	891,507.14
Grand Total	**9,359,639.40**	**434,730.73**	**9,794,370.13**
1MT = 1,356.4471935108 Litres for Liquid of 737.22kg/m³ for PMS			

Source NNPC

Table 6-4 Value of PMS import via DSDP for 2017

MONTH	PMS	AVERAGE MONTHLY PLATT	Estimated Total
	MT	$	$
January	724,921	545.95	395,768,822.39
February	820,887	561.06	460,566,033.56
March	1,151,269	550.88	634,206,040.50
April	968,699	548.84	531,658,160.12
May	734,240	530.42	389,458,253.26
June	760,568	532.28	404,837,614.96
July	719,632	498.14	358,479,361.27
August	790,898	544.55	430,679,708.34
September	745,409	608.81	453,812,358.92
October	874,184	582.53	509,234,320.62
November	612,156	611.41	374,275,542.09
December	891,507	599.41	534,374,953.43
Grand Total	**9,794,370**		**5,477,351,169.47**

Source; NNPC*Average platt for the year was US$559.520*

6.5 Refinery Balances

Refinery "balance" is the reconciliation of crude oil supplied to the refineries, the refined crude and the petroleum products supplied. Detailed report on refinery deliveries and balances can be found in Appendix 13.

As stated earlier, the refinery output forms part of the supplies of white products to the federation. Below is a summary of the output from Kaduna, Portharcourt and Warri Refineries;

Table 6-5 Summary of production from Refineries

	KADUNA REFINERY	PH REFINERY	WARRI REFINERY
PRODUCTS	PRODUCTION		
	MT	MT	MT
PMS	189,168	418,698	138,558
DPK	81,437	346,171	97,327
AGO	191,343	538,591	140,934
OFF GAS	7,903	0	0
LPFO	63,233	0	187,471
ASPHALT	15,954	0	0
CONSUMPTION	150,198	0	49,201

COKE BURNT	203	0	3,180
PROPANE	0	36,450	0
BUTANE	0	31,791	0
MLPG	0	25,805	0
FUEL OIL	0	557,548	0
LPG	0	0	8,254

Source: Refineries mass balance templates

6.6 Summary of Products Supplied in 2017

According to data provided by the Petroleum Products Pricing Regulatory Agency (PPPRA) , a total of 12,451,485MT of PMS was supplied for use in the downstream sector. NNPC and other marketers also supplied products such as AGO, DPK, Base Oil, LFPO and Bitumen. Below is a table showing monthly products discharges in 2017.

Table 6-6 Summary of products supplied in 2017

ANNUAL SUMMARY PRODUCTS MONTHLY DISCHARGES (JANUARY TO DECEMBER 2017)						
MONTHS	**NNPC VOLUME (LTRS)**	**NNPC VOLUME (MT)**	**OTHER MARKETERS VOLUME (LTRS)**	**OTHER MARKETERS VOLUME (MT)**	**TOTAL VOLUME (LTRS)**	**TOTAL VOLUME (MT)**
PMS						
JAN	775,001,605	585,676	335,479,057	243,111.31	1,110,480,662	828,787
FEB	1,212,043,122	893,488			1,212,043,122	893,488
MAR	1,515,617,916	1,127,865	223,999,927	161,690.85	1,739,617,843	1,289,556
APR	1,226,818,243	894,008	381,013,076	276,172.58	1,607,831,319	1,170,181
MAY	1,148,800,762	845,206	424,065,936	307,078.64	1,572,866,698	1,152,285
JUN	1,024,086,724	753,447	350,560,284	298,518.52	1,374,647,008	1,051,965
JUL	987,648,528	724,761	867,670,243	629,653.64	1,855,318,771	1,354,415
AUG	996,680,541	730,755	779,901,849	564,888.42	1,776,582,390	1,295,643
SEP	1,040,789,187	764,540	191,332,252	138,062.43	1,232,121,439	902,602
OCT	1,347,729,312	1,004,315			1,347,729,312	1,004,315
NOV	804,244,917	594,201			804,244,917	594,201
DEC	1,243,250,401	914,046			1,243,250,401	914,046
TOTAL	**13,322,711,258**	**9,832,308**	**3,554,022,624**	**2,619,176.38**	**16,876,733,882**	**12,451,485**
AGO						
JAN	99,395,215.00	85,307.49	238,499,264	217,531.23	337,894,479.00	302,839

FEB	175,828,310.00	150,718.94	249,269,787	211,304.35	425,098,097.00	362,023
MAR	92,962,987.00	79,686.13	444,435,673	378,140.63	537,398,660.00	457,827
APR			330,053,764	281,234.50	330,053,754.00	286,129
MAY	45,990,849.00	37,086.43	331,435,908	268,345.35	377,426,757.00	123,254
JUN	34,384,424.00	29,805.72	316,879,841	269,854.60	351,264,265.00	299,660
JUL			171,536,603	151,273.21	171,536,603.22	151,273
AUG	71,168,418.00	61,429.50	85,116,655	68,316.55	156,285,073.00	129,746
SEP			181,285,659	154,542.14	181,285,659.00	154,542
OCT	63,965,990.00	54,719.73	431,355,002	328,496.06	495,320,992.00	383,216
NOV	109,292,101.00	92,346.19	320,894,778	272,272.01	430,186,879.00	364,618
DEC	97,883,224.00	82,346.29	307,854,578	261,406.25	405,737,802.00	343,753
TOTAL	**790,871,518.00**	**673,446.42**	**3,408,617,512**	**2,862,717**	**4,199,489,020.22**	**3,358,880**
DPK						
JAN			28,889,455	23,075	28,889,455	23,075
FEB					-	-
MAR	5,970,150	4,935	6,199,724	4,972	12,169,874	9,907
APR	5,938,914	4,894	40,132,267	31,661	46,071,181	36,555
MAY	5,736,928	4,740	6,108,616	4,965	11,845,544	9,704
JUN			37,989,497	30,283	37,989,497	30,283
JUL			39,917,731	31,960	39,917,731	31,960
AUG	31,537,527	24,653	15,026,108	11,986	46,563,635	36,639
SEP			38,270,576	30,570	38,270,576	30,570
OCT	34,067,408	26,801			34,067,408	26,801
NOV			33,417,985	26,697	33,417,985	26,697
DEC			8,824,707	6,963	8,824,707	6,963
TOTAL	**83,250,927**	**66,024**	**254,776,666**	**203,131**	**338,027,593**	**269,155**
ATK						
JAN	59,339,085	47,383	23,940	19,450	59,363,025	66,833
FEB	-	-	7,568,964	5,965	7,568,964	5,965
MAR	37,595,837	29,696	37,595,837	29,696	75,191,674	59,393
APR	-	-	37,416,925	29,959	37,416,925	29,959
MAY	-	-	51,615,376	41,436	51,615,376	41,436
JUN	-	-	29,235,588	23,509	29,235,588	23,509
JUL	-	-	34,295,396	26,876	34,295,396	26,876
AUG	-	-	85,116,655	68,316	85,116,655	68,316

SEPT	-	-	11,029,416	8,974	11,029,416	8,974
OCT	-	-	25,545,050	20,204	25,545,050	20,204
NOV	-	-	108,801,822	86,397	108,801,822	86,397
DEC	54,779,809	42,909	35,145,333	27,793	89,925,142	70,703
TOTAL	**151,714,731**	**119,990**	**463,390,302**	**3888,579**	**615,105,033**	**508,570**
BASE OIL						
JAN	-	-	14,578,284	12,645	14,578,284	12,645
FEB	-	-	9,262,773	8,035	9,262,773	8,035
MAR	-	-	9,405,222	8,122	9,405,222	8,122
APR	-	-	13,596,116	11,824	13,596,116	11,824
MAY	-	-	4,436,118	3,856	4,436,118	3,856
JUN	-	-	18,619,172	16,124	18,619,172	16,124
JUL	-	-	4,375,048	3,789	4,375,048	3,789
AUG	-	-	12,849,935	11,063	12,849,935	11,063
SEPT	-	-	19,692,351	17,041	19,692,351	17,041
OCT	-	-	3,224,139	2,935	3,224,139	2,935
NOV	-	-	7,078,048	6,226	7,078,048	6,226
DEC	-	-	9,557,276	8,372	9,557,276	8,372
TOTAL	**-**	**-**	**126,674,482**	**110,037**	**126,674,482**	**110,037**
LPFO						
JAN	-	-	4,224,940	3,998	4,224,940	3,998
FEB	-	-	5,180,290	4,913	5,180,290	4,913
MAR	-	-	7,392,573	700	7,392,573	700
APR	-	-	-	-	-	-
MAY	-	-	11,271,098	10,831	11,271,098	10,831
JUN	-	-	-	-	-	-
JUL	-	-	-	-	-	-
AUG	10,721,936	9,874	-	-	10,721,936	9,874
SEPT	-	-	-	-	-	-
OCT	-	-	-	-	-	-
NOV	-	-	-	-	-	-
DEC	10,718,024	10,007	-	-	10,718,024	10,007
TOTAL	**21,439,960**	**19,882**	**28,068,901**	**20,443**	**49,508,861**	**40,325**
BITUMEN						
JAN	-	-	-	-	-	-
FEB	-	-	-	-	-	-
MAR	-	-	4,813,442	4,538	4,813,442	4,538

APR	-	-	4,652,400	4,394	4,652,400	4,394
MAY	-	-	-	-	-	-
JUN	-	-	12,097,411	11,470	12,097,411	11,470
JUL	-	-	3,580,207	3,367	3,580,207	3,367
AUG	-	-	7,754,340	6,744	7,754,340	6,744
SEPT	-	-	12,306321	11,675	12,306,321	11,675
OCT	-	-	7152047	6,760	7,152,047	6,760
NOV	-	-	-	-	-	-
DEC	-	-	3,398,731	3,193	3,398,731	3,193
TOTAL	**-**	**-**	**55,754,899**	**52,144**	**55,754,899**	**52,144**

Source: PPPRA Executive Secretary's Letter dated 10 September 2019 (A.4/4/735/C.288/III/85) "RE: Request for data on NEITI 2017 Oil and Gas Audit" all data is based on captured discharge volumes.

6.7 Product losses from pipeline breaks

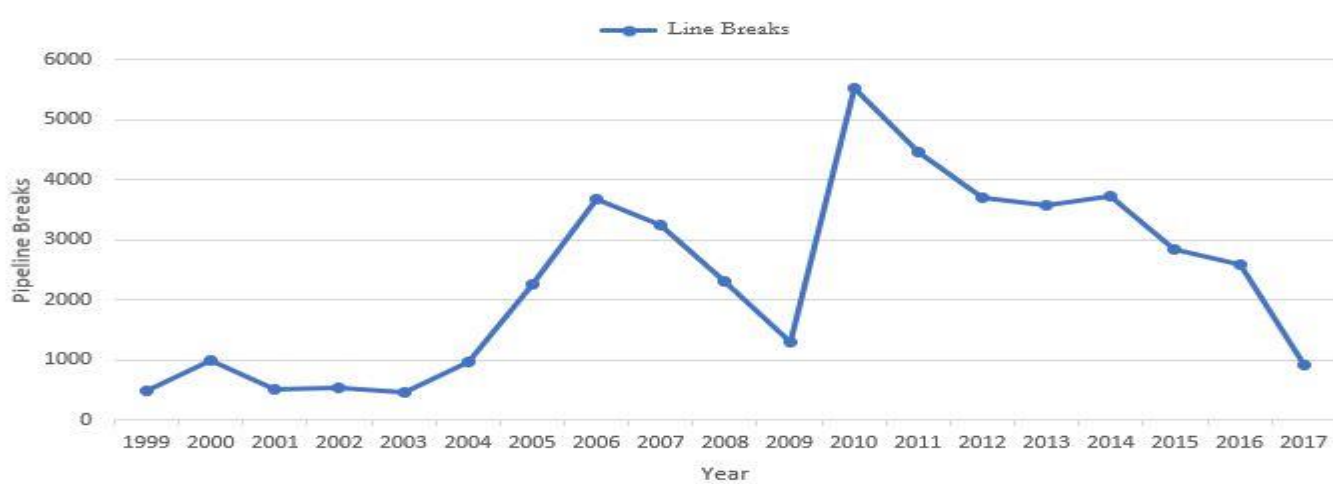
Pipeline Breaks are actions perpetuated by pipeline vandals with the aim of stealing crude oil or petroleum products. Pipeline breaking is an act of sabotage. Losses occured along the pipelines that carry crude to the refineries and along pipelines that carry products from the refineries to the depots. As a result, the federation losses both crude oil and product losses from these breaks.

Table 6-7 Total Line Breaks

TOTAL LINE BREAKS 2013 - 2017					
YEAR	2013	2014	2015	2016	2017
LINE BREAKS	3,571	3,732	2,832	2,589	924

Source: NEITI Report 2015-2016 and NPSC

Figure 6-2 Line Breaks



Source: NEITI Report 2015-2016 and NPSC

As seen in the table above there was a reduction in pipeline breaks in 2017(924 breaks) in comparison to prior years (2005-2016).

Table 6-8 Summary of 2017 Pipeline Losses – Volume in MT

MOSIMI AREA					
PRODUCT	**FROM**	**RECEIVED**		**TOTAL**	**VARIANCE**
	ATLAS COVE	MOSIMI	SATELLITE		
	618,899.93 MT	520,022.86 MT	96,029.96 MT	616,052.82 MT	2,847.11 MT
	MOSIMI		IBADAN		
	123,895.50 MT		113,875.10 MT	113,875.10 MT	10,020.40 MT
	IBADAN		ILORIN		
PMS	0		0		
	ATLAS COVE	MOSIMI			
AGO	78,276.34 MT	84,819.22 MT		84,819.22 MT	-6,542.88 MT
KAD AREA					
	KADUNA		JOS		
	0		0		
	KADUNA		SULEJA		
PMS	0		0		
	KADUNA		KANO		
AGO	0		0		
PH AREA					
PMS	PHRC		ABA		
	411,735.00 MT		23,148 MT		388,587 MT
DPK	299,042 MT		3,340 MT		295,702 MT
AGO	244,483 MT		74,174.60 MT		170,308 MT

Source: NPSC Depot Product Balance

Table 6-9 Summary of 2017 Pipeline Losses (Value)

Product	(MT)	Litres	Unit Price (ex-depot) ₦	Value ₦	Month
	2847.11	3,861,954	133.28	514,721,229.12	Jan - Dec
	388,587	527,097,746	133.28	70,251,587,586.88	Jan - Dec
PMS	10,020.40	13,592,089	133.28	1,811,553,621.92	Jan - Dec
TOTAL (PMS)	401,454	544,551,789	133.28	72,577,862,437.92	Jan - Dec
AGO	163,766	185,045,785	184.84	34,203,862,899.40	Jan - Dec
DPK	295,702	361,869,914	138.33	50,057,465,203.62	Jan - Dec
TOTAL	**1,262,376**	**1,632,157,316**		**156,839,190,540.94**	

1MT = 1,356.4471935108 Litres for Liquid of 737.22kg/m³ for PMS
1 MT = 1,129.9435028249 Litres for Liquid of 885kg/ m³ for AGO
1 MT = 1,233.7655265231 Litres for Liquid of 817.5kg/m³ for DPK

Source: PPMC (EX-DEPOT PRICES)

Findings from the analysis above show that the average yearly ex-depot prices of PMS, AGO and DPK valued the pipeline losses at N156.840bn. From the above table total PMS lost in 2017 was 554.552 million liters with AGO at 185.046 million liters and DPK at 361.870 million liters.

Recommendations

1. Seismic sensors should be installed along the pipeline network to alert security operatives on the activities around the pipelines.
2. The timetable for repair and replacement should be upgraded and implemented rigorously because not all breaks are as a result of vandalism.
3. Communities where pipelines are laid should be regularly enlightened on the steps to take when there are incidences of pipeline breaks and vandalism.
4. The government should deploy more enhanced technologies in pipe laying (i.e. around increased depth). This will reduce immensely the propensity of pipeline breaks caused by the acts of vandals and sabotuers.

6.8 Pricing Mechanism

In 2016, Nigeria exited the subsidy regime which was operated for more than three (3) decades. The Over/Under recovery alternative took the place of subsidy. An alternate approach replaced it in 2017. The pricing mechanism aims to curb the corruption observed under subsidy regime, ensure transparency, and reduce the financial burden on Nigeria.

The "Under/Over Recovery" system was used to calculate the shortfall or surplus cost/benefit to the government.

As a result of this mechanism, the federation account was charged ₦141.632bn in 2017 for under recovery

It is noteworthy to state that in 2015, the last year NNPC operated the subsidy for a full year, the total subsidy approved payment was ₦317.280bn. When compared to the ₦141.632bn charged for under recovery in 2017, a 50% decrease in the bill paid by the Federation is observed.

7. OUTCOMES AND IMPACT

Over the years, NEITI reports have become the major publication that provides insight into the revenues collected by the government from the extractive sector in general. NEITI operations have provided accurate information and data on the extractive revenues and freely placed same in the public domain. The publication and wider dissemination of NEITI audit reports has resulted in growing public awareness and education on the operations in the extractive industries especially the oil and gas sector.

The increasing public awareness and education on the extractive industries has resulted in massive public demand for reforms in the oil and gas sector. By placing in the public domain data and information on revenues accrued to the Federation, NEITI empowers the governments and people of Nigeria to demand for their fair share of the revenue from the Federation Account. This public demand is being championed by civil society, the media, professional associations, investors, companies and government working in collaboration with NEITI.

NEITI's activities have also led to growing partnership and collaboration between the legislature, civil society and the media on extractive revenues transparency and good governance. NEITI operations is leading the way to development of capacity within the civil society on how to use information and data provided by NEITI to hold government and companies accountable. Through its work of capacity building for civil society, publication and dissemination of the audit reports, NEITI encourages and assists the people of Nigeria to organize themselves in order to effectively hold their governments to account.

The implementation of the EITI has brought significant reforms in the sector while pushing for more. It is also widening the space for increased disclosures in the public cycle. This is evident as some government agencies are proactively disclosing information on their activities via various mediums. It has also improved the relationship between government agencies in the sector while allowing for free participation of the civil society in the process. A summary of the activities undertaken in the previous year can be accessed here.

Recommendations derived from EITI reports are gradually implemented to ensure overall effective management of the extractive sector in Nigeria. Table 8-1 contains some recommendations made in past reports and the progress made in their implementation.

7.1 Updates on past recommendations from NEITI 2016 Oil and Gas Report

Table 7-1: Updates on past recommendations from NEITI 2016 Oil and Gas Report

S/n	Issues	Details of the Issue (Findings)	Recommendation	Status of Implementation (Yes/No/Ongoing)
1	**NPDC Legacy Liability**	Liability status on Good and Valuable Consideration (GVC) in respect of SPDC and NAOC divested assets to NPDC.	The payment terms as agreed by NNPC should be adhered to, while DPR and FIRS should carry out close monitoring and quarterly reconciliation with the concerned entity in order to ensure compliance with the agreed repayment plan.	Ongoing As at May 2019, NPDC had made payment of US$50m for GVC in respect of OMLs 60-63 for NAOC assets and US$ 396.511m in respect of OMLs 26, 30, 34, 40, 42, 4, 38 and 41 in respect of GVC for SPDC assets. NPDC has dedicated 30,000bopd to the repayment of these liabilities since December 2018. There is also a loan of US$1.7b awaiting drawdown to pay-off its indebtedness. This is in addition to a quarterly payment of US$50m to FIRS in respect of the legacy tax indebtedness.
2	**Operation & Management of Cash Calls**	US$874.044 million was expended on non-JV cash call activities. Out of which; • US$365.148 million representing 41.78% accounted for NAPIMS Administrative overhead. • US$508.897 million representing 58.22% accounted for Security, training, Withholding & Value Added Tax, Travelling & Accommodation, Survey & sand search, transfer (NESS fees), consultancy, community services and waste disposal. However, in the opinion of the audit, these expenses accounts could also relate to NAPIMS overhead.		Ongoing
		Cash Call Liabilities; Total Cash Call liability as at 31st December 2016, was US$**5.510billion**; this is inclusive of	There should be full implementation of the new JV self –funding model that has been	Ongoing Renegotiated liabilities are being repaid using incremental production. As at March 2019,

		outstanding balance for 2016 which is US$**385.116million** as well as the negotiated liability of the federation of US$**5,125.423million.** However, by October 2018, the liability has been reduced to **US$3.501billion.**	approved (Agreement between NNPC &IOCs) .	the local JV liabilities had been paid 100% while total debt to IOCs had been reduced by 37.84%.
3	**Inconsistency in Pricing Methodology (Export Crude)**	**In the first quarter of 2016 (i.e. January –March), there were three cases of under remittance**, where unit prices and crude values on the sales invoice were higher than what was indicated in sales Profile. However, this practice has been discontinued.		Yes This practice has been discontinued.
4	**Export Crude (NNPC Lifting)**	There was a variance of 889mbbl due to reporting difference between NNPC production planning unit and NNPC Sales unit. The production unit records actual lifting by cargoes, while the sales department recognizes sales when shipping documents and invoices are received.	The two departments should reconcile and harmonize their records to reflect, the actual lifting profile of NNPC, while NPDC lifting should be distinct from the federation record of lifting.	Ongoing NPDC lifting is recorded separately from federation lifting however, there are still differences in records between the production planning unit and the sales unit.
5	**Domestic Crude Sales**	NNPC did not apply market rate as advised by CBN to convert the sales proceeds received in US dollars. NNPC explanation is that conversions were done at FAAC official rate as against the CBN rate. However, the audit position is that sales proceeds received in US$ should have been remitted using the prevailing CBN rate for the month. The rationale being that these were transactions which originated between NNPC and third parties (i.e. Government-to-Business) and NNPC should have used the prevailing "market rate" at the time of remittance to the	NNPC should refund **N260.43 million** to the Federation Account. NNPC should always use market rate to convert proceeds received from the third party in US$. The use of FAAC rate should be limited to Government proceeds.	NNPC Response <u>Liability Valuation and Recognition</u> NNPC's liabilities for domestic crude oil purchased is valued and recognized in the month of purchase/ lifting. The crude oil is strictly and consistently valued at International market price and converted to Naira using applicable exchange rate (as advised by CBN) in the month of transaction and same is reflected in the CBN component statement for that month. Thus, liabilities are recognized at the time of incurring the expenditure (Accrual Concept) and not at

		destination account (i.e. Federation account). Therefore, NNPC using FAAC/ Government rate has resulted in a hidden gain to NNPC whereby treating the transactions as one that originated as Government-to-Government. This practice led to under-remittance of **N260.431million**		the time of payment in line with Generally Accepted Accounting Principles (GAAP). Liability Payment The domestic crude oil liabilities are then settled after the three-month grace in which case the applicable CBN rate may have changed favourably or unfavourably. FAAC rate and CBN Rate There is in fact nothing like FAAC determined exchange rate as all rates are provided by CBN. The misunderstanding often stems from valuing domestic crude sale using the applicable rate in the month of payment (Month of FAAC) rather than month of lifting. On the back of the above, NNPC has not shortchanged Federation in any way.
6	**First line deductions from federation domestic crude sales proceeds**	NNPC deducted first line charge for pipeline repairs and maintenance in 2016 was N126.554 billion. Out of the total N126.554 billion in 2016 only N4.949 billion accounting for 3.91% directly relate to repairs and maintenance. Other payments such as ITF contribution, NPA, PEF, Salaries, Employee pension etc. do not directly relate to pipelines repairs and maintenance. The inclusion of other non-related expenses into the account of pipeline repairs and maintenance shows lack of transparency and accountability.	1. A periodic audit by the federal government to verify the utilization of amount deducted for pipeline maintenance and repairs should be undertaken. 2. Government should consider the following options: a) Allocating specific crude volume to NNPC to cater for their operational costs. b) Consider a specific percentage of their revenue collection to cater for their costs. c) Define the ceiling to be expended in defraying their costs.	NNPC Response The **Revenue Allocation Act** provides for the distribution of federation funds. Section 1 of the Act provides that, "the amount standing to the credit of the Federation Account, less the sum equivalent to 13% of the revenue accruing to the Federation Account directly from any natural resources as a first line charge for distribution to the beneficiaries of the derivation funds in accordance with the Constitution is distributed among the Federal and State Governments and the Local Government Councils in each State of the Federation." The position of the first line charge makes it statutory;

				however, the reasonability of this charge is in question. To this end, various meetings have been held to bring the cost to a reasonable amount. Nevertheless, these first line deductions are been charged.
7	**NLNG Dividend, Loan repayment and interest payment**	NNPC confirmed receipt of **US$390.234million** being payment of dividend, loan repayment and interest by NLNG in 2016. These monies were paid into JP Morgan Chase NNPC Depository Account domiciled with the CBN. The cumulative amount received from NLNG to date (including amounts revealed in previous audit reports 2000 - 2016) is **US$17.288billion**. NEITI has consistently maintained that these monies should be paid into the Federation Account. This position is based on Section 162(1) of the constitution of the Federal Republic of Nigeria which stipulates that "all revenue proceeds should be paid to the Federation Account." NNPC has had approvals from the Federal Government, authorizing it to withhold remittances or in some cases utilize fund for some specific projects such as the Brass LNG Project. NNPC made available these approvals for sighting to our team. The fund is managed by the MOF.	The Federal Government should make a public pronouncement on treatment of all categories of payments from NLNG	Ongoing
8	**NDDC Levy**	There was an un-reconciled amount of N200million (US$770,238) being payment made by Sterling Oil Exploration. The audit revealed that Sterling paid the naira equivalent of US$770,238 which was not	NDDC to ensure reconciliation of the differences with Sterling and confirm payment of the funds to the Bank account. (US$770,238 for 2016 & US$890,902 for 2015)	Yes. This has been resolved.

		traceable to NDDC bank account.		
9	**Signature Bonus**	There was no payment for signature bonus in 2016. However, payments made by companies as premium for license renewals were credited into the signature bonus account. The non-classification, in some instances, of payments into this account made it difficult to ascertain the purpose of some payments.	Henceforth, companies should properly classify payments made into the signature bonus account. In addition, DPR may consider opening a separate account for license renewals to ensure accountability.	No. This issue is still recurring as license renewals are still being credited intothe signature bonus account.
10	**NCDMB**	There was an un-reconciled amount of US$557,464 being a payment made by Mobil for the month of August and December. The audit revealed that Mobil paid the money into NCDMB TSA account, but NCDMB has no confirmation of the payment in their account.	NCDMB to ensure that the funds are traced to the Bank account.	Yes This has been resolved as the payment has been confirmed from NCDMB
11	**Gas Flare Penalties**	There was a total liability of US$3.632million incurred by 23 companies. This has implication of possible revenue loss on account of delayed Payment.	DPR should follow up and confirm recovery of outstanding payment of US$3.632 million.	Ongoing A total payment of **US$2.615million** relating to prior year was paid leaving a balance of **US$1.016million**
12	**Gas Royalty**	The total gas royalty underpayment is US$19.988million. The companies involved are; NPDC- US$11.585million ND Western- US$6.595million Frontier - US$1.807million	DPR should follow up and recover the outstanding sum of US$19.988million from NPDC, ND Western and Frontier.	Yes A total payment of US$26.631million relating to prior year was made. This was higher than the established liability of US$19.988million because of some overdue payments related to the period before 2016 which was not included in the assessment made in the 2016 report.
13	**Oil Royalty**	The total oil royalty underpayment is US$46.674million .The companies involved are; Dubri Oil- US$228,569.87 NPDC- US$22.835million Newcross E&P- US$13,715million	The nonpayment by these companies will result to revenue loss to the federation.	Yes See details of outstanding libilities in Appendix 5

		ND Western- US$9.366million Platform- US$ 529,430.87 The following companies defaulted in payment of royalty in 2016 - Panocean, Shoreline and Yinka Folawiyo		
14	**Losses from Crude Theft and Sabotage**	Losses arising from crude oil theft and sabotage continued in 2016 in the upstream and downstream. The losses from Crude theft was 19.872mbbls, while losses from Sabotage was 81.180mbbls. These losses are valued at US$869.02 million and US$3.55 billion respectively. The crude price (US$43.73) used for estimate was computed using the actual monthly sales and quantity figures for 2016. The total PMS and AGO loss was 114.115m litres valued at N9.734billion. Two thousand five hundred eighty-nine (2,589) pipeline breaks were recorded.	1. NNPC should ensure proper surveillance (land based and aerial satellite photography and geo-phones trenched pipelines) to minimize vandalisation and crude oil theft, and the pipeline networks need to be updated. 2. The Federal Government needs to ensure the success of oil and gas industrial parks in the Niger Delta region; This will ensure the development of oil and gas infrastructure in the oil-producing states. It will create employment for the populace in the Niger Delta.	Ongoing Losses from crude theft and sabotage is currently receiving attention at the highest level of Government. The National Economic Council, in September 2019 constituted a 13-member adhoc-committee chaired by the Governor of Edo State to address the impact of vandalization, oil theft, and illegal bunkering.
15	**Pipeline transportation revenue**	1. Demurrage Receipt: - the NNPC described this income as transportation revenue, which accounted for only US$2.528million-received from SPDC on the 23 July 2016 as against US$25.713million reported by SPDC. 2. Neither NNPC nor SPDC could provide the basis for the computation of the amount paid by other operators. This is expected to provide the basis for determining the amount due to the government. NAOC liability for the year under review stood at US$10.382million. This represents 60% of the	1. This led to an unreconciled difference of US$23.185million due to the inability of NNPC to provide proof of receipt of the total fund paid by SPDC. NNPC and SPDC should provide the basis for the computation of amount payable to ensure that government receive what is due while NNPC should account for the difference. The outstanding liability of US$10.382million led to a reduction in government revenue.	Ongoing Established NAOC liability has been paid. However, NNPC still did not provide corroborating data.

		NNPC equity in the NNPC/NAOC JV.	NAOC has confirmed the liability. The next audit will need to confirm the payment.	
16	**Unaccounted revenue by NNPC**	A further analysis of Transport Revenue as submitted by SPDC revealed that other payments were made as enumerated below: i. Income generated from Power = US$35.588million ii. Miscellaneous income = US$357,493 iii. Income from Osubi airstrip = US$399,289 TOTAL = US$36.345million This could lead to financial misstatement, while the misclassification of income into inappropriate sub-heads may result in overstatement of such sub-heads.	NNPC to follow up on all revenues due from JV companies.	Ongoing
17	**PPT liabilities**	The following companies defaulted in tax payment in 2016; Aiteo, Allied Energy, Belema Oil, Brittania-U, Dubri Oil, Energia Limited, Midwestern, Pan Ocean, SA Petroleum, Seplat, and Yinka Folawiyo. Express Petroleum and Sheba Petroleum did not provide relevant information to the audit.	FIRS should carry out tax audit of these defaulting companies.There is need for the Federal Ministry of Finance to task FIRS to provide a status update on all companies and their outstanding liabilities till date.	We confirm that Aiteo, Brittania-U and Energia made some payment in 2017 as confirmed from FIRS records. The following companies did not make any payment in respect of PPT in 2017 and this was also confirmed to FIRS record. This means that the 2016 arrears are still outstanding as at 2017 year end. The companies are: Seplat, Belema Oil, Midwestern, Dubri Oil, Pan Ocean, SA Petroleum. As at the time of finalizing this report, no information or document was received to confirm if the outstanding has been settled after December 2017.
18	**Reconciliation of the debt notes issued to other marketers and the actual refund thereon in 2016**	There was a variance of N28.516billion between PPPRA and DMO. PPPRA did not keep accurate data of all other marketers issued with Debt Notes. It also did not carry-out reconciliation with CBN/MoF on processed subsidy vis-à-vis	PPPRA to reconcile difference	Yes

		actual payments to determine whether marketers with zero importation/under importations were allocated foreign exchange.		

7.2 Observations and Recommendations for 2017

	Observations/ findings	Implication	Entity's response	Recommendations
1	**LOSSES FROM CRUDE THEFT AND SABOTAGE** Losses arising from crude oil theft and sabotage continued in 2017 in the upstream and downstream. The losses from crude theft and sabotage was 36.457mbbls.	This leads to enormous losses to companies and government.		Losses from crude theft and sabotage is currently receiving attention at the highest level of Government. The National Economic Council, in September 2019 constituted a 13-member adhoc-committee chaired by the Governor of Edo State to address the impact of vandalization, oil theft, and illegal bunkering. We recommend that all recommendations from this committee are fully implemented.
2	**PPT LIABILITIES** The following companies defaulted in PPT payments in 2017; Pillar Oil and Brittania-U.	This led to revenue loss to the Federation.		As at the time of finalizing this report, no information or document was received from Pillar oil and Brittania-U to confirm if this outstanding has been settled after the cut off period of 2017. It is recommended that FIRS should investigate and ensure recovery of outstanding sums.
3	**OUTSTANDING LIABILITIES** The audit exercise reveals that over 20 companies had outstanding on some financial flows as at 2017-year end. Some of this outstanding has been settled since then. (see Appendix 5 for details)	The nonpayment of these financial flows as at when due result to revenue loss to the Federation.		We recommend that all responsible government agencies should investigate the nonpayment of outstanding revenues and ensure recovery.
4	**SIGNATURE BONUS**			

	Observations/ findings	Implication	Entity's response	Recommendations
	There was no payment for signature bonus in 2017. However, payments made by companies as premium for license renewals were credited into the signature bonus account.	This makes accounting for specific financial flows more tedious.		We recommend that, DPR opens a separate account for each category of payment for a transparent and efficient accounting system.
5	**DELAYS IN THE PREPARATION AUDITED FINANCIAL STATEMENTS** Part XI of CAMA 1990 mandates all registered companies to prepare and publish AFS for a preceding year six months after the year end. 4 companies did not provide AFS for 2017 because they had not yet been finalized even though the audit took place in 2019	This has implication on the quality of data in line with established data quality assurance procedures for the report.		We recommend that the Corporate Affairs Commission (CAC) ensures the enforcement of this section of the Law.

8. Appendices