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**EXPLORING THE SIGNIFICANCE OF THE
PETROLEUM INDUSTRY BILL 2020**



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PETROLEUM INDUSTRY BILL



Close to two decades after the Petroleum Industry Bill (the Bill) was first conceived and more than a decade since it was first introduced (with several back and forth in between over its content and structure), the Presidency has again transmitted the Petroleum Industry Bill (now PIB 2020) to the National Assembly for deliberation and passage.

Generally, the Bill signifies necessary reforms to the Nigerian petroleum regulatory framework that is still being governed by laws and regulations made more than 40 to 50 years ago. It is clear that despite being Africa's largest oil producer and boasting its second-largest proven oil reserves and largest gas reserves, Nigeria inarguably lags behind several other continental producers in reforms and has started to lose crucial investors to big weights like Angola and neighbouring newcomer Ghana with more investor-friendly petroleum sectors, whilst facing stiffer competition from new entrants on the continent like Tanzania, Uganda, Mozambique etc.



The lack of a modern and up-to-date regulatory framework has been repeatedly identified as a cog in the wheel of a sector which accounts for the staggering majority of the nation's revenues, having

undoubtedly repelled vital investments (both local and foreign) into the sector at a time when many other countries are moving to exploit their oil and gas resources.

Previous iterations of the Bill had suffered setbacks not due to poor understanding of the problems or due to deficiency in expert inputs, but largely due to disagreement among key stakeholders on the regulatory framework, ranging from the powers of the Minister of Petroleum, ownership and control of resources, appropriate fiscal regime, host community benefits, environmental concerns, etc.

According to a policy brief by the Nigeria Extractive Industries Transparency Initiative (NEITI) titled The Urgency of a New Petroleum Sector Law, such regulatory uncertainty in the petroleum industry has cost the country an estimated \$200 billion including loss of projected investments of up to \$120 billion (\$15 billion yearly).



To make matters worse, global oil giant, BP, in its Energy Outlook 2020, warned that global oil demand might have already peaked (and may never recover its erstwhile heights) as the ongoing COVID-19 pandemic is even more quickly accelerating energy transition and the shift to cleaner fuels globally. This was after it had just last year theorized that global oil demand would only reach its peak by 2030.

The Outlook projects that as fossil fuels face diminishing demand, renewable sources of energy could all increase their share of the global energy mix, moving from 2018's figure of 5% to between 20 and 60% by the end of the outlook's 30-year time frame – with wind and solar expected to get the lion's share of this growth. According to BP's Group Chief Economist,



Spencer Dale, if that happens, renewables would “penetrate the energy system more quickly than any fuel in modern history.”

Irrespective of the threat from renewables, however, Nigeria’s huge oil and gas deposits still represent attractive investment because oil and gas are nevertheless still expected to remain a considerable part of the global energy mix late into this century. It is therefore pertinent that Nigeria expedites its resolve to enact the Petroleum Industry Bill as soon as possible so as to attract investment into the sector and partake in the available petroleum investment largesse just as it also looks to join the train to smoothen the transition to low/zero carbon emission.

Moreover, the Bill offers respite as the country has also begun to double her efforts to make liquefied natural gas (LNG) a mainstay of its economy - the low-carbon fuel having been hitherto shamefully and irresponsibly frittered away. The joint ventures (JVs) and incorporated joint ventures (IJVs) entered into by the NNPC for gas development in the country can be transferred under the new Bill to NNPC Ltd which will be better primed for commerce and profitmaking than the regulation of the petroleum industry with which the present NNPC is also burdened.



The recent deal struck between the NNPC and Sterling Exploration and Energy Production Company (SEEPCO)

for the development and commercialisation of gas from Oil Mining Lease (OML) 143 is a prime example. It is believed that the deal will not only help reduce gas flaring and its environmental hazards in the country but will also promote gas production and utilization in the domestic market and help to facilitate the nation's transformation into a gas-powered economy. The passage of the PIB will inarguably assist a lot in that aspect.

Overall, while the chances of the Bill being passed this year are indeed slim to none given Nigeria's history of legislative laxity on such grave issues, as the saying goes, it is better late than never. Nonetheless, it will be commendable if the National Assembly would treat the deliberation on and passage of the Bill as a matter of national urgency, and the National Assembly is therefore urged to treat it as such.



This brings us to a consideration of some of the prospective crucial and commendable provisions of the Bill.

KEY PROVISIONS OF THE BILL

Naturally, the Bill has several interesting prospective reforms to the extant petroleum industry governance framework in Nigeria in a bid to provide a sound, reliable framework for the country’s petroleum industry so as to attract much-needed investment into the sector and to cater for the concerns of all stakeholders. Most notably, the Bill proposes the scrapping of the Nigerian National Petroleum Corporation (NNPC) and Petroleum Product Pricing Regulatory Agency (PPPRA). The above entities will be replaced by different entities altogether. The NNPC, for example, will be replaced by a new entity named the Nigerian National Petroleum



Company Limited (NNPC Ltd.) which is to be incorporated by the Minister of Petroleum within 6 months of the coming into force of the Bill. The Minister of Petroleum, acting after consultation with the Minister of Finance, will determine the number and nominal value of the shares to be allotted in and which shall form the initial paid-up share capital of the NNPC Limited, and the government shall subscribe for and pay cash for those shares.

All shares in NNPC Limited shall be vested in the government at incorporation and held by the Ministry of Finance on behalf of the government. Also, the Minister of Petroleum, acting together with the Minister of Finance, will pick selected assets, interests, and liabilities of the present NNPC which will be transferred to the newly incorporated NNPC Ltd.

Any such assets, interests and/or liabilities of the NNPC that is not transferred to NNPC Limited or its subsidiary will remain the assets, interests and liabilities of the NNPC until they become extinguished or are transferred to the government upon which the NNPC shall cease to exist.



Furthermore, the Bill also proposes the establishment of an agency to be known as the Nigerian Upstream Regulatory Commission (NURC) which will be responsible for the technical and commercial

regulation of upstream petroleum operations.

Another entity proposed for establishment under the Bill is the Nigerian Midstream and Downstream Petroleum Regulatory Authority (MDDPRA) which shall be responsible for the technical and commercial regulation of midstream and downstream petroleum operations in the petroleum industry. The proposed establishment of the aforementioned agencies in the new Bill technically scraps the PPPRA, with the new agencies to now carry out the PPPRA's present functions.



The Bill also contains provisions aimed at streamlining oil and gas royalties and increasing the amount of money companies pay to host (local) communities i.e. host community benefits and for environmental clean-ups after conclusion of dispute resolution processes instituted against companies operating in the industry for environmental hazards.

Given the above commendable and investment-focused provisions of the Bill, it is our hope that the National Assembly will expedite action on the current PIB 2020 so that at the end of it all Nigerians will have an Act which clearly regulates the operations of the petroleum industry which will invariably boost efficiency and productivity in the petroleum sector of our economy.

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