



An exploration into Nigeria's Petroleum Industry Bill

Background

The Petroleum Industry Bill (PIB) which is said to consolidate 16 existing Nigerian petroleum laws is an oil reform bill that was first presented to the Nigerian National Assembly in 2008. The overarching policy rationale for the Bill is to encourage transparency and accountability in the oil and gas sector while ensuring that the sector becomes even more commercially viable.

This omnibus legislation has however been thrice denied legislative and executive consent because of the inability of various stakeholders to agree on all fundamentals that the law is to address. In this new attempt to pass the PIB into law, the Bill was forwarded by President Muhammadu Buhari to the Nigerian National Assembly for consideration and deliberations on Monday, September 28, 2020. The PIB passed its first reading in the Senate on Wednesday, September 30, 2020. It was presented by the Leader of the Senate, Yahaya Abdullahi, and read by the President of the Senate, Ahmad Lawan.

This attempt to pass the PIB into law is anticipated to yield the necessary consents. This implicates a need for a closer look at the latest version of the PIB and the necessary implications that it will birth.

Highlights of the Bill

The Petroleum Industry Bill is presented in one volume which comprises of the Petroleum Industry Governance Bill (PIGB), Petroleum Industry Finance Bill, Petroleum Host and Impacted Communities Bill and Petroleum Industry Administrative Bill.

This PIB replaces the State Oil Corporation, Nigerian National Petroleum Corporation (NNPC) and reinvents it as a limited liability company (LLC), Nigerian National Petroleum Company Limited.

The new entity will be incorporated by the Minister of Petroleum Resources, who, along with the Minister of Finance shall determine the current assets and liabilities of NNPC that will be inherited by this new company and its share structure. The number and nominal value of the allotted shares shall form the initial paid-up share capital of the new LLC. The Bill also states that the “ownership of 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.”

The Bill also proposes the abolishment of the Petroleum Products Pricing Regulatory Agency (PPPRA) which is the entity established to monitor and regulate the prices, supply and distribution of petroleum products in Nigeria.

The new Bill promotes the establishment of the Nigerian Upstream Regulatory Commission (NUPC), the body which will be responsible for the technical and commercial regulation of upstream petroleum operations, and Nigerian Midstream and Downstream Petroleum Regulatory Authority, which shall be responsible for the technical and commercial regulation of midstream and downstream petroleum operations in the petroleum industry.

The Bill also proposes a reduction of some oil and gas royalties with the underlying rationale to encourage global operators to invest in exploration and production of Nigeria's extensive petroleum reserves.

With a strong environmental and social impact strategy, the PIB proposes an increase in funds prescribed for local communities of oil and gas operations and encourages a better framework for environmental clean-ups and other green initiatives.

An increased attention to natural gas is also reflected in the PIB as it introduces measures aimed at encouraging companies to explore and produce natural gas from discoveries. The Bill also establishes an improved framework for gas delivery and tariffs (gas monetization) to strengthen the gas domestic market.

Conclusion

The PIB is acclaimed to be pivotal in unlocking potential investments into Nigeria's rich resource base and attracting the necessary investment for this sector. The signing of the Bill is much anticipated especially at a time when Nigeria deals with failing oil revenues due to low oil prices, OPEC production cuts and a global shift towards renewable energy.

It is believed that current operators will not be negatively affected by the implementation of the Bill once passed, as operators will be able to execute conversion contracts, thus obtaining better terms for existing assets.

The PIB has been drafted with significant reform provisions and policy rationale that will be the subject of interesting discussions. While the Bill is surely an important step towards better regulation and transparency in the petroleum industry, only time will tell whether this PIB will finally pass the legislative houses unscathed and true to form. It will be interesting to see what becomes the final draft of the Bill when passed into law as it may well become the much-needed trigger for major investment into petroleum-rich Nigeria. The Bill is now with the National Assembly for deliberations.