POLICY BRIEF

Payments to Governments Data

2015-2018 Vol. 1, Issue 1

Improving DPR Efficiency to Strengthen Nigeria's Oil Industry - Over N4bn revenue lost in 7 years

Overview

The Ministry of Petroleum Resources was re-established, while the Petroleum Inspectorate remained within the Nigerian National Petroleum Corporation (NNPC) until March 1988 when the Nigerian National Petroleum Corporation was re-organized. By this re-organization, the Petroleum Inspectorate was excised from the Nigerian National Petroleum Corporation, and transferred to the Ministry of Petroleum Resources as the technical arm and renamed the Department of Petroleum Resources (DPR). The Department has the statutory responsibility of ensuring compliance to petroleum laws, regulations and guidelines in the Oil and Gas Industry. The discharge of these responsibilities involves monitoring of operations at drilling sites, oil producing wells, production platforms and flow stations, crude oil export terminals, refineries, storage depots, pump stations, retail outlets, and any other location where oil and gas products are either stored or sold, and all pipelines carrying crude oil, natural gas and petroleum products. The Department of Petroleum Resources is also empowered to oversee the license allocation process in the oil and gas sector.

The two major criticisms of the Department are inefficiencies and inconsistencies in the regulation of the upstream sector which contributes to International Oil Companies (IOCs) performances that poses problems for revenue assessment and collection. DPR lacks the capacity to independently measure and monitor production or confirm projections of all the factors necessary to compute royalties, causing companies to "self-regulate" to a large extent. Secondly, ambiguity and inconsistency in pricing methodology continues to exacerbate the lingering pricing dispute between the IOCs and DPR which has resulted in revenue loss of over USD 4.04billion in the last 7 years according to Natural Resource Governance Institute (NRGI) which has also mainly affected royalty computation and enhanced under-assessment on the fiscal valuation on chargeable oil but sadly there is no significant improvement yet.

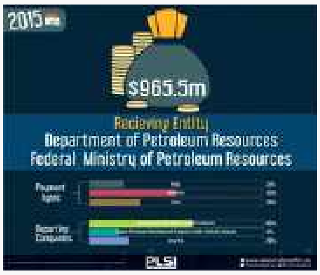
However, this brief is only limited to Fees, Taxes and Royalties paid by IOCs to DPR from 2015-2018. This is solely for purpose of demanding accountability and accelerating development in Nigeria.

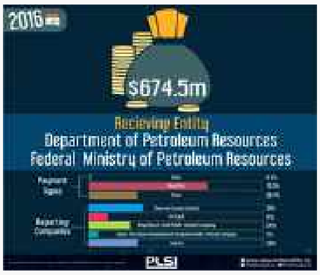
Perspectives on payments to DPR by IOCs from 2015-2018

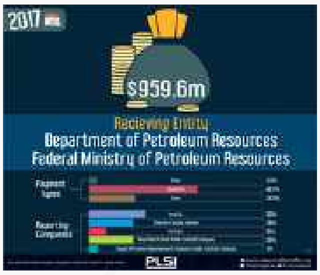
It has been argued that considering the economic interest of the Nigerian state through its agency (NNPC) in the oil industry, it will be very unlikely for the DPR to effectively implement or enforce the oil and gas related regulations. The DPR is not an independent body and it appears to be an extension of the state. Arguably, the relationship between the DPR and the IOCs appears to be one of partnership, which is a negation of the notion that an independent body should regulate the oil and gas industry.

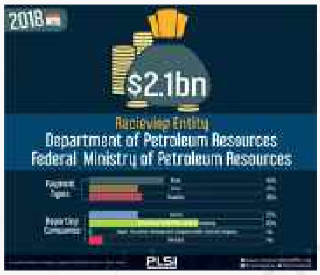
The Payments to Governments (PtG) data review and analysis carried out by PLSI – Paradigm Leadership Support Initiative is with the objective to increase transparency and enable citizens to adequately engage with policy makers and promote accountability in the management of oil and gas revenue paid to Nigerian government entities. Natural Resource Governance Institute (NRGI) provides regularly updated global payments to government data through www.resourceprojects.org with data available for countries like Nigeria, Ghana, Australia, Brazil, Turkey, Kuwait, U.A.E, Gabon, China etc.

The seven IOCs covered in this brief have disclosed payments of fees, taxes and royalties to DPR in their payment to Nigerian government report. These Companies include Equinor ASA (formerly Statoil ASA); Seplat Petroleum Development Company; Chevron Canada Limited; Royal Dutch Shell Public Limited Company; Total S.A; ENI S.P.A and CNOOC Limited. Six of these companies are international with one indigenous oil and gas company, Seplat Petroleum, disclosing because of its listing on the London Stock Exchange.









From Figures 1-4, it shows that Department of Petroleum Resource (DPR) received $965.5 million in 2015, $674.5 million in 2016, $959.6 million in 2017 and $2.1 billion in 2018 respectively. A total of $4.6 billion was paid to DPR as fees, royalties and taxes in the years under review.

Recommendations

While there has been no public acknowledgement of these payments by DPR as well as indication on how the funds were managed or utilized to avoid mismanagement, diversion, or lack of proper accountability by DPR, the following recommendations are suggested.

- The Department of Petroleum Resources (DPR) should acknowledge all revenues paid to it by oil companies and ensure the information is publicly accessible by all.
- DPR should aim to reduce geological uncertainty under a transparent licensing regime that allocates exploration and license rights efficiently.
- The Nigerian government should ensure licensing regime poorly managed and vulnerable to political interference that had contributed over the years to loss of revenue is continuously discouraged.