POLICY BRIEF

Payments to Governments Data

PLSI
PARADIGM LEADERSHIP SUPPORT INITIATIVE
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Transparency as a Veritable Tool for Improving NNPC'S Remittances and Productivity

Overview

The Nigerian National Petroleum Corporation (NNPC) emerged in April 1977 out of a merger of the Nigerian National Oil Corporation (NNOC) and the Ministry of Petroleum Resources thereby combining the commercial and regulatory functions of these two agencies. NNPC was thus vested with exclusive responsibility for upstream and downstream development as well as regulating and supervising the oil industry on behalf of the Nigerian government. NNPC is an integrated Oil and Gas Company, engaged in adding value to the nation's hydrocarbon resources for the benefit of all Nigerians and other stakeholders. NNPC sells around one million barrels of oil a day, or almost half of the country's total production. NNPC oil was worth an estimated $41 billion in 2013 and constitutes Nigerian government's largest revenue stream.

The Corporation's approach to oil sales suffers from high corruption risks and fails to maximize returns for Nigeria. Over 38 years, the corporation has neither developed its own commercial or operational capacities, nor facilitated the growth of the sector through external investment like Norway's Equinor ASA, Malaysia's Petronas that were all established the same decade. Instead, it has spun a legacy of inefficiency, mismanagement, and non-disclosure of payments. Despite the debilitating consumption of public revenues and performance failures of NNPC, successive governments have done little to reform the company.

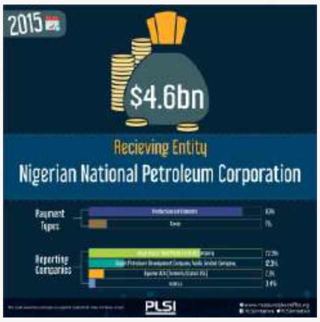
The purpose of this policy brief is focused on payment types like production entitlements, taxes, fees, and royalties paid to NNPC by IOCs between 2015 and 2018. This is necessary because of inherent weaknesses, past errors and irregularities that have characterized the Corporation over the years and with the objective of improving the existing processes and procedures in the Corporation.

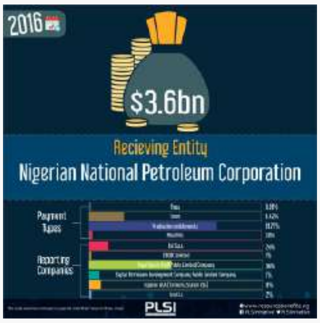
Perspectives on payments to NNPC by IOCs from 2015-2018

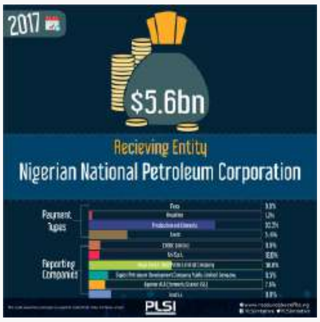
While higher oil prices have translated into higher standard of living in some countries, the situation is different in Nigeria due to enormous corruption, mismanagement of resources and other factors.

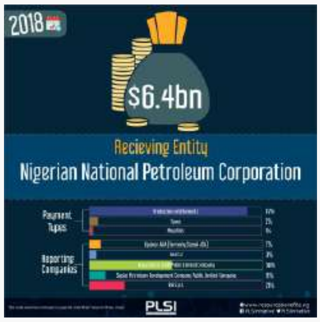
The Payments to Governments (PtG) data review and analysis carried out by PLSI – Paradigm Leadership Support Initiative is with the objective to increase transparency and enable citizens to adequately engage with policy makers and promote accountability in the management of oil and gas revenue paid to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

The seven oil companies; 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, CNOOC Limited and Seplat Petroleum covered in this brief disclosed payments of production entitlements, fees taxes and royalties to NNPC and meant for remittance to the Nigerian government.









From Figures 1-4, it shows that NNPC received the largest payment of the 5 government agencies covered in this phase of analysis and review of payments to governments data; NNPC alone received $4.6billion in 2015, $3.6billion in 2016, $5.6billion in 2017 and $6.4billion in 2018. A total of $20.2 billion was paid to the Corporation in the years under review.

Recommendations

While NNPC is yet to publicly acknowledge or publish payments received from IOCs in recent years, the recommendations stated below are geared towards avoiding mismanagement, diversion or lack of proper accountability for all public funds including payments by international oil companies managed or utilized by NNPC.

- Nigeria's oil Corporation – NNPC should publish for easy access by all stakeholders all payments made to it by IOCs and state the various payment types from which the funds are coming while disclosing the respective oil company as well as the corresponding amount.

- The government and NNPC must introduce transparency devices, technological know-how and electronic strategies to detect and prevent corruption in all areas of oil and gas exploration. Automation of payments and remittances will reduce corruption in the corporation.

- NNPC should visibly exhibit accountability, transparency, fiscal responsibility, and respect for the rule of law while carrying out their official responsibilities.

- Review and restructure of the NNPC model of operation to disclose the consolidated position of NNPC and subsidiaries and expected remittances to the Federation accounts be determined from the available consolidated net revenues.

- The Corporation should be required to create value and meet its expenses entirely from the value created. Proceeds from oil sales should be remitted to the Federation accounts with commissions paid based on agreed terms.