

30th July, 2018

The Minister of State Petroleum Resources,
NNPC Towers
Central Business District
Abuja, FCT.



Dear Sir,

DEMAND FOR THE ENFORCEMENT OF THE TERMS OF THE PSCs BETWEEN THE FEDERAL GOVERNMENT AND THE OIL COMPANIES AND REQUEST FOR URGENT STEPS TOWARDS THE AMENDMENT OF NIGERIA'S DEEP OFFSHORE AND INLAND SHARING CONTRACTS ACT (1993)

The above subject matter refers.

The Human and Environmental Development Agenda Resource Centre is a non-governmental organization and non-partisan human rights and development league. It has the mandate to protect and promote universally recognized human rights, accountability and environmental justice in Nigeria and Africa, in accordance with international standards. These objectives are pursued through research and publications, campaigns, human rights education and empowerment projects and programmes.

We write to demand for an immediate overhaul of the regulations relating to the operations of international oil companies in Nigeria on the Deep Offshore and Inland waters, particularly as it relates to payment of royalties. This is in addition to the need for the enforcement of the terms of the PSCs between the Federal Government and the oil companies.

Our request is premised on the recent observations by petroleum sector analysts and lawyers on the economic losses being incurred by the country on the basis of the current arrangement. We thus lend our voice to the calls for the repeal of the provision of the PSCs, which stipulates that royalty on crude oil production in water depths exceeding 1,000 metres is zero over a particular period of time.

The Federal Government had in 1993, awarded some oil blocks in the deep water to the IOCs under PSCs, which provided that royalties to be paid by the IOCs would depend on the depth of the water where oil is found.

The enactment of the Deep Offshore and Inland Sharing and Production Contracts Act was in order to give effect to certain fiscal incentives for the oil and gas companies operating in the Deep Offshore and Inland Basin under

production sharing contracts between the Nigerian National Petroleum Corporation (NNPC) and other companies holding oil prospective licences or mining licences and various petroleum exploration and production companies.

By virtue of Section 5 of the Act, the payment of royalty in respect of the Deep Offshore production sharing contracts shall range from 4 to 12 per cent while no royalty shall be paid whatsoever in areas in excess of 1000 metres depth.

According to reports since a large quantity of the oil and gas produced by Nigeria is located beyond 1000 metres depth, the multinational oil companies have taken advantage of the Act to avoid the payment of royalties to the Federation Account.

The 1993 PSC also provides that royalties paid by the IOCs on oil blocks located in deep water should be reviewed upward when crude oil price exceeds \$20 per barrel, however Nigeria lost out in the PSCs as oil was discovered in water depths above 1,000 metres in all the five deep-water oilfields that came on stream between 2005 and 2010, as the contracts stipulate that royalty is zero in water depths exceeding 1,000 metres. Though the terms of the PSC also stipulate that the agreements would be reviewed when oil price exceeded \$20 per barrel, it is the conclusion of experts and observers that officials of government did not enforce this provision either for personal benefit from the oil companies or outright ignorance.

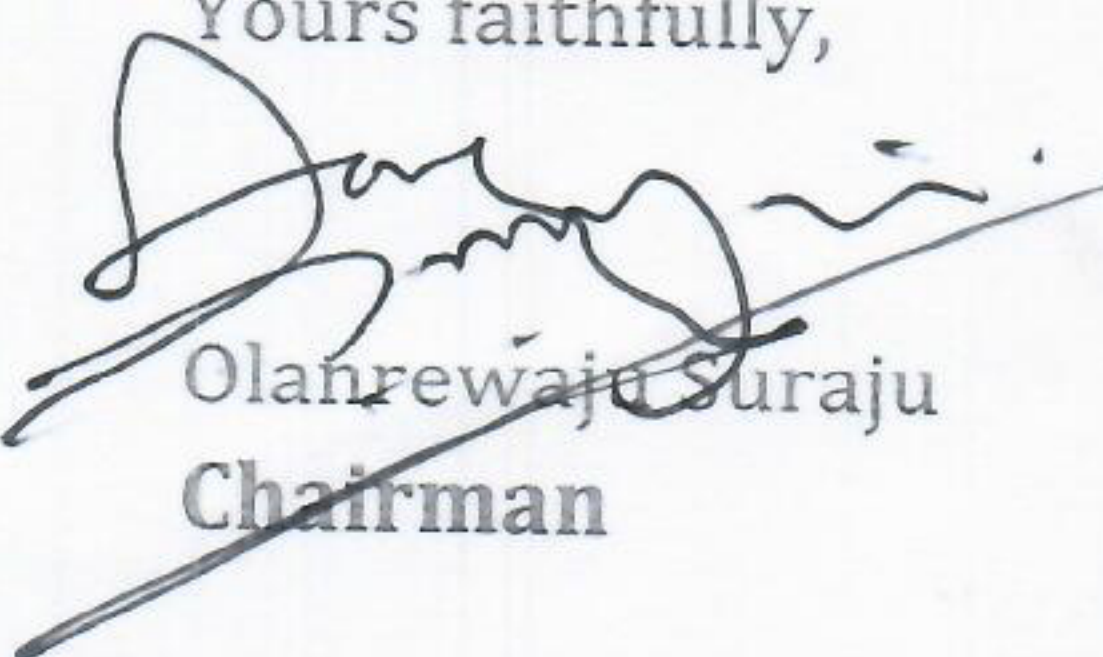
It is on the basis of the aforementioned facts that we are making a demand of immediate enforcement of the contract with the oil companies caught in the violation of the Act by ensuring due royalties are paid with interest and penalties. We further demand immediate commencement of process for the amendment of relevant sections of the Deep Offshore and Inland Sharing and Production Contract Act, particularly Section 5 of the said Act.

In addition to the above and relying on the provisions of the Freedom of Information Act, we also request for relevant details of the international oil companies, their deep offshore operations concerned, the quantity of oil involved and amount owed. Our request is brought pursuant to the provisions of Section 2, 3, and 4 of the Freedom of Information Act, 2011.

We look forward to your utmost cooperation and the prompt receipt of the requested information and in any event, within seven (7) days of this application as provided for under the Freedom of Information Act, 2011.

Thank you.

Yours faithfully,


Olanrewaju Suraju
Chairman

