

8th October, 2018

The Director,
Department of Petroleum Resources
No. 7, Kofo Abayomi Street
Victoria Island
Lagos.

Dear Sir,

RE: FREEDOM OF INFORMATION (FOI) REQUEST FOR DETAILS OF THE INTERNATIONAL OIL COMPANIES WITH DEEP OFFSHORE OPERATIONS AND THEIR LEVEL OF COMPLIANCE WITH THE ROYALTIES REMITTANCE REQUIREMENTS UNDER THE DOISC 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.

This request is on the basis of our letter to the Ministry of Petroleum Resources demanding for the enforcement of the terms of the Profit Sharing Contracts (PSCs) between the Federal Government and oil companies and requesting for urgent steps towards the amendment of Nigeria's Deep Offshore and Inland Sharing Contracts Act, 1993 dated the 30th July, 2018. The subsequent response from the Minister's office advised us to direct the request to your office for necessary action (kindly find attached a copy of the response from the Minister of Petroleum Resources)

Relying on the provisions of the Freedom of Information Act, we hereby request for relevant details of the international oil companies carrying out deep offshore activities in the country; their deep offshore operations concerned and details of the level of their compliance with the royalties payment requirement of the DOISC Act, 1993. Our request is brought pursuant to the provisions of Section 2, 3, and 4 of the Freedom of Information Act, 2011.

We also demand 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 analyst and lawyers on the economic losses being incurred by the country under 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.

The federal government had in 1993, awarded some oil blocks in the deep water to the IOCs under PSCs, which provide that the 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. 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 has not done so 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 royalty is zero in water depths exceeding 1,000 metres. Though the terms of the PSC also provide that the agreements would be reviewed when oil price exceeded \$20 per barrel, the federal government did not enforce this provision.

In the basis of the aforementioned facts that we demand the amendment of relevant sections of the Deep Offshore and Inland Sharing and Production Contract Act, particularly Section 5 of the said Act.

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

Sincerely,


A. Suraju

