LEAD DEBATE ON

PETROLEUM INDUSTRY ADMINISTRATION BILL 2017

SPONSOR

Senator Bassey Albert Akpan

Akwa Ibom North-East

CO-SPONSORS

All members of Senate Committees on Gas Resources, Downstream Petroleum Resources and Petroleum Resources Upstream

1.0 Introduction

(a) Mr. President and Distinguished Colleagues, it is my honour and privilege to lead this debate on the ***Nigeria Petroleum Industry Administration Bill 2017***. The first reading of the Bill took place on the 25th day of July 2017.

(b) Mr. President and Distinguished Colleagues, the ***Nigeria Petroleum Industry Administration Bill 2017*** seeks to provide for a new legal framework for the administration of the upstream, midstream and downstream sectors of the Nigeria petroleum industry. It seeks to provide effective administration of the entire industry and to open up the industry for investment and growth. Therefore, this law has the capacity to create the much desired expansion of the industry by unleashing an inflow of new entrants into petroleum operations which be accompanied by substantial new investments and overall transformation of the Nigeria oil and gas industry.

(c) Mr. President and Distinguished Colleagues, permit me to briefly provide the background and necessary insight into the Bill to enable you understand our cogent request for the second reading of this Bill.

2. Background

(a) Mr. President and Distinguished Colleagues, we are all aware that the basic legal framework for the administration of our petroleum industry is the ***Petroleum Act*** (Cap. 350 of LFN 1990 as amended – which came into force on 27 November 1969) along with its several tributary regulations made at the behest and in pursuance of the provisions of the *Act*. This *Act* was enacted during the infancy of the Nigerian petroleum industry and its main objective was to provide for the regulation and administration of an infantile industry. Over time, the petroleum industry has evolved in several dimensions including discovery of commercial hydrocarbons around the world, scope of operations, push from competing energy sources, the environment and role of gas, cost structures, know how, technology, people, geopolitics, volatility of prices and markets. These forces have rendered the *Petroleum Act* ineffective and efficient for the administration of the Nigerian petroleum industry. The *Act* has become outdated and inadequate for administration of the Nigerian petroleum industry. In fact, it has become a hindrance in the process of contemporary petroleum resource management. The problems created by the extant petroleum administration regime can be summarized as follows:

(1) An outdated industry legal framework comprising laws and subsidiary legislations dating back to the 1960s;
(2) Inefficient and poorly segmented regulatory entities;
(3) An inefficiently structured commercial entity;
(4) Lack of clarity, transparency and accountability
(5) Ineffective upstream acreage management system;
(6) A poorly regulated downstream sector based on regulated products price regime.
(7) An outdated fiscal regime; and
(8) Absence of a legal framework for petroleum producing host communities development.

3. Objectives of the *Nigeria Petroleum Industry Administration Bill 2017*

(a) Mr. President and Distinguished Colleagues, let me enunciate the major reasons why we need to quickly enact the ***Nigeria Petroleum Industry Administration Bill 2017***: The objectives of the Bill are to:

(1) To create a robust legal framework for the administration of upstream licences and leases.

(2) Provide regulations for the organization of the midstream operations and gas market; and

(3) Set out the procedures for administration of licencing and operations of the downstream.

4. Principles of the *Nigeria Petroleum Industry Administration Bill 2017*

(1) Mr. President and Distinguished Colleagues, as you are all aware, this distinguished and committed Senate has already dealt with the issues of inefficient and poorly segmented regulatory entities and reformed the extant poorly structured commercial entity when it graciously passed the ***Petroleum Industry Governance Bill*** (PIGB). The legal framework for a new fiscal regime and the petroleum producing host communities development has also scaled second reading. We now bring before you, Mr. President and our distinguished colleagues, a Bill to take care of our ineffectual and out-moded legal framework for upstream, midstream and downstream administration. The ***Nigeria Petroleum Industry Administration Bill 2017*** will therefore address the following problems of the upstream, midstream and downstream sector of the Nigerian petroleum industry, to wit:

(a) The extant inadequate licences and lease administration;
(b) The current absence of clear statutory regulations for administration of midstream petroleum activities; and
(c) The present poorly structured downstream administration system based on regulation of petroleum products prices.

(2) The ***Nigeria Petroleum Industry Administration Bill 2017*** will also provide for the following:

(a) Reform of the administration of the upstream sector by providing for an appropriate and transparent management system for licences and lease award, assignment, acquisition, relinquishment and renewal; clear rules for domestic gas supply obligation, environmental quality management, abandonment and decommissioning as well as health, safety and environment and prohibition of gas flaring. It will also provide support for growth of indigenous companies.
(b) effective administration of midstream products and gas regulation by creating an effective licensing regime for a midstream licensing regime, domestic gas aggregation rules, whole sale gas market rules, third party

access rules, gas network code, gas pricing regime and competition and market regulation as well as consumer protection rules.

(c) establish administrative framework for downstream licensing regime, provide incentives for local refining of crude oil, create rules for bulk storage of crude oil, petroleum products transportation pipelines, and permits and arrangement for retail of petroleum products and operation of petrochemical facilities. It will also provide for competition and market regulation, pricing regime and consumer protection.

(d) This Bill which has gone through ***First Reading*** is part of the legislative reform of the Nigeria oil and gas industry. The Bill is an exclusive legislative proposal providing for the administration of the upstream, midstream and downstream of the Nigerian petroleum industry and is presented in line with the perspective of this 8th Senate to split the PIB into smaller logical partitions to allow for easier consideration, passage and where necessary, future amendments.

5. Structure and Content of the *Nigeria Petroleum Industry Administration Bill*

(a) **Structure of the Bill**

Mr. President and Distinguished Colleagues, the structure of the Bill is as follows:

Part 1: Upstream Petroleum Administration
Part 2: Midstream Products and Gas Regulation
Part 3: Downstream Petroleum Regulation – Licencing and Operations;
Part 4: Interpretation
Part 5: Short Title
Part 6: Consequential Amendments and Transitional and Savings Provisions
Schedules

(b) **Contents of the Bill**

Mr. President and Distinguished Colleagues, the bill is divided into six parts as follows:

(1) Part 1 provides for a new legal framework for upstream petroleum administration comprising of a new grid system; appropriate sizes of

prospecting and mining licence and lease areas; suitable duration of licences and leases; efficient work programmes; clear rules for renewal and relinquishment of licences and leases; a transparent licences award system; suitable assignment, mergers and acquisition framework; domestic gas supply obligation; prohibition of gas flaring; effective environmental quality management; and a proper arrangement for abandonment and decommissioning. Furthermore, the part makes provisions to support growth of indigenous companies. Finally, it also provides for health, safety and environment by providing for delineation of responsibility for environment, stating the obligations of licensees, lessees and contractors and establishing their duty to utilize good oil field practices, restore the environment and compensates victims of environmental incidents.

(2) Part 2 provides for midstream operations and gas regulation. A midstream licensing regime, domestic gas aggregation rules, whole sale gas market rules, third party access rules, gas network code, gas pricing regime and competition and market regulation as well as consumer protection rules.

(3) Part 3 provides for downstream licensing regime, incentives for local refining of crude oil, rules for bulk storage of crude oil, petroleum products transportation pipelines, and permits and arrangement for retail of petroleum products and operation of petrochemical facilities. The part also covers provisions for competition and market regulation, pricing regime and consumer protection as well as offences and penalties for contravention of licences and permit provisions.

(4) Parts 4, 5 and 6 contain respectively the interpretation; short title; and repeals, consequential amendments and transitional and savings provisions. These parts and followed by the Schedules to Bill.

6. Financial Implications

FINANCIAL IMPLICATIONS:
In Pursuance of Senate Standing Order 2015 (As Amended)

1. **Statutory Requirement for Financial Implications**
   Senate Standing Order 2015 (as amended), Order 77 paragraph (3) provides that *"a compendium of the background information and financial implications*

shall accompany every bill". In pursuance of this requirement, the financial implications of the *Petroleum Industry Administration 2017* are stated hereunder as follows:

2. **Financial Implications of the Petroleum Industry Administration Bill 2017**

Petroleum Industry Administration Bill 2017 seeks, inter alia, to provide for a new legal framework for the administration of the upstream, midstream and downstream sectors of the Nigeria petroleum industry. The Bill does not propose to set up any new institution. Therefore, no funds are needed to be appropriated by the National Assembly for funding under the *Petroleum Industry Administration Bill 2017.*

7. **Conclusion**

President and Distinguished Colleagues, let me conclude by stating that this Bill, the ***Nigeria Petroleum Industry Administration Bill 2017,*** proposes an effective and robust legal framework for the administration of the upstream, midstream and downstream sectors of the Nigerian petroleum industry. The framework proposed in the Bill takes into cognizance the aspirations of government and the industry stakeholders while also navigating away from the shortcomings of the extant legal regime. We can confidently state that this framework has the potentials to provide for effective administration of the upstream, midstream and downstream sectors of the Nigerian petroleum industry

Mr. President and Distinguished Colleagues, I believe that the objectives and provisions of this Bill are very laudable and will transform the administration of the upstream, midstream and downstream sectors of the Nigerian petroleum industry. Most importantly, the Bill will create a better framework for management of the upstream and free up acreages that are not being developed by licences and lease holders thereby creating opportunities for new investors to bring substantial investment to the Nigerian oil and gas industry. The Bill will ensure strict and effective management of environmental matters by oil companies. It will provide the much needed framework for midstream activities and open up the market for supply of gas and other downstream products. This bill will also provide the legal backing for deregulation of the downstream petroleum. Overall, the Bill will usher in massive investment into the petroleum sector at this critical time that such investments are required to stimulate growth in the industry with its concomitant effect on other sectors of the Nigerian economy.

Mr. President and Distinguished Colleagues, I therefore urge you all to support the second reading of this Bill and committal of same to the relevant committee for detailed consideration. Thank you.