



THE SENATE

FEDERAL REPUBLIC OF NIGERIA

NATIONAL ASSEMBLY

SENATE COMMITTEE ON GAS

REPORT ON

**A BILL FOR AN ACT TO PROHIBIT GAS FLARING IN NIGERIA AND
PRESCRIBE APPROPRIATE PENALTIES AND FOR RELATED MATTERS
2017 (SB.337)**

OCTOBER, 2018

**REPORT OF THE SENATE COMMITTEE ON GAS ON A BILL FOR AN ACT TO
PROHIBIT GAS FLARING IN NIGERIA AND PRESCRIBE APPROPRIATE PENALTIES
AND FOR RELATED MATTERS, 2017 (SB.337)**

1.0 BACKGROUND

The Gas Flaring Prohibition Bill (SB.337) was deliberated by the Senate on Thursday, 9th March, 2017 and referred to the Committee on Gas for further legislative action. The bill was sponsored by **Distinguished Senator Bassey Albert Akpan**, Chairman Senate Committee on Gas and co-sponsored by Distinguished Members of the Committee on Gas.

2.0 METHODOLOGY

The Committee adopted the following methodology to further process the Bill.

1. Conduct of the Public Hearing May 31st, 2018;
2. Engagement of Stakeholders in the Oil and Gas Industries owing to the technical nature of the industry.
3. Any other matter which would assist the Committee in the discharge of this assignment.

3.0 OBJECTIVES OF THE BILL

Mr President, Distinguished colleagues, Nigeria is one of the World's top gas flaring nations; the Federal Government has severally promised to harness and market the nation's gas resources to reduce the negative impact of gas flaring on the oil producing communities over the years without success. The continuous flaring of gas by the International Oil Companies (IOC's) and the National Oil Companies (NOC's), poses a lot of danger to the environment and health of the host communities. Also, particulate matters of all kinds are being emitted into the atmosphere when gas is flared, these further endangers human lives in the affected areas.

This dangerous threat to life has persisted despite the intervention of government in 1978/1979 with the use of carrot and stick approach when the Gas Flare Penalty was reviewed from 50k/scf to N10/scf in addition to the robust incentives to companies to undertake commercial Gas utilization projects. Despite all these, companies still preferred to pay penalties than to incur cost of Re-Injection or commercial gas utilization. All these activities places Nigeria as the second largest gas flaring nation in the world.

Distinguished colleagues, the objective of this bill is to address the inadequacies and shortcomings of the Associated Gas Re-Injection Act 1979, which provides for the implementation of gas Re-Injection by the Oil Producing Companies with a flare-out dateline of January 1, 1984. This said Act, which also empowered the Minster to make Regulations for continued flare, brought about Continued Flaring of Gas Regulations of 1985, after which there has not been any regulation on Gas Flaring to date.

Nigeria has between 136–140 Gas flare sites; though recent verification exercise reveals more than 178 flare sites and still counting. Based on the Nigerian National Petroleum Corporation (NNPC's) annual report, the country loses over \$2billion annually to Gas Flaring and generates a paltry N3 billion from Gas Flared Penalties annually.

However, there appears to be a rekindled hope to ending gas flaring in Nigeria according to the Minister of Petroleum Resources by 2020, which is ten (10) years ahead of the 2030 United Nations dateline on gas flare out.

To achieve this target, the Federal Government through its recently approved National Gas Policy is to adopt commercially viable options and investment opportunities in the oil and gas sector to monetize the huge gas potentials in the country. This Bill therefore has taken into consideration, the provisions of the National Gas Policy as well as the Petroleum Industry Governance Bill (PIGB) in this regard.

4.0 PUBLIC HEARING

The Committee in carrying out this assignment conducted a Public Hearing for stakeholders in the industry and the general public on Wednesday, May 31, 2017 to collate views, contributions of various stakeholders to the proposed Bill which was declared open by The Senate President, Senator Dr. Abubakar Bukola Saraki, represented by Senate Whip, Distinguished Senator Ibn Na'Allah.

In his welcome address, he re-emphasized the need for Nigeria to put an end to gas flaring like is done in other Countries of the World. This, he said, was achievable. The Senate President noted that the 8th Senate recognises that gas flaring is not just an environmental issue but a developmental injustice as well as human rights issue. He decried the continuous drain on our revenue through gas flaring and promised that the Senate was committed to ensuring this obnoxious practice is put to an end, while commending the sponsors of the bill for their commitment in finding a lasting solution to the menace of gas flaring in Nigeria, he urged Stakeholders to use their expertise/knowledge to carefully deliberate on the provisions of the bill and make positive contributions to ensure its immediate passage.

The following Stakeholders and the General Public attended the Public Hearing:

1. Ministry of Petroleum Resources (MPR)
2. Department of Petroleum Resources (DPR)
3. Nigeria National Petroleum Corporation (NNPC)
4. International Oil Companies (IOC's)
5. National Oil Companies (NOC's)
6. Oil Producers Trade Sections (OPTS)
7. Nigeria-Extractive-Industries-Transparency-Initiative (NEITI)
8. Host Communities (HOSTCOM)
9. National Environmental Standards and Regulations Enforcement Agency (NESREA)
10. Civil Societies Organisation (CSO)

11. General Public

After the Public Hearing, the Committee collated the views passionately expressed by Stakeholders and memoranda submitted. In addition, the Committee held several Stakeholders engagement with the Ministry of Petroleum Resources, Department of Petroleum Resources, Nigeria National Petroleum Cooperation, Oil Producers Trade Sections (OPTS) and others to further fine-tune the content of the Bill to ensure its smooth consideration and passage.

Distinguished Colleagues, permit me to at this juncture, to thank the Officials of these Organizations who took time out of their busy schedules to be in the National Assembly at various times to attend the Stakeholders forum. Their contributions, inputs and comments have enriched this bill and will ensure its smooth implementation when eventually passed into law.

5.0 HIGHLIGHTS OF THE BILL

Mr. President, Distinguished Colleagues, this thirteen paged referral to the Committee has now been renumbered to twenty five pages to accommodate new sections introduced into the Bill after the Public Hearing.

1. Section 2

Section 2 of the bill was substituted for a new section 2 (a)(b) with a proviso that exclude any Flare Gas Volume that is being offered in a bid process conducted by the Federal Government or has been assigned for commercialisation by the Federal Government to a third party. This is to accommodate government policy on Gas monetization.

2. Sections 3, 4, 5, 6, and 7

Sections 3, 4, 5, 6 and 7 were introduced to sanction the Lessee or Licensee for inaccurate data collation and submissions.

3. Section 5

Section 5 deals with gas flaring Fee, the Committee prescribes a fee between **\$0.50 to \$2.00** or its Naira equivalent per standard cubic feet of gas flare depending on volume of production by the operators. It should however be noted that since 1979, the Gas Re-injection Act which stipulated N10/mscf as gas flare penalty has not been reviewed 40 years after. This we believe was due to non-compelling provisions in the Act for periodic review of applicable fee in the extant Act, through regulations by the Minister of Petroleum.

4. Sections 10 and 11

Sections 10 and 11 were merged to provide for omnibus section for failure, omission or neglect to comply with the provision in section 2 (3); as well as sections 4, 5, and 6 of this bill.

5. Section 16

Section 16 deals with powers of the Minister to make Regulations as at when necessary within a specified period of two years.

6. Section 11

Section 11 makes it mandatory for every Lessee or Licensee to install an online real-time metering equipment in every facility where gas is being flared or vented in conformity with global best practices.

7. Section 21

Section 21 deals with Interpretation of the various terms used in the bill for clarity and better understanding due to the technical nature of the bill.

8. Section 22

Section 22 deals with the repeal of the Associated Gas Re-Injection Act (Cap 25), LFN 2004. However, this repeal does not affect the Regulations made under it - Associated Gas Re-Injection (Continued Flaring of Gas) Regulations no. 43 of 1985.

6.0 RECOMMENDATION

That the Committee on Gas to which this Bill was referred, having carefully considered same, recommends that the Senate do pass this Bill for an Act to Prohibit Gas Flaring in Nigeria and Prescribe Appropriate Penalties; and for Related Matters 2017.

7.0 CONCLUSION

The Committee wishes to express its gratitude to the Leadership of the Senate and the entire Senate for this opportunity to serve the Senate of the Federal Republic of Nigeria and our great Nation in this capacity, and do sincerely hope that our recommendations will be adopted.

THANK YOU