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O&G-OPS SECURITY NIGERIA -PANEL SESSION
VIRTUAL AGORA

“Petroleum Industry Act 2021 (PIA)
The potential impact on security”

November 25th 2021



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— VA —
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Thurs 25th of November 14.00-15.30 (WAT)
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O&G-Ops Security Nigeria - Panel Discussion
"Petroleum Industry Act 2021 (PIA) - The potential impact on security"



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Under Chatham House Rule, our Esteemed panelists discussed the Petroleum Industry Act 2021 (PIA), however from a security slant with a focus on how will this impact insecurity



As we are aware the PIB and now the PIA took several years to come into place and many people are not fully up to speed on the understanding of such a major legislative overhaul.



Dr. Timothy Okon having been heavily involved and instrumental in the draft started off with a short brief regarding its objectives



Takeaways



- To bring legislation to reflect modern times - A lot has changed since the Petroleum Act of 1969 and The Petroleum Profit Tax Act of 1959



- PIA to close gaps in modernisation
- Addresses current stabilization concerns and issues of de-industrialization
- The creation of a system with proper governance - Chapter 4



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- Focus on moving away from entitlement and to create economic opportunities, industrialization alongside a competitive investor friendly fiscal regime



- Redevelopment of the Niger Delta
- Introduction of new additional funds for prosperity i.e.



- Midstream and Downstream Intervention Fund
- Environmental Fund
- Decommissioning and Abandonment fund



Q. Tension is high in the Nigeria region and with loss of confidence due to historic legacy. Is there scepticism around the impact of PIA?



Discussion areas:

- Some view the Act as fiscally focused and a question arose on how does it address the root cause of insecurity?



i.e. A recent 3-week response time to a BOP spill

Takeaways



- The PIA is not based around a revenue allocation formula
- There are 118 proposed regulations under the PIA with new ones being developed
- Regulations are no longer made by Ministers but are made by independent regulators



- The only 2 exceptions to this are:
 - 1) Awarding of licenses and
 - 2) Fixing of independent regulator fees



The regulations will take care of:

- 1) Mechanics,
- 2) Enforcement and
- 3) Penalties for Non-Compliance



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Q. Are we seeing any trends of misinformation, misunderstanding from a community perspective – As we know communities are a key stakeholder in operating regions



Discussion areas:

We explored a recent community conference in River state that discussed the PIA that unearthed concerns:

- Previous implementation scepticism
- How PIA will assist and help the communities setting up of community infrastructure
- How much of the fund will reach local govt. and how much will reach the community directly



Takeaways



- All host community fund allocations are now to be directed to a Trust Fund as specified by the PIA. Furthermore, Host Communities Fund Regulations will be issued by the Commission.



- A Trust fund is a legal entity with no involvement from state and local Govt.



- OML / PML holder is responsible for setting up trustees
- Local Govt. cannot set up trustees as duty of the settler
- Trustees have judicial responsibility with legal implications if mistreated



- The limit of OML regional boundaries have no correlation to Govt. regional boundaries
- The community is responsible in determining which projects funds are allocated towards



Q. Given the drivers for tackling insecurity in Nigeria, what can the PIA do for the next generation as well as containing existing criminals who have been institutionalized?

Discussion areas:

- Legacy issues (Social-economic, enforcement of laws, corruption, growing population and weak governance)
- Lost trust in all arms of the Govt. perception



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- The general population - How will the PIA effect people personally in degraded communities
- The PIA is not primarily a security bill, however, has principles which combat the 'criminal path'
- Implementation vs Benefit time ratio
- There is fear at community level - Will this be the same regime as previous...
- Tackling professional and hardened criminals
- How do we converse the positives of the bill and convey to the next generation?



How is the PIA focus on opportunity creation?



Takeaways



- Objective to shift the sector from an extractive focus to a wider value chain i.e. Chemical plants, Refineries
- Creates obligation for investors to build infrastructure such as midstream assets
- PIA focuses to re-define domestic delivery obligation
- Clarifies the issue of Domestic Gas Delivery (Section 110 and 167)
- Addresses the issue of cost of supply of fuel
- It focuses on re-industrialising the whole sector



E.g Flare elimination to commoditize gas and re-inject into beneficial value adds such as GTP or conversion to plastics.



- Creates alternative exporting opportunities to the sector outside of extractives.



- Once an eco-system is developed this will develop job creation, national and economic prosperity and in turn GDP growth



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We explored how is best to enable the communities in the Niger Delta to understand the positives and how can we convey this?



- There is currently a plan under review with the Ministry to conduct a roadshow communicating the value proposition and long-term plan for prosperity



Q. How is the identity of communities who lay claim to a field fund defined and who will determine which communities are impacted?



- There is a regulation related this this. The determination is defined based on if a community is opportune to either an OML field or appurtenant (near by) a boundary



- The boundary of govt. in this instance has no relation to the boundary OML claim



Short Term:

We explored how does the PIA Impact security challenges in the short term given the current landscape



Discussion areas:

- Bunkering is big business
- Sabotage is big business
- Most community members are good people, how do we tackle the 'untouchables' and address the elephant in the room such as 'Godfathers'
- The impact of Oil spills and hostility due to environmental degradation



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In Summary



- The PIA has a focus on future prosperity, which in turn will create opportunities.
- PIA will help to jump start projects and reduce grievance from lack of self sustainability for communities
- As with any new legislation it will take time to absorb and gain trust
- The PIA has a lot of promise and focused on tackling disaffection against the Govt. and the way state has been previously managing local communities



- Nigeria needs to a be country of law where there are:



- 1) Good Laws and;
- 2) Enforced Laws



- Spend time to understand the PIA and its objectives

As an industry communicating the benefits of PIA is essential. This can only be achieved by:



- **Clarity**
- **Understanding**
- **Communication**

