

Increasing Awareness of Oil Resource Governance in Nigeria

AGREEMENTS IN OIL
between parties
PSC agreement are
made in oil.

Cost Oil
Recoverable
by the
Contractors

Royalty Oil
Paid to
holder
(NNPC)

"LIFTING ENTITLEMENT"
The total share of the oil
production a party is entitled
under a PSC.

Oil Distribution:
A large red barrel labeled 'OIL' pours into a funnel labeled 'BASIN'. The funnel is connected to a large red barrel labeled 'SHELL'. The oil flows into three green basins representing different levels of government:
 - **FEDERAL GOVT** (top basin)
 - **STATE GOVT** (middle basin)
 - **LOCAL GOVT** (bottom basin)

Oil Resource Comparison:

Country	Value
Nigeria	\$1.5 billion
Brazil	\$5.3 billion
Norway	\$737 billion
U.A.E	\$817 billion

Nigeria's Oil Addiction

The Oil Revenue Tracking Initiative seeks to create an awareness of Nigeria's oil industry using traditional and new media to inform, educate and engage with citizens and stakeholders, particularly young Nigerians.

Amara Nwankpa

Amara Nwankpa is an IT professional, enthusiast for social innovation using new media and an advocate for good governance and national development. Amara founded the LightUpNigeria movement and is a founding member of EnoughisEnough Nigeria. He played key roles in the mobilization effort to increase the involvement of young Nigerians in the 2011 elections. Amara conceived the Oil Revenue Tracking Initiative to encourage the involvement of young Nigerians in bringing important issues to the forefront of the upcoming 2015 elections.



The Yar'Adua Foundation endeavors to further the ideals of late Shehu Yar'Adua; his commitment to national unity, good governance and to building a just and democratic society for all Nigerians. Its public policy initiative addresses issues of public concern through advocacy, conferences and publications.

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Getting started:

Oil Basics

Where it all began...

Did you know...?

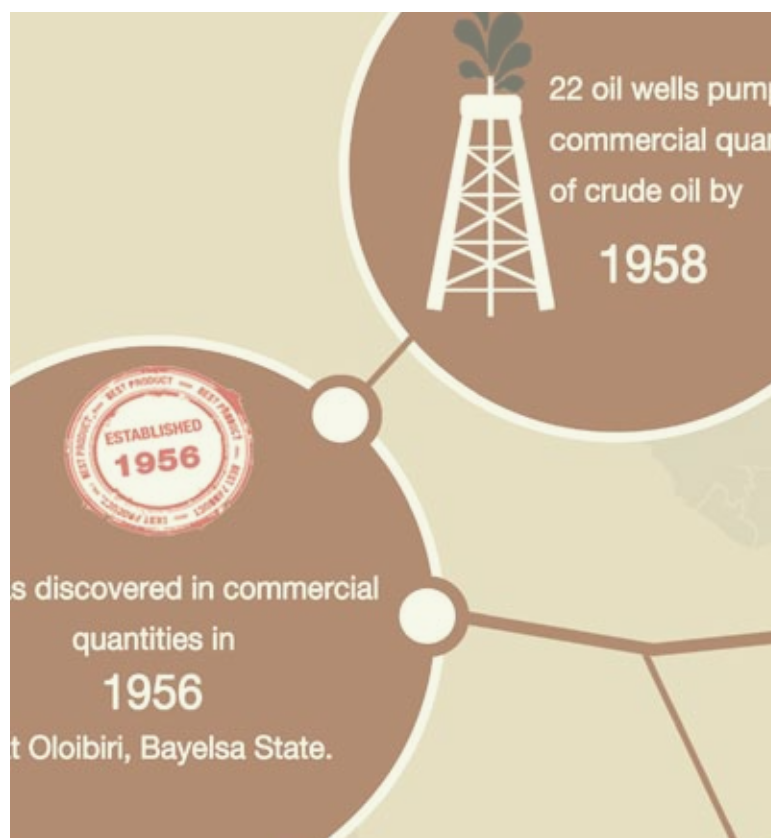
1956

Oil was discovered in commercial quantities at Oloibiri, Bayelsa State

1958

22 oil wells pumped commercial quantities of crude oil...

...The first crude oil exports left the shores of Nigeria



GDP

The oil sector contributes
only 15% compared
to 30% for agriculture

Earnings

Export value of crude oil
was 1% in 1958. Now it
accounts for over 90% of
export earnings.

80%

of budgetary revenues
come from oil export
earnings



find out more at
www.oilrevenueng.org



BEGINNINGS



22 oil wells pumped commercial quantities of crude oil by

1958



Initial production quantity was about 5,100 barrels per day. Over the years this has scaled to a high of 2.4 million barrels per day at its peak

The oil sector contributes only

15%
GDP

compared to

30%
GDP

for agriculture

80%

of budgetary revenues come from export earnings



Nigeria joined the Organization of Petroleum Exporting Countries in 1971 following the establishment of the NNPC and acquisition of more stakes in the oil industry



The first crude oil exports left the shores of Nigeria in February

1958



Nigeria is the 8th largest exporter in the world, supplying Europe, USA, Latin America, Asia & Pacific, and other African countries

Export value of crude oil was less than 1% in 1958. Now it accounts for over 90% of export earnings.

Akwa Ibom

is the largest oil producing state with 504,000bpd

Rivers

State produces 344,000bpd; and is the 3rd largest oil producing state in Nigeria

Delta

with 346,000bpd is the second largest oil producing state in Nigeria

80% of Nigeria's oil production comes from 3 States: Akwa Ibom, Delta and Rivers.



find out more at www.oilrevenueng.org

ONDO STATE



POPULATION (2006)
3,460,877
GDP (2010)
US \$8.41 BILLION

EDO STATE



POPULATION (2006)
3,233,366
GDP (2010)
US \$11.89 BILLION

DELTA STATE



POPULATION (2006)
4,112,445
GDP (2010)
US \$16.75 BILLION

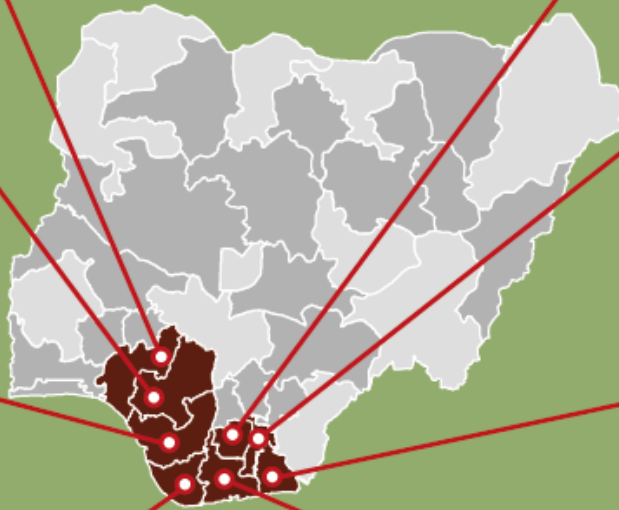
BAYELSA STATE



POPULATION (2006)
1,704,515
GDP (2010)
US \$4.34 BILLION

OIL PRODUCING STATES IN NIGERIA

Features 8 oil producing states in Nigeria.
 *Anambra not yet producing
 **Oil wells in Cross River ceded to Akwa Ibom



PRODUCTION
60,000
 barrels per day

5TH LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1976 19

OTHER RESOURCES
 Bitumen, Tar Sands

IMO STATE

PRODUCTION
17,000
 barrels per day

7TH LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1976 27

OTHER RESOURCES
 Lead, zinc, fine sand, clay and limestone

POPULATION (2006)
 3,934,899

GDP (2010)
 US\$ 14.21 BILLION

PRODUCTION
33,000
 barrels per day

6TH LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1991 18

OTHER RESOURCES
 Limestone, clay, gold, iron ore, fine sand, granite

ABIA STATE

PRODUCTION
11,000
 barrels per day

8TH LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1991 17

OTHER RESOURCES
 Lead, zinc, fine sand and limestone

POPULATION (2006)
 2,845,370

GDP (2010)
 US\$ 18.69 BILLION

PRODUCTION
346,000
 barrels per day

2ND LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1991 25

OTHER RESOURCES
 Rubber, timber, fine sand and clay

AKWA IBOM STATE

PRODUCTION
504,000
 barrels per day

LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1987 31

OTHER RESOURCES
 Clay, limestone and coal

POPULATION (2006)
 3,902,051

GDP (2010)
 US\$ 11.18 BILLION

PRODUCTION
290,000
 barrels per day

4TH LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1996 8

OTHER RESOURCES
 Aquatic resources

RIVERS STATE

PRODUCTION
344,000
 barrels per day

3RD LARGEST
 OIL PRODUCING STATE

CREATED LGAs
1967 23

OTHER RESOURCES
 Aquatic resources

POPULATION (2006)
 5,198,716

GDP (2010)
 US\$ 21.07 BILLION

80%
 OF OIL PRODUCTION
 COMES FROM 3 STATES
 AKWA IBOM
 DELTA
 RIVERS

TOTAL GDP OF
 8 OIL PRODUCING STATES
 REPRESENTS
35%
 OF NIGERIA'S GDP

Upstream

activities involve exploration - searching for oil either onshore or offshore; and production of oil after discovery

Downstream

sector is comprised of refineries, transportation and marketing of petroleum products



find out more at
www.oilrevenueng.org

STRUCTURE O



Upstr
"sear
ANI

W
EXPLOR



Shell
860kbpd

MIDSTREAM

UPSTREAM

DOWNSTREAM

Upstream activities involve exploration - which is "searching for the oil" either onshore or offshore and the production of the oil after discovery

The downstream sector comprises of refineries, transportation and marketing of petroleum products



WHO'S INVOLVED?

OPERATION AND PRODUCTION COMPANIES

(KBPD = Thousand Barrels Per Day)

24TH BIGGEST OIL COMPANY IN THE WORLD
Nigerian National Petroleum Corporation (NNPC)

Chevron
516kbpd

Total
279kbpd

Original oil fields production is estimated at
102kbpd

REFINERIES

- Port Harcourt Refining Company (PHRC 1) – Rivers State
Capacity: 60,000 BPSD (barrels per stream day)
- Port Harcourt Refining Company (PHRC 2) – Rivers State
Capacity: 150,000 BPSD (barrels per stream day)
- Warri Refining and Petrochemical Company (WRPC) – Delta State
Capacity: 125,000 BPSD (barrels per stream day)
- Kaduna Refining and Petrochemical Company (KRPC) – Kaduna State
Capacity: 110,000 BPSD (barrels per stream day)

TOTAL CAPACITY: 445,000 BPSD (BARRELS PER STREAM DAY)

Nigeria lacks the capacity to refine most of its crude oil hence the need to export over 98% to other countries.

diagram continues: next page...

...structure of oil industry diagram continued: from previous page



1650KM:

LENGTH OF NIGERIA'S CRUDE OIL PIPELINES

EXPORT TERMINALS

BONNY

OPERATOR: SHELL PETROLEUM DEVELOPMENT
LOCATION: ABOUT 560 KM S.E. OF LAGOS.
LOADING CAPACITY: 6,500 T/H. 22KM OF SEA LINE WITH 2 SINGLE BUOY MOORINGS, FOR TANKERS LOADING UP TO 300,000 - 230,000 DWT

FORCADOS

OPERATOR: SHELL PETROLEUM DEVELOPMENT
LOCATION: ABOUT 260 KM S.E. OF LAGOS
LOADING CAPACITY: 11,000 T/HR 26 KM SEA LINE WITH 2 SINGLE BUOY MOORINGS FOR TANKERS LOADING UP TO 254,000 DWT
TOTAL STORAGE CAPACITY BONNY-FORCADOS: 13 MILLION BBLs.

ESCRAVOS

OPERATOR: CHEVRON NIGERIA LIMITED
LOCATION: ABOUT 220 KM S.E. OF LAGOS
LOADING CAPACITY: 3,750 T/HR 30 KM OF SEA LINE WITH 2 SINGLE BUOY MOORINGS
TANKERS LOADING UP TO 350,00 DOT
STORAGE CAPACITY: 3.6 MILLION BARRELS

QUA IBOE

OPERATOR: MOBIL PRODUCING
LOCATION: ABOUT 650 KM S.E. OF LAGOS
LOADING CAPACITY: 3,750 T/HR 21 KM OF SEA LINE WITH 2 SINGLE BUOY MOORINGS
TANKERS LOADING UP TO 285,000 DWT

PENNINGTON

OPERATOR: TEXACO (OVERSEAS) NIGERIA
LOCATION: ABOUT 470 KM S.E. OF LAGOS
LOADING CAPACITY: 2,000 T/HR
TANKERS LOADING UP TO 250,000 DWT

BRASS

OPERATOR: NIGERIAN AGIP OIL COMPANY, NAOC
LOCATION: ABOUT 470 KM S.E. OF LAGOS
LOADING CAPACITY: 26 KM OF SEA LINE WITH 2 SINGLE BUOY MOORINGS
TANKERS LOADING UP TO 300,000 DWT
STORAGE CAPACITY: 3,558 MILLION BARRELS



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- ⊙ QUA IBOE – EXXONMOBIL – AKWA IBOM STATE (ONSHORE)
- ⊙ ESCRAVOS – CHEVRON – DELTA STATE (ONSHORE)
- ⊙ BRASS – AGIP – BAYELSA STATE (ONSHORE)
- ⊙ OLOIBIRI – CHEVRON – BAYELSA STATE (ONSHORE)
- ⊙ FORCADOS – SHELL – DELTA STATE (ONSHORE)
- ⊙ BONNY – SHELL – RIVERS STATE (ONSHORE)
- ⊙ ANTAN – ADDAX (OFFSHORE) – KNOCK TAGGART VESSEL
- ⊙ IMA – AMNI (OFFSHORE) – AILSA CRAIG VESSEL
- ⊙ UKPOKITI – EXPRESS/CONOCO (OFFSHORE) – INDEPENDENCE/SPIRIT VESSELS
- ⊙ YOHO – MOBIL (OFFSHORE) – FALCON VESSEL
- ⊙ ABO – NAE (OFFSHORE) – GRAY WARRIOR VESSEL
- ⊙ OKONO – NPDC/AENR (OFFSHORE) – MYSTRAS VESSEL
EA – SHELL (OFFSHORE) – SEA EAGLE VESSEL
- ⊙ ODUDU – TOTAL/ELF (OFFSHORE) – UNITY VESSEL

Terminals

Six Nigerian export terminals:
Bonny, Forcados, Escravos,
Pennington, Brass, Qua Iboe

Pipelines

Nigeria's crude oil
pipelines span 1650km



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LEGISLATIVE TIMELINE



1914

MINERAL OIL ORDINANCE ACT

1934

PETROLEUM (PROD

1946

THE MINERALS ORDINANCE ACT

1965

THE OIL PIPELINES ACT

1969

PETROLEUM ACT

The act grants ownership rights of all on-shore, off-shore and continental shelf finds to the Federal Government including all revenues from petroleum resources.

1977

NNPC ACT

This act created the NNPC as a result of a merger between NNOC (Nigerian National Oil Company) and the Federal Ministry of Mines and Power to better manage the affairs of the Federal Government in the sector.

1979

LAND USE ACT

The Federal Government owns, controls and manages all natural mineral resources within Nigeria's geographical area.

2007

MINERALS AND MINING ACT

This act operates in accordance with the Land Use Act 1979. Mining operations override any other functional use for the land in question.

20

PETRO INDUS

The Petroleum
an omnibus
seeks to r
activities in
industry in N
into law it rep
existing law
and absor

DUCTION) ACT

012 ROLEM STRY BILL

m Industry Bill is
legislation that
regulate all the
the oil and gas
Nigeria. If passed
deals some of the
s in the industry
bs the others.



LINKS TO POWER SECTOR



If the PIB succeeds in improving upstream activities, domestic supply of gas to the power sector can improve electricity generation

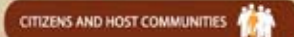
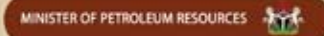
WHY P.I.B ?



- + Improve transparency and competitiveness
- + Address licences and existing agreements
- + Improve existing fiscal regime to boost government revenues
- + Restructuring the NNPC



STAKEHOLDERS LINKED TO PIB



CONTENTIOUS ISSUES

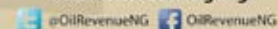


- 10% Host Community Fund sourced from oil companies operating onshore - what happens to offshore operators?
- 3 successor companies created out of NNPC- more bureaucracy?
- Allowing the acceptance of gifts – legalizing “petronage”?
- Levels of transparency and conflict of interests



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A look at the important laws that have contributed to shaping the oil industry as it exists today.



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Licences and Agreements

Upstream Licencing: The Basics

There are two types of licenses granted to oil upstream operators in Nigeria. Only companies incorporated in Nigeria or Nigerian citizens are granted or allowed to lease or hold any interest in an OPL or OML licence. Foreign companies can only hold interests in licenses through Nigerian Registered Subsidiaries



OPL

OIL PROSPECTING LICENSE

License permits the grantee to exclusively carry out operations in a certain designated area commonly referred to as the "oil block". It allows the grantee to produce and dispose of produced hydrocarbons from the designated area. An OPL for onshore areas lasts for 5 years (including all renewals). Deep shore OPLs last for 10 years.



OML

OIL MINING LICENSE

an OML licence grants the same rights to the Grantee, as an OPL. **However an OML last for 20 years and can be renewed for a further 20 years.** To be given an OML licence, the Grantee must be a holder of an OPL licence, and have discovered oil in commercial quantity - i.e. more than 10,000 barrels per day.

WHAT IS AN "OIL BLOCK"?

An oil exploration block is a large area of land, typically in 1000s of sq. kilometers, that is covered by a license awarded to oil drilling and exploration companies by a country's Government.



EXAMPLE OF AN "OIL BLOCK"
OPL 917 (IN YELLOW)

The two most common agreements in the Nigerian oil industry are the Joint Venture and Production Sharing Contracts.



find out more at www.oilrevenueeng.org

JOINT OPERATING AGREEMENT (JOA)

Modelled after partnership agreements, the JOA operates as a joint venture partnership, where the participation percentage of each of the partners is spelt out in the Agreement. **The NNPC represents the interest of the Nigerian government in the joint ventures (JV).** JV partners are expected to back their participation percentages in the agreement by contributing an equivalent share to the production costs. **Nigeria is currently phasing out this type of upstream agreement in favor of the PSC.**

JV PARTIES



INTERNATIONAL OIL COMPANIES



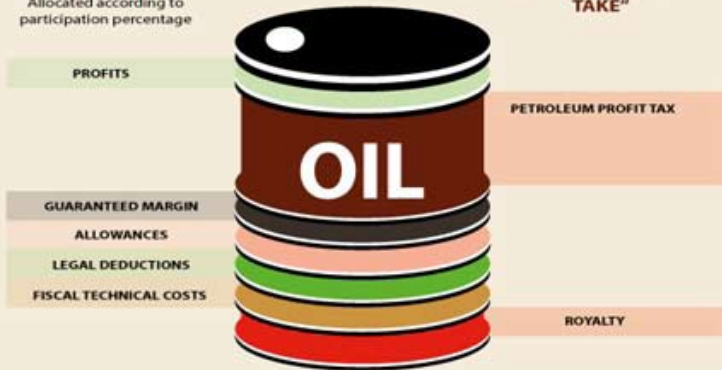
THE MOU

The fiscal terms (allocation of proceeds) of the JV agreement are outlined in and regulated by a Memorandum of Understanding (MOU) signed between the JV parties and the Federal Government. **The MOU was introduced in 1986 in response to falling oil prices and global oil glut.** It contains incentives for IOCs to develop and grow the oil business in Nigeria. The MOU was revised in 1991 and 2000.

JOINT VENTURE FISCAL PROFILE

JV PARTIES
Allocated according to participation percentage

"GOVERNMENT TAKE"



JV FISCALS - CONVOLUTED CALCULATIONS

Perhaps one of the biggest challenges for fiscal transparency and accountability with JV revenues is the **complexity of the terms.** The MOU also applies several layers of incentives and introduces several versions of the same factors. For instance, **"realizable price" and "posted price" of petroleum products refer to different assessments of the same thing.** Considering the sheer volume of transactions and the lack of accounting automation, this is imaginably difficult to regulate and **leads to several versions of "the truth."**

PRODUCTION SHARING CONTRACT (PSC)

Established by the **Deep Offshore and Inland Basin Production Sharing Contracts Act of 1999,** the PSC is modeled along the lines of share cropping in agriculture. A license holder invites a contractor to help exploit the petroleum resources in the area covered by the license. All production costs and risks are borne by the contractor. In the case of a commercial find, oil profits are shared according to agreed terms. **The PSC is the current preferred commercial agreement for the Federal Government.**

PSC PARTIES

HOLDER
MOST TIMES, HOLDER IS NNPC



CONTRACTORS
MOST TIMES, CONTRACTORS ARE INTERNATIONAL OIL COMPANIES

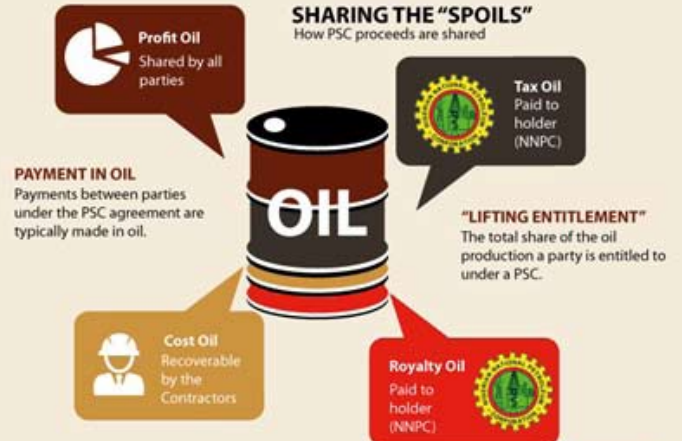


SOME PSC CONTRACTORS



SHARING THE "SPOILS"

How PSC proceeds are shared



TYPICAL PSC REVENUE PROFILE

Assuming production is inland and oil price is \$110 per barrel



FIRS Takes 30% Income Tax = **\$12.45** after oil is sold

How Transparent is Nigeria's Extractive Industry?

Nigeria is ranked 40 out of 58 countries, falling into the **weak performance** band with a score of 42.

The transparency index evaluates four key components of resource governance:

- Institutional and Legal Setting
- Reporting Practices
- Safeguards and Quality Controls; and
- Enabling Environment



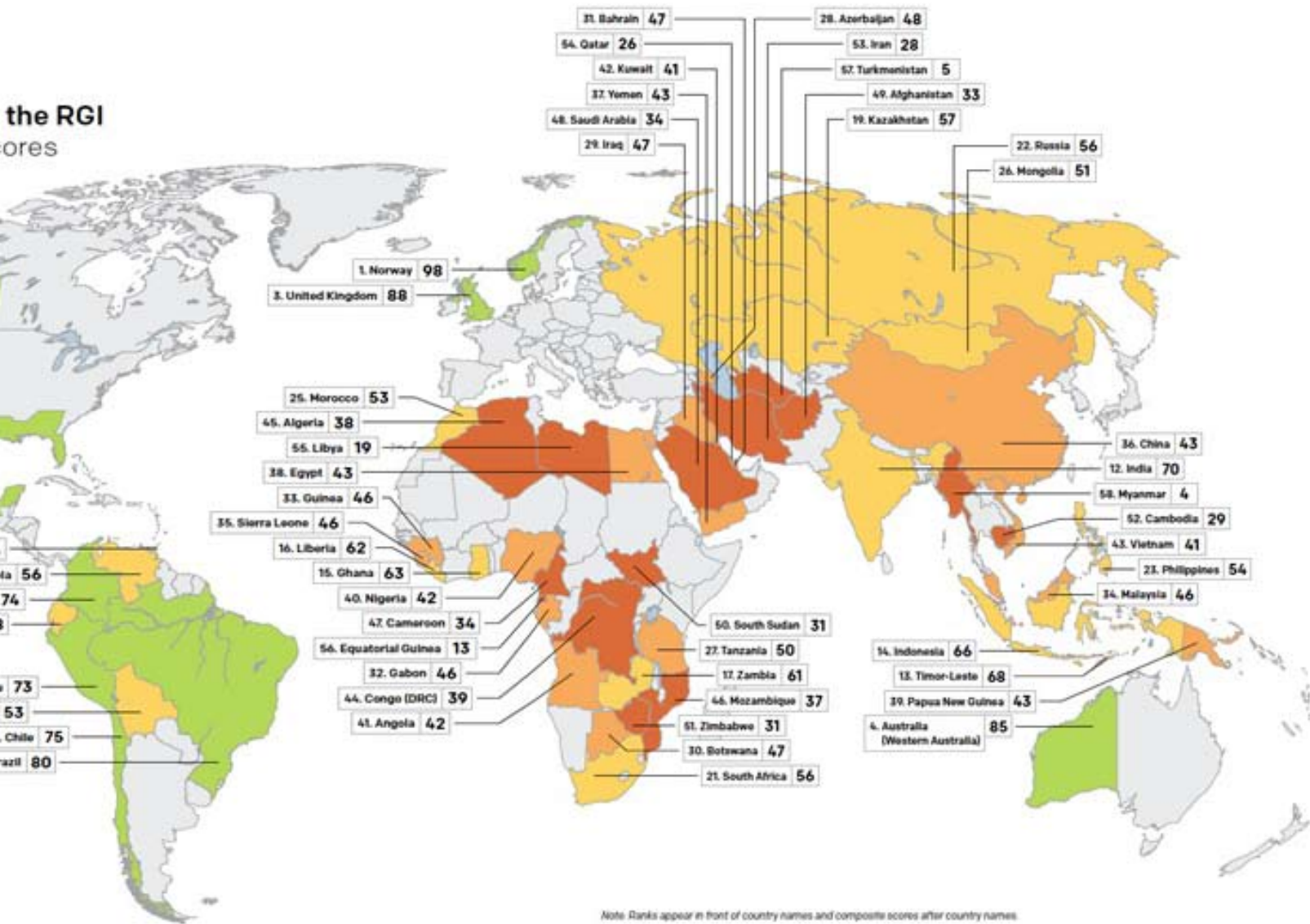
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Figure 5

Global Performance on
Country Ranking and Score



the RGI
cores

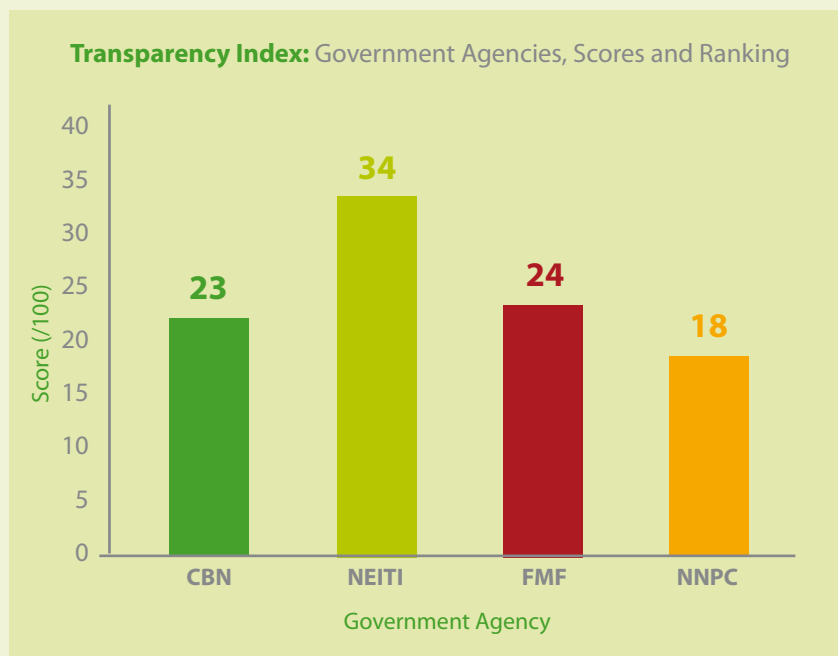
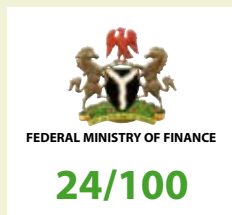


Note: Ranks appear in front of country names and composite scores after country names.

How transparent are Nigerian government agencies in sharing data and providing relevant oil industry information online?

Openness and Transparency is critical to good governance in extractive industries. **The Oil Revenue Tracking Initiative Transparency Index** examines how Nigerian government agencies share data and gauges their level of openness using five criteria.

- Ease of Use
- Frequency of Updates
- Support Onsite Data Analysis
- Level of Detail
- Support Additional Data Request



0 - 25: Not Transparent | 25 - 50: Fairly Transparent
50 - 75: Adequately Transparent | 75 - 100: Very Transparent

Independent Government Institution There To Serve The People

<http://www.neiti.org.ng/>

 @neiti_nigeria

 <https://www.facebook.com/neiti.nigeria>

The Nigeria Extractive Industries Transparency Initiative (NEITI)

is mandated by law to promote transparency and accountability in the management of Nigeria’s oil, gas and mining revenues. A major component of the on-going anti-corruption reform in Nigeria, it is the national version of the Extractive Industries Transparency Initiative (EITI), which is a global movement aimed at ensuring that extractive resources aid sustainable development.

INFORM

Providing a framework for reporting and disclosure of payments and receipts in the extractive industry sector

EDUCATE

Enlightening and generating useful publications and credible information on revenue flows and practices in the oil and gas and mining sectors

TRANSPARENCY

Growing acceptance of the imperative of promoting accountability and ending corruption in revenue payment and receipts in the sector

NEITI encourages you to read their reports, push for action through debates and constructive engagement; and create awareness - encourage others also to join in, leading towards more accountable governance and ending corruption in Nigeria.

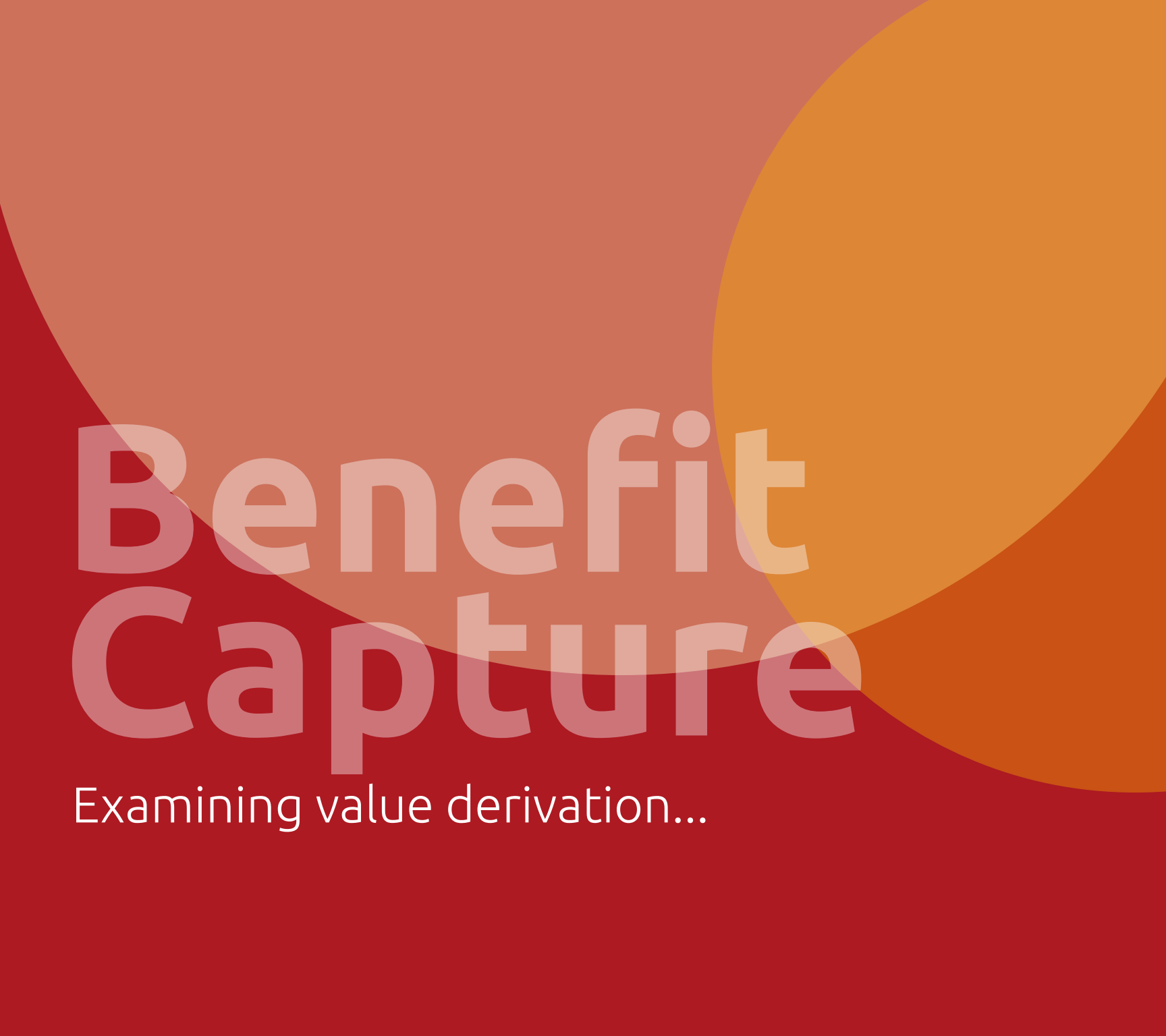
The Extractive Industries Transparency Initiative (EITI) is a global coalition of governments, companies and civil society working together to improve openness and accountable management of revenues from natural resources. <http://eiti.org>

Nigeria Wins Best EITI Implementing Country Award

.....
4 Audit Reports (1999-2011)
.....


\$9.8bn Disparity Revealed (Audit Report: 2009-2011)
.....

1 Audit Report on the Solid Minerals Sector (2007-2010)



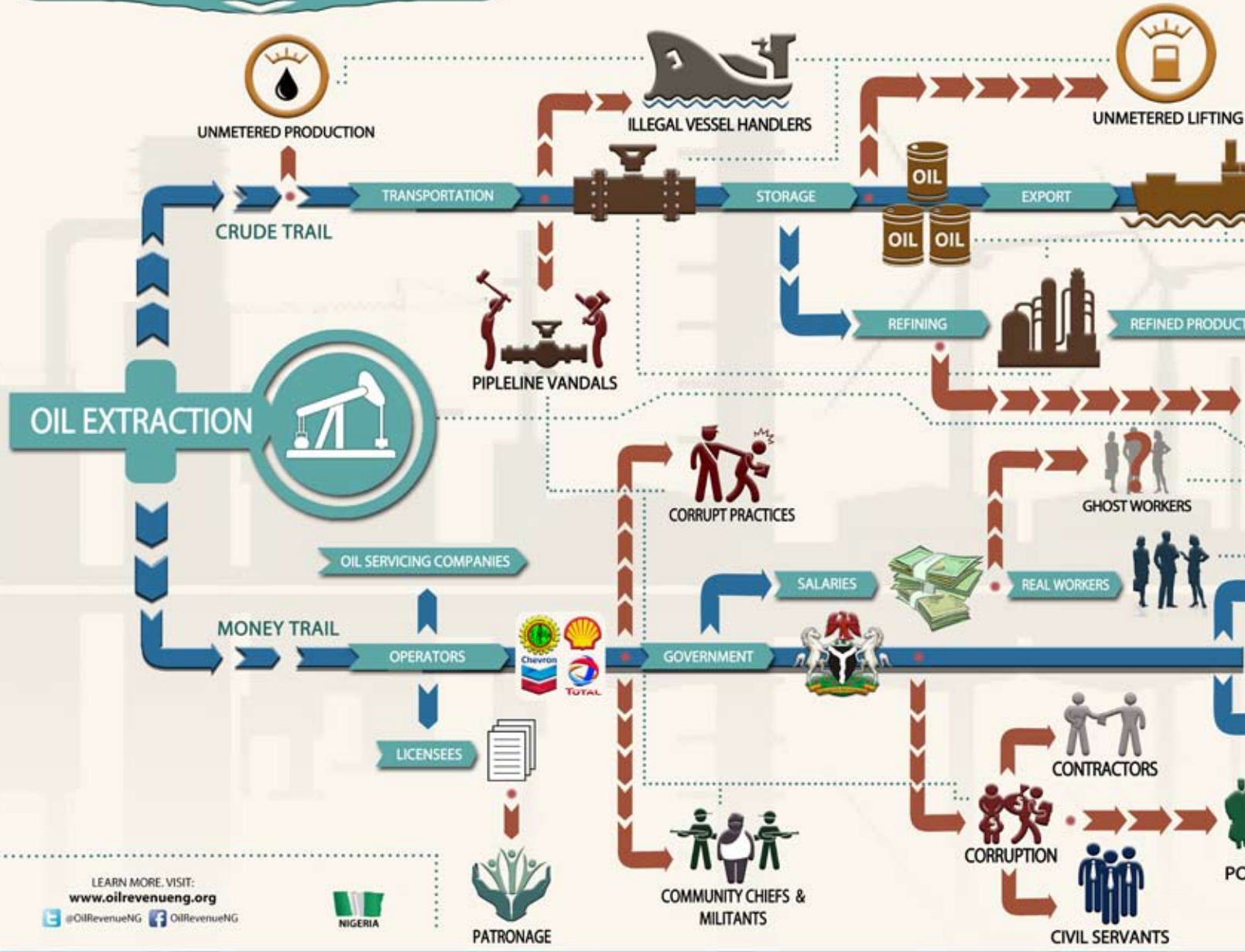
Benefit Capture

Examining value derivation...



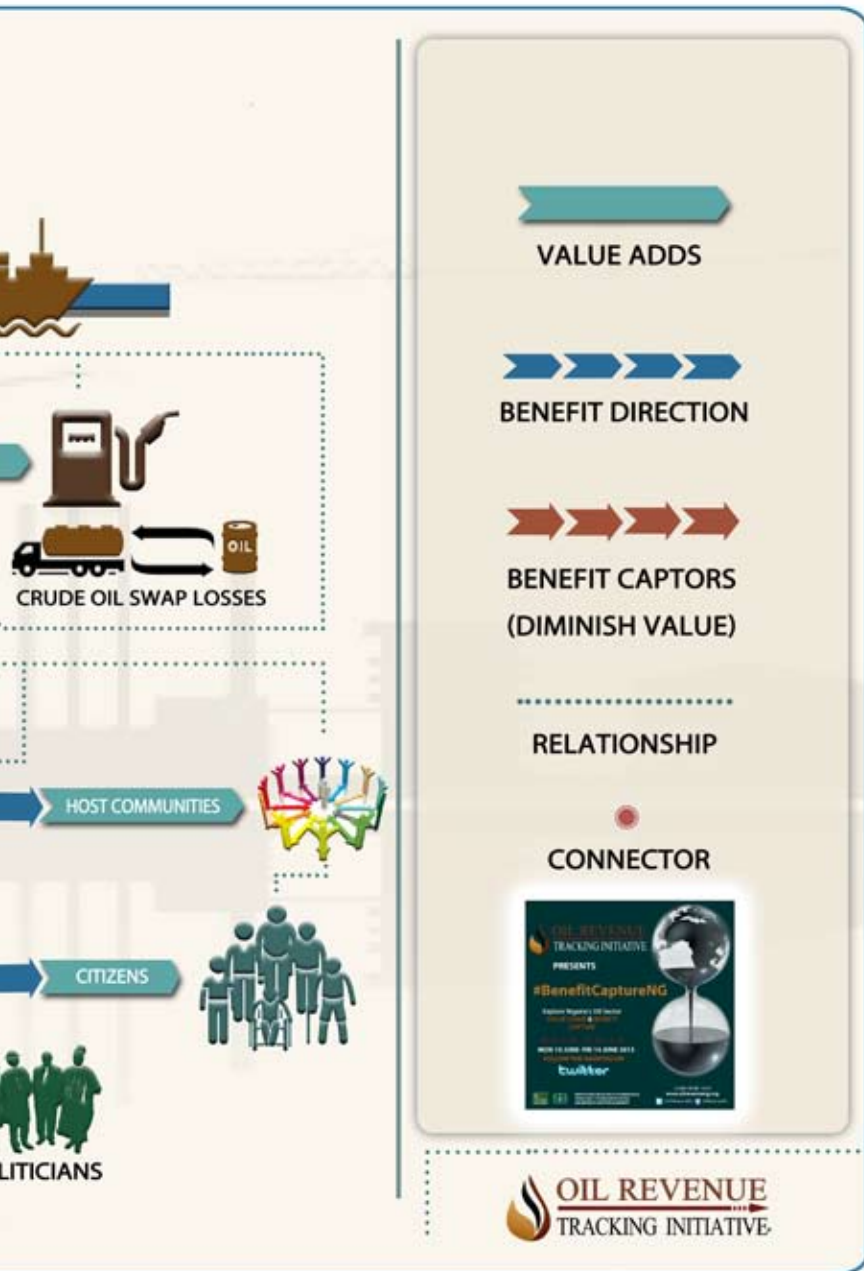
How does each stakeholder in the value chain benefit legally or illegally? **Who benefits the most from Nigeria's oil and gas sector?**

NIGERIA'S OIL INDUSTRY VALUE CHAIN



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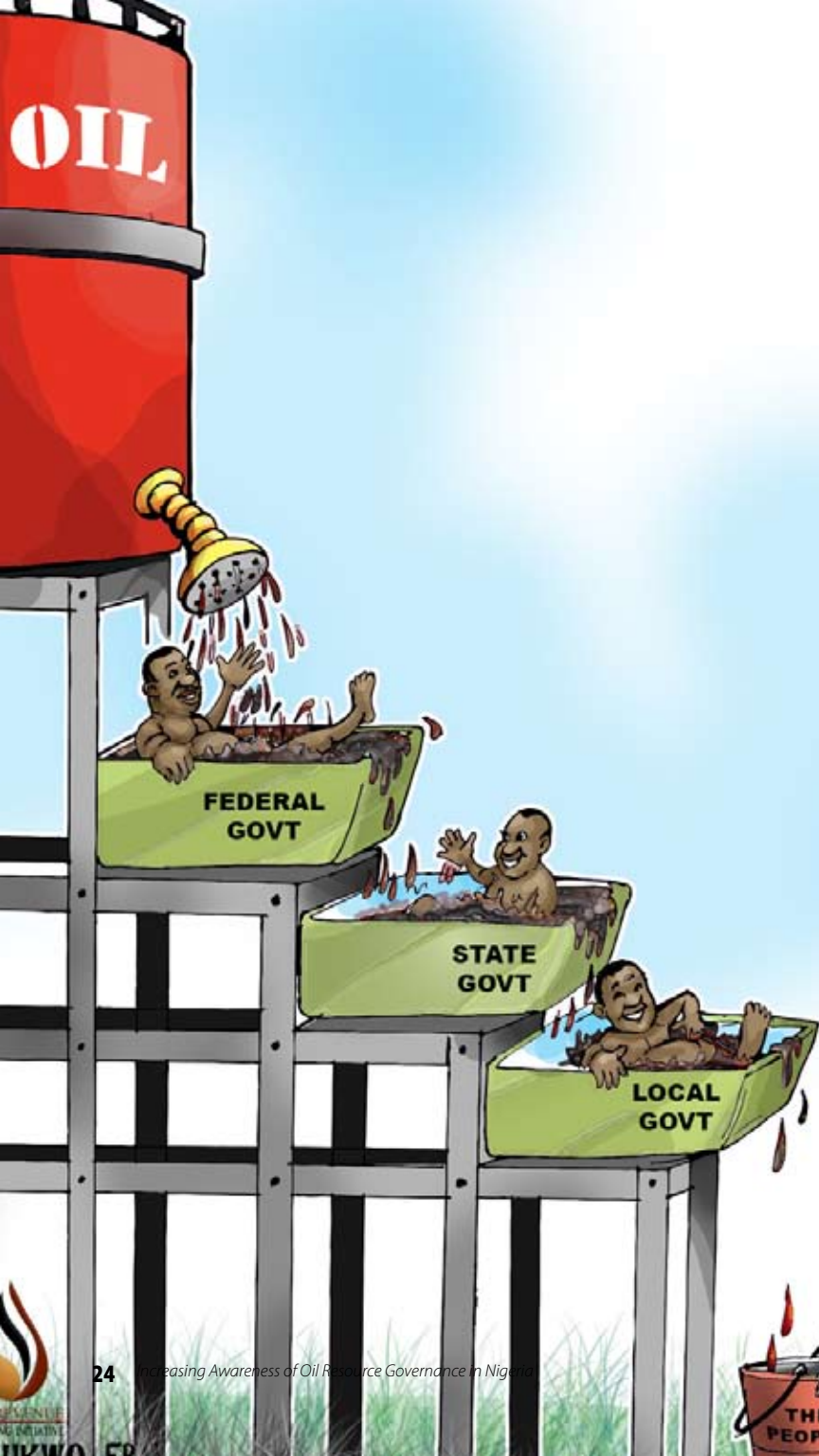




Benefit Capture along the oil industry value chain

Crude oil and money trails originate from the point of oil extraction. The crude oil trail ends at export or domestic refining, while the money trail ends with value (monetary or otherwise) accruing to citizens.

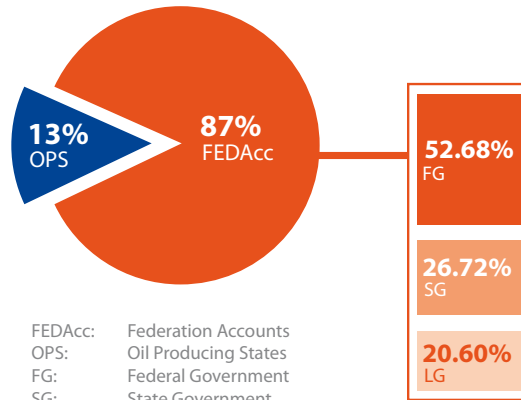
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Revenue Distribution

#BenefitCaptureNG

Revenue sharing formula in Nigeria



FEDAcc: Federation Accounts
 OPS: Oil Producing States
 FG: Federal Government
 SG: State Government
 LG: Local Government

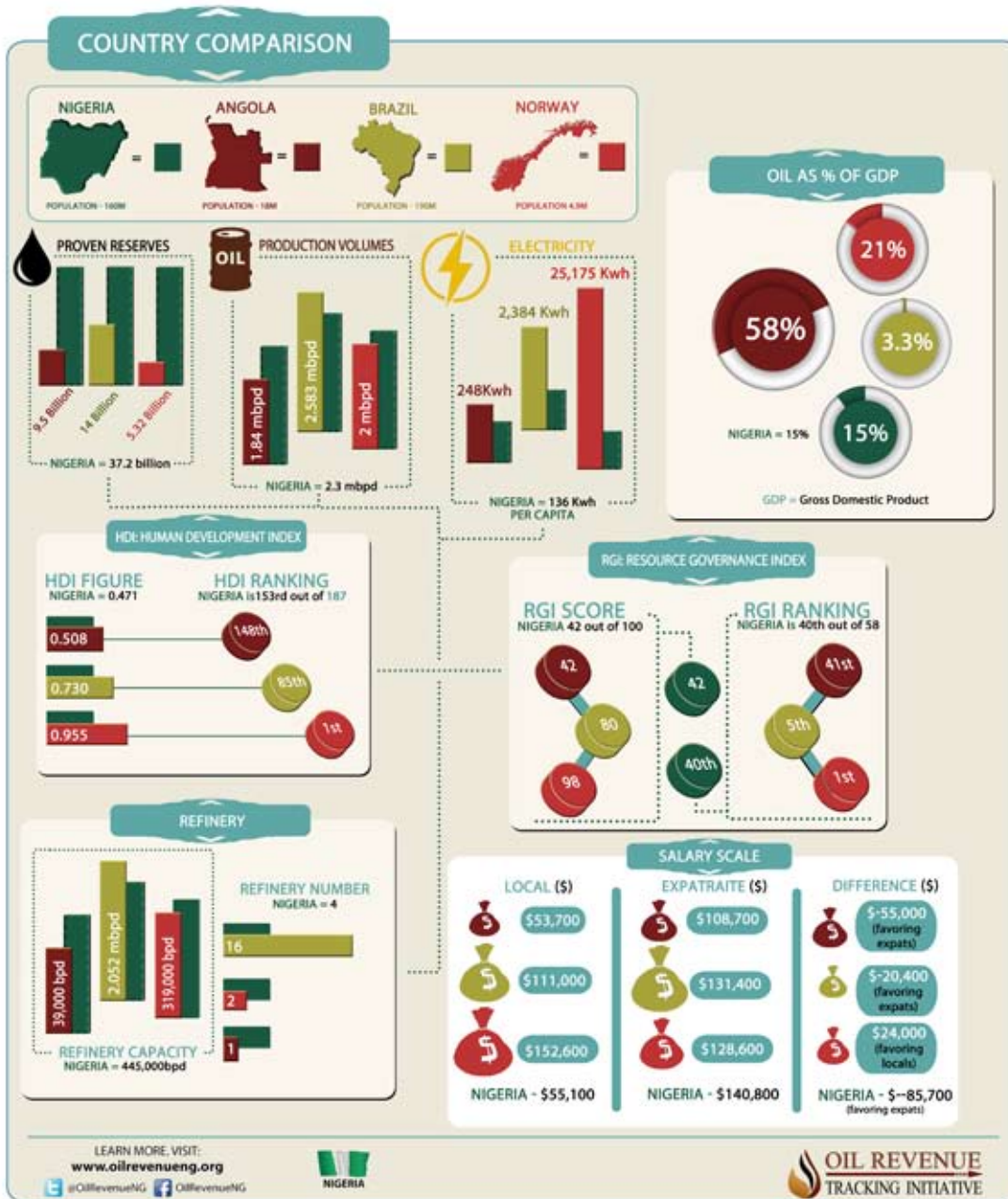
Country Comparisons

Three countries are compared to Nigeria.

Angola: African oil producing state

Brazil: Comparative population and diversity; and

Norway: Epitome of oil resource governance and human development



Opportunity

Cost

of over-dependence
on oil

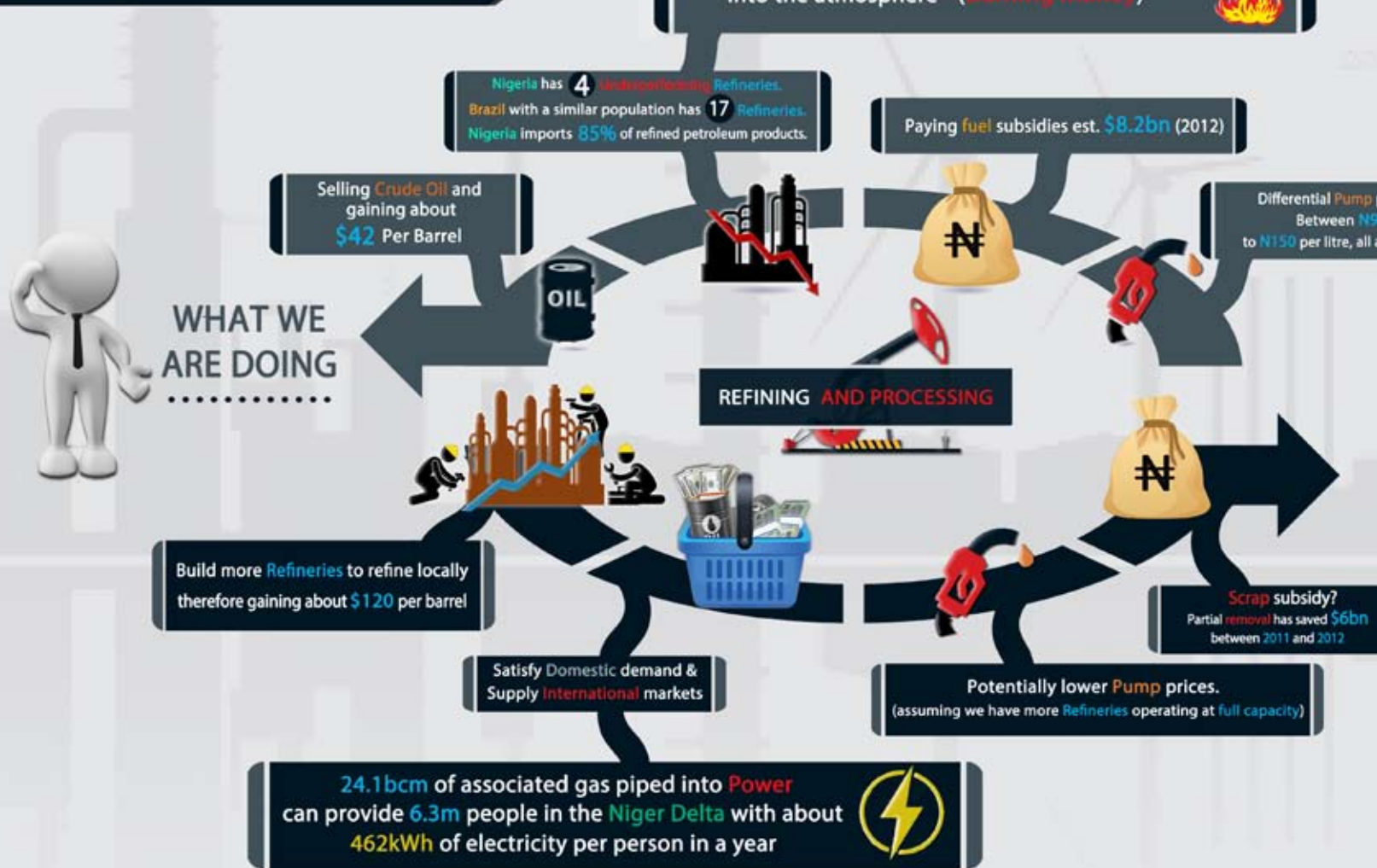
What are we forgoing?



Source: Daily Trust



OPPORTUNITY COSTS

UNDERPERFORMING OIL & GAS INDUSTRY



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Earnings

Nigeria profits approximately \$42 per barrel from the sale of crude oil. Refining locally will increase profits to as much as \$120 per barrel.

Gas flare

Nigeria flares 24.1bcm of gas worth **\$2.5billion** per year into the atmosphere...
24.1bcm of associated gas can provide 6.3million people in the Niger Delta with 462kWh of electricity per person in a year.

Nigeria's fuel subsidy payments in 2012 were estimated at \$8.2billion

More local refineries operating at full capacity will potentially lower pump prices

Prices of Petrol
7 per litre
around the Country



WHAT WE SHOULD BE DOING



Nigeria has 34 commercially viable solid minerals

2.3m
Tons

LIMESTONE
RESERVES

Nigeria has an estimated 2.3million tons of Limestone reserves

3billion
Tons

KAOLIN
DEPOSIT

An estimated 3 billion tons of Kaolin (**\$300billion**) is found throughout all states in Nigeria

3billion
Tons

LOW SULPHUR
COAL

Nigeria's coal reserves are estimated to be worth **\$225billion** (Coal Spot Price June 2013)

OPPORTUNITY COSTS

SOLID MINERALS



Solid Minerals currently contribute only about

1% of NIGERIA'S

GDP ↑

NIGERIA has 34 different categories of Solid Minerals



GOLD

ESTIMATED, **\$50BN** WAS LOST IN THE LAST TWO YEARS

ILLEGAL MINING & EXPORTATION OF U

EQUIVALENT TO ABOUT **22%** OF NIGERIA'S GDP

(OR 2 YEARS OF NATIONAL BUDGE)



LIMESTONE

AN ESTIMATED **2.3MILLION** TONS OF RES

LIMESTONE IS USED IN CEMENT MANUFA

NIGERIA IS NOW A NET EXPORTER OF CEM

SAVING **\$200BN** IN FOREX & CREATING M

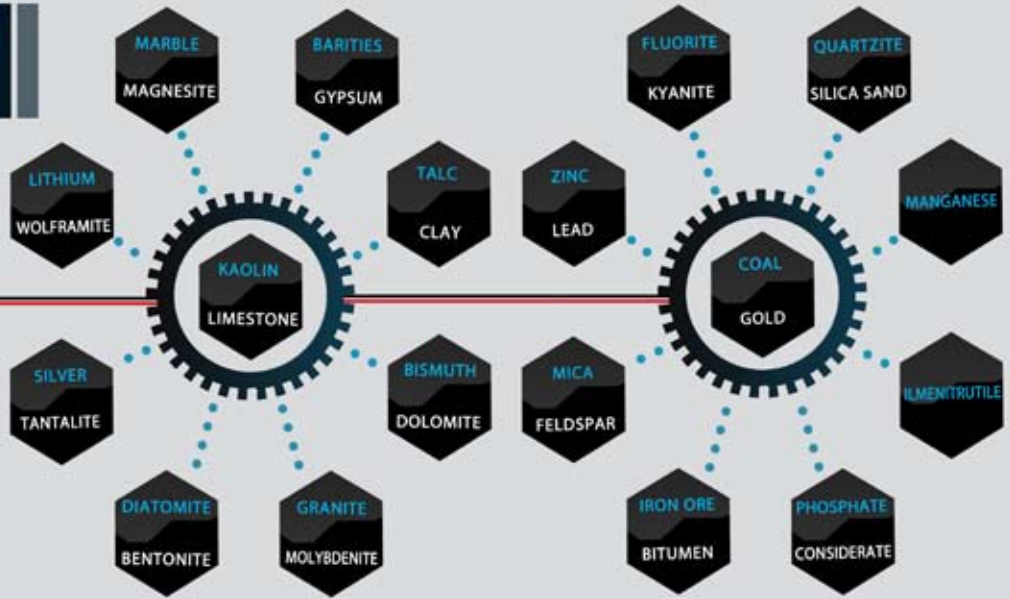
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FOREGOING **ALTERNATIVES** IN **NIGERIA'S**
EXTRACTIVE **INDUSTRY** BY FOCUSING
ONLY ON **CRUDE OIL**



WHICH ARE:



RESERVES AS A RESULT OF:
UNPROCESSED GOLD.



IN 2011

RESERVES.
MANUFACTURING,
MENT,
MORE THAN 2 MILLION JOBS.



KAOLIN

ESTIMATED **3BILLION** TONNES DEPOSIT, **\$300 BN** (EST. 2011 PRICE PER TON)

FOUND IN VIRTUALLY ALL STATES IN **NIGERIA**

DUE TO ITS COATING NATURE, IT IS USEFUL IN **MAJOR INDUSTRIES**

INCLUDING **COSMETICS PAPER PLASTICS CONCRETE AND PAINT.**



COAL

ABOUT **3BILLION** TONNES OF **LOW SULPHUR COAL** RESERVES,

COAL CAN BE USED INTERNALLY AS CHEAP **FUEL**

LARGELY USED FOR **COOKING** AND **HEATING** BY BOTH RURAL AND URBAN COMMUNITIES

CAN BE USED TO GENERATE ELECTRICITY THROUGH COAL-FIRED POWER STATIONS

NIGERIA'S COAL RESERVES ESTIMATED TO BE WORTH **\$225BN** (COAL SPOT PRICE JUNE 2013)

Nigeria's agriculture sector contributes more to GDP than oil and gas. Reviving the sector can further boost commodity crop exports.

83%

ARABLE LAND

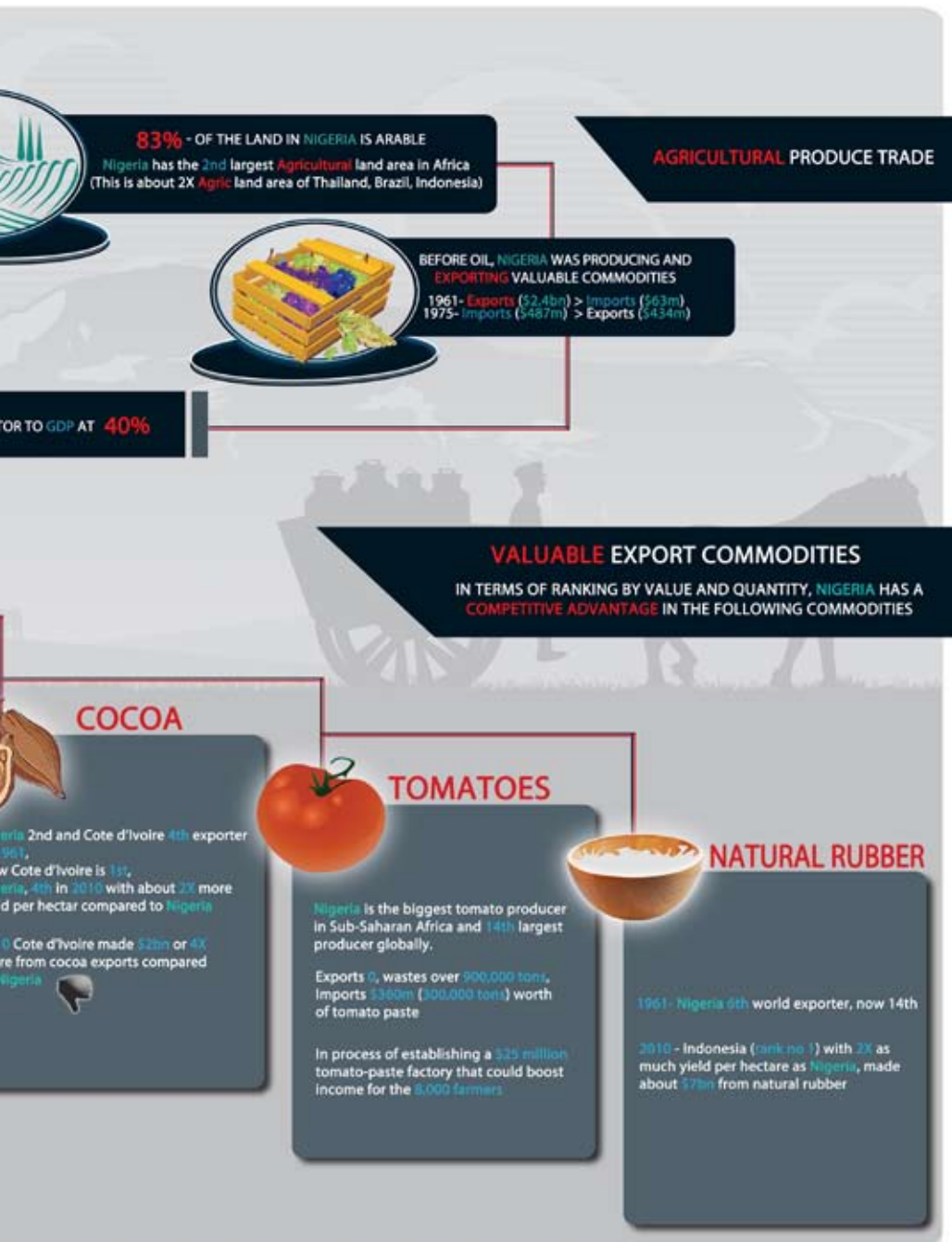
Nigeria has the 2nd largest agricultural land area in Africa. This is almost twice that of Thailand, Brazil and Indonesia.

40%

GROSS DOMESTIC PRODUCT (GDP)

Nigeria's Agriculture sector is the largest contributor to GDP. The oil sector contributes just 15%.





Nigeria is the largest tomato producer in sub-saharan Africa yet;

- We export no tomatoes

- 900,000 tons rot every year

- We import 300,000 tons (\$360m) of tomato paste

The background features a solid blue field with two large, overlapping circles. The circle on the left is a lighter shade of blue, while the one on the right is a darker, purple-blue hue. The text is overlaid on these circles.

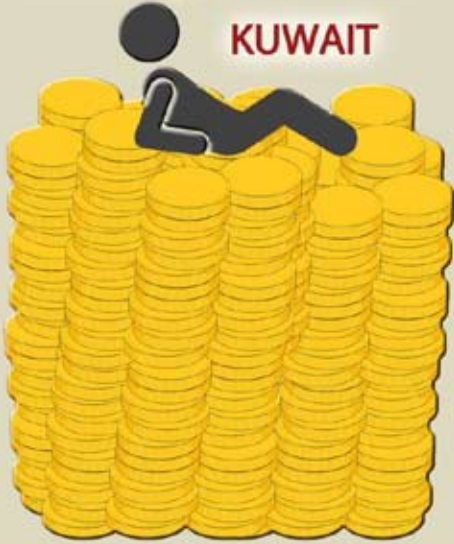
Sufficiency

of Oil and the
Nigerian dream

\$23,400 Per capita

\$3.8 million Per capita

KUWAIT



\$154,000 Per capita

EQUATORIAL
GUINEA



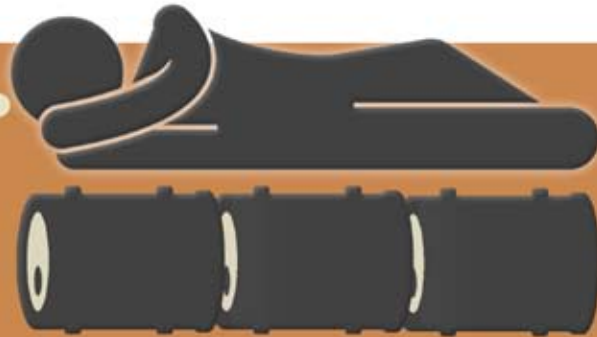
\$23,400 Per capita

NIGERIA



OR THE NIGERIAN DREAM???

OIL & THE NIGERIAN DREAM



INFRASTRUCTURE

Electricity



Currently **3500MW** with only **40 million** people having access to electricity



THE DREAM

Nigeria needs about **40,000MW** to power an economy that would put us in the top 20 globally

Estimated cost of dream: **\$40 billion** (\$1m to generate and evacuate **1MW** of power in Nigeria)

In reality, budget expenditure on Power = **\$464m**

Interstate Rail System



Estimated cost of dream: at **\$50m/km** of high speed rail, Nigeria needs **\$375bn**

THE DREAM

To achieve an inter-state rail system, linking major cities to ports and production centers, Nigeria needs about **7,500km**

In reality, budget expenditure on Transport, Works = **\$1.5bn**



SOCIAL WELFARE

Education



Education Budget = \$2.7bn

Minimum spend on education in **OECD** countries is about **\$4000** per student from primary through to tertiary education

Nigeria has about 92.7m school going population within the 5-29yrs age range

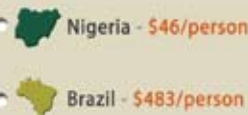
Equating the **OECD** minimum to Nigeria's school-going population, it will cost about **\$370bn** to achieve the **OECD** minimum level of education

Health Care



Budget for healthcare = \$1.86bn

Healthcare spend per capita



For **Nigeria** to get to the **Brazilian** level, it needs to spend about **\$80** billion annually or **11X** more than what it currently spends

Public Safety



Budget for Police Command + Defence = \$4.12bn

New York spends about **\$245** per capita on public safety

To achieve public safety similar to what is obtainable in New York, Nigeria needs to spend about **\$39bn**

Nigeria's gross oil revenue between Apr 2012- Apr 2013 amounts to **\$51bn**

CAN OIL MONEY PAY FOR THE NIGERIAN DREAM???

Source for data and information:

OECD Library, World Bank Data, Megarail.com, Railway-Technical.com, Federal Ministry of Power, 2013 Nigeria Budget-YourBudget.com, Public Safety -New York State Executive Budget 2011-2012

Can oil afford us the Nigeria of our dreams?

In reality, Nigeria's oil reserves and receipts are alarmingly inadequate. Crude oil alone cannot fund our social welfare and infrastructure dream.



find out more at
www.oilrevenueng.org

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**CAN OIL AFFORD US
THE NIGERIA
OF OUR DREAMS?**



10th largest oil reserves in the world

BUT

Nigeria's oil reserves are worth **\$3.7 trillion** at **\$100/bbl**
if Invest in an inflation adjusted fund yielding **5%**. What do you get?



\$1,170 annual income per capita (even less after extraction costs)
Compared to est. **\$4,000** per capita in vision **20:2020**
And Nigeria's estimated gross oil revenue is **\$51bn**

Nigeria ranks **23rd** in the world in oil reserves
per capita
and **lowest** of African oil exporters



IS NIGERIA AN OIL RICH COUNTRY?



CAN OIL MONEY PAY FOR THE NIGERIAN DREAM???

Source for data and information:
OECD Library, World Bank Data, Megarail.com, Railway-Technical.com, Federal Ministry of Power,
2013 Nigeria Budget-YourBudgit.com, Public Safety -New York State Executive Budget 2011-2012

The background features two overlapping circles. The left circle is a darker shade of green, and the right circle is a lighter shade. The text 'What after' is written in a large, white, sans-serif font across the top half of the image.

What after

Oil...? Planning for
our future

Nigeria's Oil Addiction



YOU HAVE BEEN
ADDICTED TO OIL
FOR OVER FORTY
YEARS.

I PRESCRIBE A
HEAVY DOSE OF
AGRICULTURAL
DEVELOPMENT
AND A DOSE OF
SOLID MINERALS
AS AN ANTIDOTE
FOR YOUR
AILMENT.



The Oil Gravy Train Won't Last Forever

There are new threats to export revenues...

Everyone is discovering oil

- 10 years ago, there were only 5 oil producing countries in Africa.
- Today (2014) there are 20 African oil producing countries and counting.

Our biggest oil customer is buying less

- In 2010, exports to the United States represented 43% of Nigeria's total oil exports.
- Today (2014) exports to the United States are less than 5%.

Potential customers are increasing domestic production

- In August 2012, the NNPC announced that it expects China to make up for dwindling exports to the United States.
- But, in 2013, China discovered 1 billion metric tons of shale oil reserves.

...and the oil will run out

At the current rate of exploitation, our oil reserves will be exhausted in 40 years.

If you are 35 years old or younger, this will happen in your lifetime.

When the Oil Runs Out

The cost of oil-dependence will remain even after the benefits are gone.

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Environmental hazards from oil exploration

Pollution

Oil spills have resulted in devastating pollution. Land is no longer arable and fish have disappeared from the waters.

Poverty

Without opportunities to fish or farm, oil producing communities have lost their means of livelihood.

Sickness

Toxins from oil pollution are associated with many ailments, including respiratory problems and organ damage.

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We need to plan now for these challenges:

What industries will replace the jobs previously provided by oil?

How will our government fund itself when oil revenue stops flowing?

How will Nigeria meet the energy needs of its population when the oil runs out?

So... should Nigeria **focus on sharing the “national cake”** or **find new ways of baking it?**

The national cake is best described as the total of all revenue accruing to the federation. Only a fifth of this revenue comes from non-oil economic activities. Baking a bigger cake is better than sharing a small one.



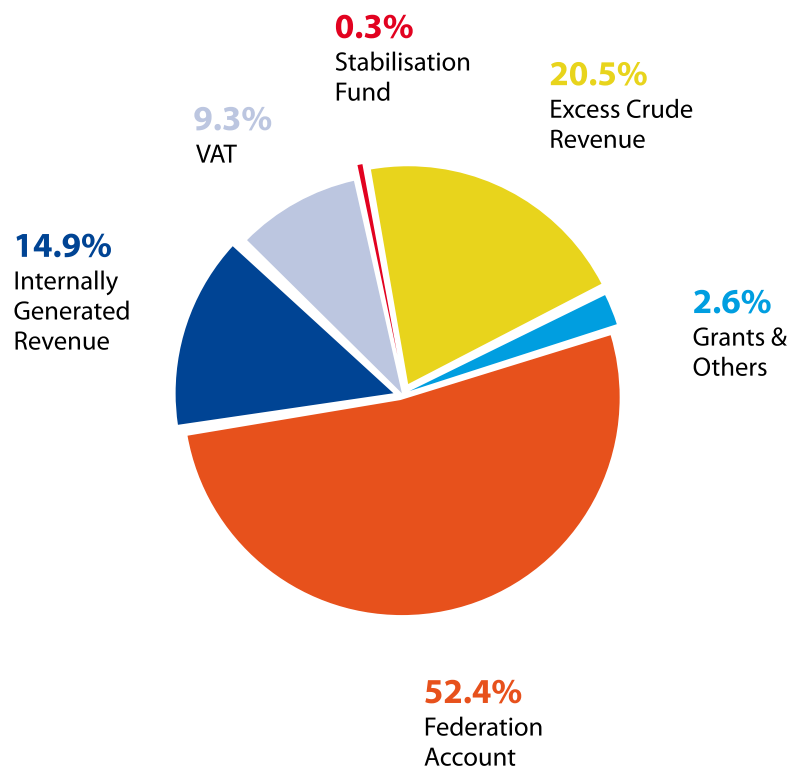
State Governments Can Do More

Instead of relying predominantly on allocations from federation accounts, state and local governments must contribute to their coffers by improving IGR (Internally Generated Revenue).

IGR-to-Total Revenue is a measure of tax efforts. According to the CBN annual report, IGR has shown a decreasing trend, indicating a slowdown in efforts from states.

Lagos State (54.9%), Abia State (37.1%) and Ogun State (28.7%) rank highest. The most improved states in terms of IGR-to-Total Revenue ratio are Ondo, Kogi and Bauchi in 2012.

State Government Revenue



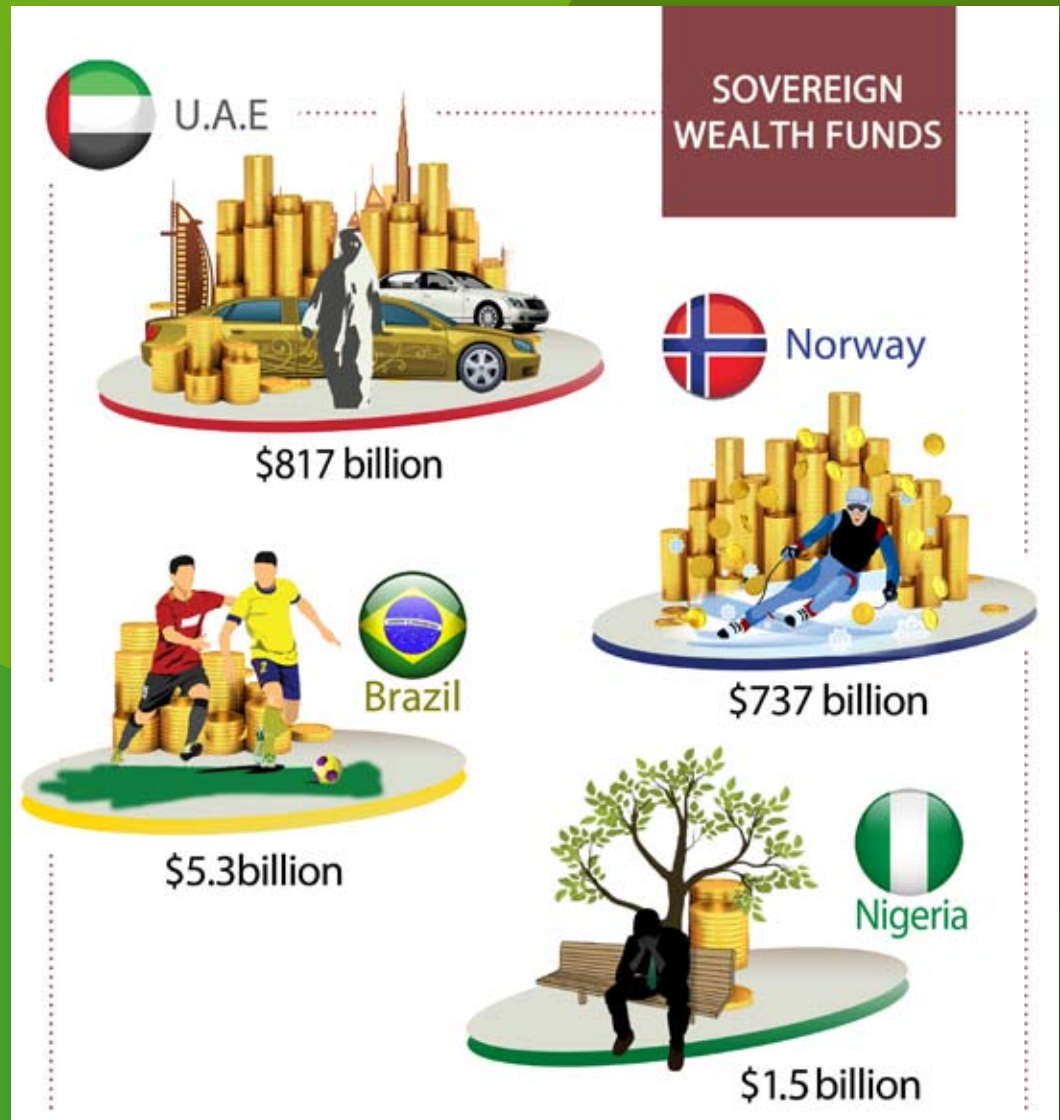
Source: CBN Annual Report 2012

#OpportunityCostNG

Saving for the future

Sovereign Wealth Funds can secure the economic future of oil producing nations.

These state-owned investment funds are comprised of stocks, bonds, property, precious metals and other financial instruments.

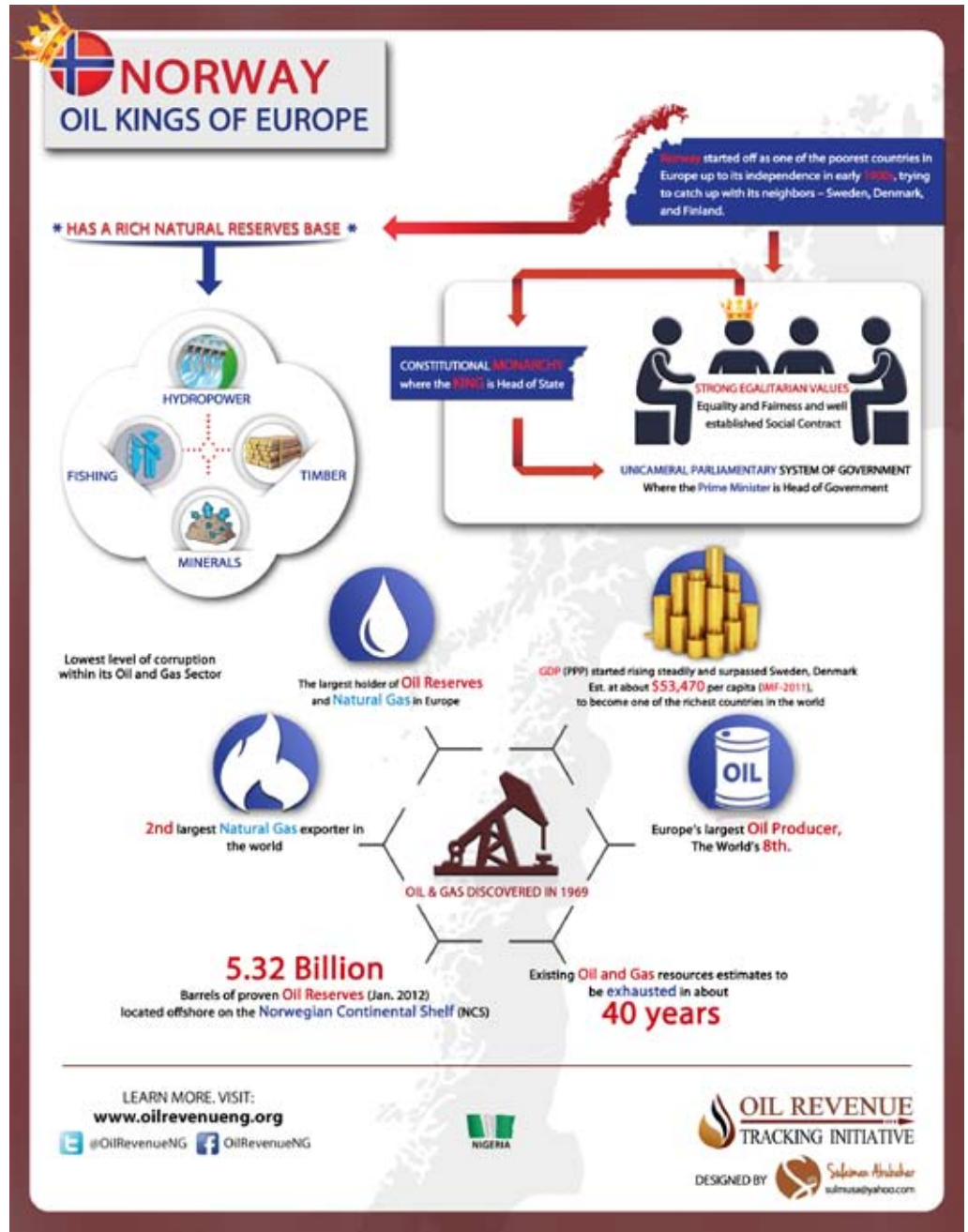


Building a future beyond oil

Formerly one of the poorest countries in Europe... **Norway discovered oil in late 1969... 40 years later it has become one of the richest countries in the world.**

**Nigeria discovered oil in 1958*

Norway's petrodollars were invested in local industries and infrastructure to create and sustain global competitiveness.





UNITED ARAB EMIRATES

UAE is one of the world's **wealthiest** nations, with a gross domestic product (GDP) per capita (at purchasing power parity) estimated at **\$48,158** in 2011



Pre-20th century



TERRAIN: Flat, barren, vast desert wasteland; mountains in east

7th

Largest proven oil reserves

in the world



(97.8 billion barrels)



Oil Wealth:

Used to develop and modernize the Emirates

Beyond Oil:



Technology & Infrastructure

1962



ABU DHABI exported its first cargo of crude

Present Day UAE:



8th

Wealthiest nation

GDP Per Capita:

Est. **\$48,158**

Total Assets: \$815.4 billion

In 1962 Abu Dhabi exported its first cargo of crude...

Today, the UAE is no longer solely reliant on oil and gas revenues. **The oil sector contributes only 30% of the country's GDP.**

Trade, Tourism, Real Estate and Construction are large contributors, *most notably in Dubai.*

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Dubai has transformed from desert backwater to the Manhattan of the Middle East in just 50 years.

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LEARN MORE. VISIT:

www.oilrevenueug.org

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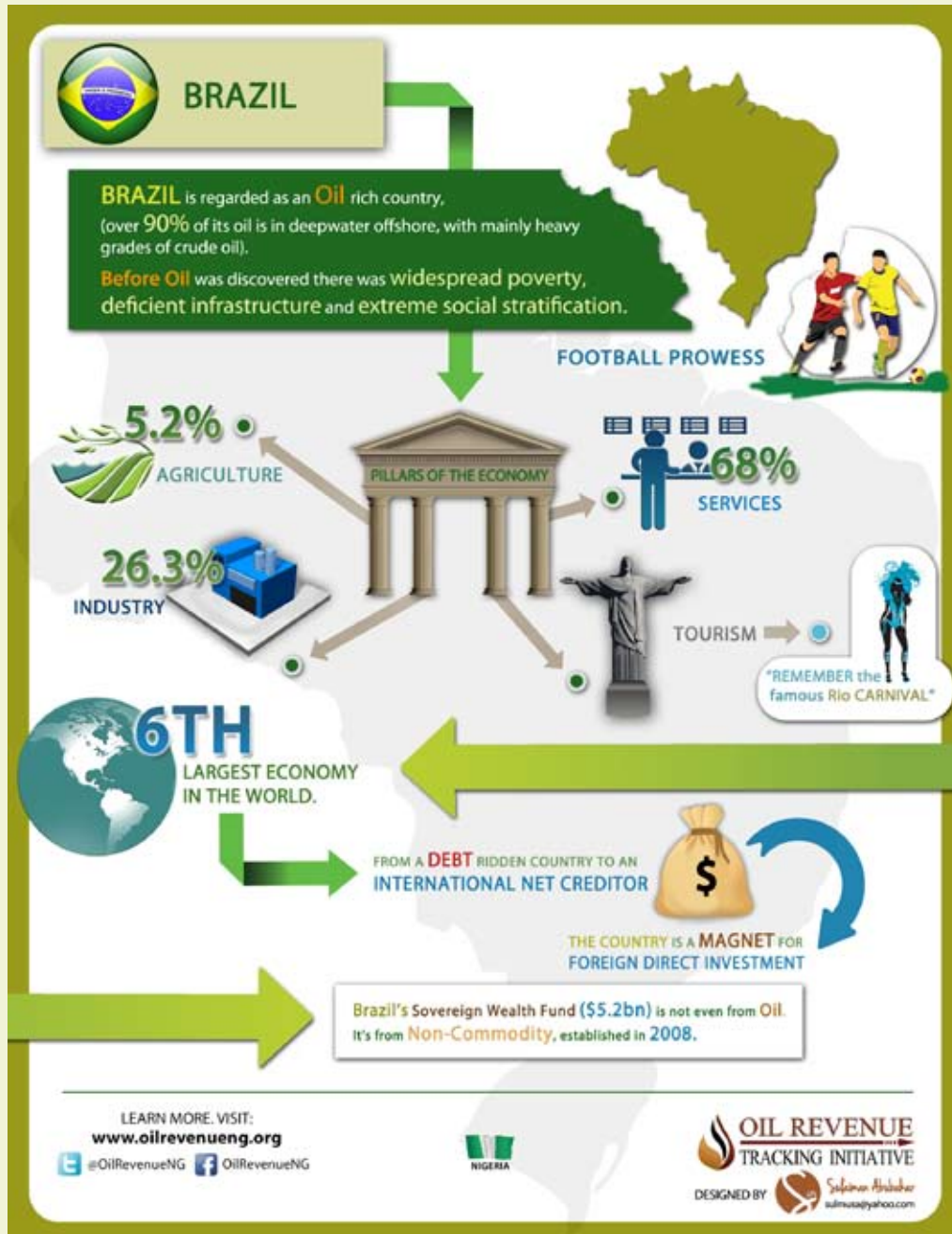
NIGERIA

OIL REVENUE
TRACKING INITIATIVE

DESIGNED BY



Safwan Alshaker
alshaker@yahoo.com



The Brazilian government has undertaken an ambitious program to reduce dependence on imported petroleum. Imports previously accounted for more than 70% of the country's oil needs but Brazil became self-sufficient in oil in 2007.

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Employment/ Local Content:
 In its concession contracts, ANP (Brazil's National Petroleum Agency) protects domestic suppliers in order to help Brazilian industries and foreign investments grow.

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A future beyond oil for Nigeria? Join the conversation on twitter **#WhatAfterOil**

Think Renewable

Renewable energy sources can provide sufficient power. The country has sufficient sunlight, small water ways, wind and biomass to produce over 200,000MW of electricity.

Advanced and locally appropriate technologies can make Nigeria energy secure by 2020 through the provision of reliable, modern energy services that are affordable and efficient.

Nigeria's renewable energy resources are as enormous as they are diverse. The table below gives a summary of the potentials identified.

Energy Source	Capacity
Large Hydropower	11,250MW
Small Hydropower	3,500MW
Fuel Wood	13,071,464 ha
Animal Waste	61 million ton/yr
Crop Residue	83 million tons/yr
Solar Radiation	3.5 - 7.0kmh/m2/day
Wind Ave. at 10m height	2 - 4m2 annually

Source: Energy Commission of Nigeria: 1st Energy Lecture Series, 2005

Nigeria suffers from acute energy poverty

A large but unknown number of households rely on generators for their electricity needs

Out of 160m Nigerians, 100m are still waiting for electricity.

Nigeria's 4,000 MW of power are under-serving the population, as electricity demand is expected to rise

Close to 95 million people are fully reliant on traditional wood stoves for cooking, with the attendant health implications

...The lack of access to energy is directly affecting livelihoods, lowering quality of life and hurting the economy

Will renewable energy save Nigeria's future...?

What Must We Do?

Securing Nigeria's prosperous future requires all of us.



Citizens: Ask the right questions. Be informed.



Students and Faculty: Develop knowledge and skills to create renewable energy solutions.



Civil Society: Engage and inspire citizens. Demand government action.



Government Policy Makers and Legislators: Establish trust, credibility and thoughtful leadership. Diversify our revenue base.



Media: Investigate. Produce insightful and informative reports.

Civil Society Partner Organisations



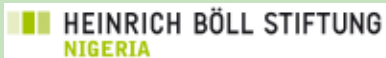
To promote public safety, security and justice through empirical research, legislative advocacy, demonstration programmes and publications in partnership with government, civil society and the private sector.



National Coalition on Gas Flaring and Oil Spills in the Niger Delta (NACGOND), was created as a result of concerns about the growing incidences of oil spill and gas flaring in the Niger Delta.



The Revenue Watch Institute is a non-profit policy institute and grant making organization that promotes the effective, transparent and accountable management of oil, gas and mineral resources for the public good.



The Heinrich Böll Foundation is part of the Green political movement that has developed worldwide as a response to the traditional politics of socialism, liberalism, and conservatism. Our main tenets are ecology and sustainability, democracy and human rights, self-determination and justice. We Are a Green Think Tank and an International Policy Network.



Stop The Theft is a campaign to raise awareness about the scale and consequences of the illegal theft of oil in the Niger Delta: to work with partners and other interested parties to propose and advocate for long-term tangible solutions.



Stop Impunity Nigeria (S.I.N.) is a collaborative campaign by a multi-stakeholder group of civil society organizations, religious bodies and a Federal Government agency, aimed at re-orienting Nigerians and promoting new ethical values to free the country from the debilitating effects of impunity, a cancer that has stunted Nigeria's social, economic and political development as well as the progress of its people.



ReclaimNaija is a broad based national platform for popular, grassroots engagement in promoting electoral transparency and democratic government.



Publish What You Pay (PWYP) is a global network of civil society organisations united in their call for an open and accountable extractive sector so that oil, gas and mining revenues improve the lives of women, men and youth in resource-rich countries.



Stakeholder Democracy Network's mission is to support the efforts of those affected by extractive industries and weak governance through rights based community empowerment.



OIL REVENUE
TRACKING INITIATIVE



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