



SPEECH BY THE COMMISSION CHIEF EXECUTIVE (NUPRC)

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“NIGERIAN UPSTREAM PETROLEUM SECTOR:
VALUE OPTIMIZATION, ENERGY TRANSITION AND
REGULATORY PERSPECTIVES”

Protocol.

Distinguished Guests, Ladies and Gentlemen, I am highly pleased to have been invited to this special oil and gas industry dinner organized by the Lagos Petroleum Club. It is remarkable that the Lagos Petroleum Club has maintained its esteem and eminent position in Nigeria while creating conducive forum for leaders in the Nigerian Oil and Gas Industry and seasoned professionals and associates of the industry to interact, unwind, and share ideas on industry issues.

2. Let me begin by saying that the organisers deserve accolades for organising this beautiful event. It is gratifying that since its establishment over one and half decades ago, the Lagos Petroleum Club has been leading with programmes and ideals that have contributed to excellent policy formulation and promotion of strategic interest of the oil and gas industry

in Nigeria. Unarguably, your Club has become recognised as a veritable platform for incubation of ideas in the oil and gas industry. Thank you for living up to the ideals for founding the Club. Thank you for your indelible footprints in the development of the Nigerian hydrocarbon industry. Thank you.

3. Distinguished guests, it is a great privilege for me, to share my thoughts on the topic: “**NIGERIAN UPSTREAM PETROLEUM SECTOR: VALUE OPTIMIZATION, ENERGY TRANSITION AND REGULATORY PERSPECTIVES**” with the enlightened and important audience we have here tonight.

4. In dealing with the topic for discussion today, it is crucial to lay a background and touch on some fundamentals. Recall, Section 6 of the PIA 2021 prescribed a number of statutory functions for the Commission as the upstream petroleum technical and commercial regulator. In alignment with these objectives, we have focused on achieving basic regulatory goals which include: increasing Nigeria’s oil

and gas reserves and production, developing a transparent approach to hydrocarbon accounting, and attaining operational efficiency and effectiveness in the industry operations. In addition, the Commission is committed to facilitating peace and harmony in the host communities to guarantee conducive operating environment for investors, positively impact on operating cost and attraction of more investment opportunities.

Strategic Actions for Hydrocarbon Value Optimization

5. Distinguished Ladies and Gentlemen, In keeping with industry laws and regulations, the Commission has issued a licensing round guideline and published a licensing round plan for a total of seven open blocks (300-DO, 301-DO, 302-DO, 303-DO, 304-DO, 305-DO & 306-DO). We are currently evaluating the Expression of Interest (EOI) received from prospective investors. The exercise is indeed expected to be a huge success for Nigeria and a big step towards growing the nation's oil

and gas reserves. This will be done through aggressive exploration and development efforts.

6. Also, as part of strategy for value optimization and increased production from our national oil and gas reserves, the commission has focused on regulatory initiative aimed at reviving declining wells through enhanced oil recovery approach. The Commission is working with operators to identify candidate wells and appropriate interventions that would lead to increased production.

7. In addition, the Commission is focusing on shut-in wells which can be revived. In pursuance of this, The Commission inaugurated a committee on June 23, 2022, to conduct industry-wide study on reactivation of Shut-in strings. The committee has submitted its report, and includes recommendations categorised into Quick Wins, Medium and Long-Term initiatives that will enhance national oil and gas production volumes.

8. Ladies and Gentlemen, findings from the report revealed that, over 900,000 barrels of oil per day can be

earned from the Quick Win interventions while the Medium and Long-Term initiatives could potentially add 1.2M barrels of oil per day if properly and fully implemented. The total number of strings that need to be revived is also known and the Commission has commenced engagement with the relevant operators to operationalise the initiative.

9. The Commission has also completed the 2020 Marginal Field Bid Round and issued fifty (50) Petroleum Prospecting Licenses (PPLs) to deserving awardees. It is expected that with the existing discoveries in the awarded fields, early Field Development Plan (FDP) would be pursued by the awardees leading to incremental oil and gas production. On its part, the Commission is facilitating timely approvals for expedited re-entry and early production. The estimated incremental production from the awarded fields is approximately 58,000 bpd and 87mmscf/d.

10. In the short/medium term, we expect an estimated incremental volume of 461,000bpd and 565mmscf/d

from new wells and well re-entry. In the long term we expect an estimated incremental volume of 162,000bpd and 868mmscf/d from FDPs which have been approved and are at various stages of execution.

11. Ladies and Gentlemen, one major area of value erosion in the industry is the menace of crude oil theft. Our records indicate that the menace of oil theft has negatively impacted the oil and gas sector for about two decades with attendant huge financial losses to our nation. I must point out that on the marching orders of Mr. President, His Excellency, President Muhammadu Buhari GCON, the Commission in collaboration with the various arms of the Security forces, the NNPC Limited and the Host Communities have been able to suppress the ugly trend of hydrocarbon value decimation. Now, our nation has continued to record good dividends of these collaborative efforts as production figures are progressively increasing. The January 2023 volume is approximately 1.5 million barrels per day of oil and condensates. It is expected that this number will continue to increase as further measures are introduced

and sustained to remove all illegal connections that aid crude oil theft.

Towards Transparency in Hydrocarbon Accounting.

12. The Commission recently held consultations with stakeholders in respect of the third phase of Regulations, among which is the Upstream Petroleum Measurement Regulations. These regulations have been developed to ensure sustainable transparency in hydrocarbon accounting. The Commission has also conducted a forensic audit covering the period January 2020 to November 2022 on crude theft numbers with a view to ascertaining with accuracy the stolen volume of crude oil within the reference period. The report showed that approximately 40% of the volumes credited to crude losses are attributable to measurement inaccuracies.

13. Ladies and Gentlemen, the Commission is committed to deal with issue of metering errors by ensuring that Original Equipment Manufacturers (OEMs) licenced directly as agents of the Commission will be

responsible for deployment and maintenance of metering facilities across the Nigeria's oil and gas facilities for transparency in hydrocarbon accounting. This reform measure offers a paradigm shift from the trajectory in Nigeria's hydrocarbon measurement since oil was discovered in Nigeria in Oloibiri in 1956 and it aligns with a fundamental principle of Justice "Let no one be a judge in his own case."

Operational Efficiency

14. In our quest to improve operational efficiency, we have redesigned our operational processes to be more business-like and accountable. Processes have been streamlined and clarified and staff are encouraged to continually challenge the status quo in line with our philosophy of continuous innovation and improvement.

Implementation of Host Community Provisions under Section 235 of PIA

15. Industry Captains, Distinguished Ladies and Gentlemen, Section 235 of the PIA 2021 saddles the Commission with the responsibility of ensuring

conducive and peaceful relationship among stakeholders within the Host Community through the implementation of the Host Communities Development Trust.

16. The Commission, in collaboration with the relevant stakeholders, has developed templates and gazetted regulations, which includes that of the Host Community Development Trust (HCDDT). The essence of the HCDDT is to integrate oil bearing communities into the value chain and effectively cater for the development needs of impacted communities, thus positively curbing restiveness in such communities and offer enabling environment for operators to thrive. This is expected to guarantee seamless operation, boost investor confidence, and provide enabling environment for sustainable development of the country's hydrocarbon resources. We are happy to disclose that over 60 Host Community Development Trust have been approved by the Commission. This is indeed a milestone in the implementation of the PIA, 2021.

FDP Budget, Cost Monitoring and Benchmarking

17. Ladies and Gentlemen, our strategic thrust is to ensure that all our interventions as regulator translate into significant reduction in the cost of doing business in the upstream petroleum industry. In addition to these measures, Section 8 of the petroleum act mandates the Commission to undertake the commercial regulation of the operations of the industry as well as develop cost studies and benchmarks for the evaluation of upstream petroleum operations.

18. The focus on cost reduction as it relates to unit operating cost (UOC) stems from a comparative analysis of other jurisdictions, with a view to determining where we want to be. Our current UOC ranges from \$15 (deep offshore) to \$25 (onshore/shallow waters). It is obvious that Nigeria needs to improve its cost efficiency.

19. Ladies and Gentlemen, the Commission besides its regulatory functions, also offers advisory roles to Government on upstream oil and gas policy

formulation. Conscious of the concerns of industry investors and operators alike on the potential unfavourable impact of the Finance Bill, 2022 on the industry, the Commission has made a strong representation to Government for consideration.

Fiscal regimes in the PIA- Seventh Schedule

20. The new fiscal framework in the PIA 2021 regulatory environment boasts of lower fiscal terms that are globally competitive and carefully put in place to improve returns on every dollar invested in Nigeria's petroleum operations. The generous fiscal terms in the Seventh Schedule of the PIA are designed towards creating additional opportunities for new investments in Nigeria, as they aim to boost investor confidence and making Nigeria the preferred investment hub.

Development of priority regulations as tool for sanity and predictability- Section 216

21. The Commission is committed to creating enabling and predictable regulatory environment via the development of regulations that will give meaning and

intent to the PIA 2021. In view of that, some priority regulations for the upstream petroleum sector have been developed by the Commission within its short existence. The Act also provides for a consultative forum to be held for the concurrence and input from all stakeholders in the upstream petroleum operations before the finalization of regulations. Five (5) of the regulations have been completed and gazetted while thirteen (13) other draft regulations have been reviewed with stakeholders and awaiting gazetting.

INITIATIVES TO ENHANCE GAS PRODUCTION

22. In line with the Federal Government's declaration of the period 2021 - 2030 as the Decade of Gas, the Commission is taking steps to expand and develop the Nation's huge gas resources through enhanced gas exploration, development and utilization schemes. This will ultimately lead to gas reserves' growth, increased gas production, maturation of domestic and export gas market, as well as gas flare elimination.

23. Furthermore, in the face of the global energy transition and the need for cleaner sources of energy, gas is being positioned as our immediate transition fuel to lower the Nation's carbon emission footprint in line with our climate change commitment.

24. Currently, Nigeria produces about 8BSCF/D of gas, out of which approximately 20% is delivered to the domestic market, approximately 40% is exported to international markets, 30% is utilised for producer's internal consumption and the excess gas is flared.

Climate action plan in FDPs and operations

25. Ladies and gentlemen, our commitment to the various climate agreements places a demand on us all to keep global temperature rise within 1.5 °C – 2.0 °C of pre-industrial levels. The implication of this for Nigeria's oil and gas industry are far-reaching. The need to decarbonise our production facilities not only requires the right policy direction but also demands adequate measurement of all greenhouse gas (GHG) emissions to ensure we achieve our net-zero target by 2060.

26. The Commission supported the review and assessment of the national GHG emissions as part of series of workshops that led to revision of the Nationally Determined Contributions (NDCs) policy submitted to the United Nations Framework Convention on Climate Change (UNFCCC) ahead of the 26th Conference of Parties (COP26) summit in Glasgow, Scotland 2021. Fugitive methane emission reduction target (60%) from Oil & Gas was added to Nigeria's NDC for the first time based on robust data provided by the NUPRC.

27. The development of guidelines on the management of fugitive methane and GHG emissions in the upstream sector that will drive emission reduction and mitigations targets of the National Determined Contributions (NDCs) has been approved and is being operationalized. The Commission is currently engaging the International Finance Corporation (IFC) on opportunities surrounding Carbon Capture Utilisation and Storage and development of national framework on CCUS.

28. We look forward to a more collaborative working relationship with the operators in the industry for value optimization. Such collaborative aspirations would target unlocking the huge potentials we have as a nation in the Deep Play prospects, Frontier Basins and the Deep Offshore environments.

29. We would also be leveraging on technology to achieve our mandates by ensuring all our processes become fully automated and more transparent in line with the prescriptions of the PIA. Furthermore, relevant guidelines that will provide clarity on every aspect of oil and gas operations will be issued by the Commission in keeping with our core values.

30. Distinguished Ladies and Gentlemen, as we conclude this presentation, let me express our commitment towards collaboration and engagement with stakeholders on effective and efficient exploitation of our national hydrocarbon resources.

31. Finally, Captains of Industry, Distinguished Stakeholders, Ladies and Gentlemen, from our

regulatory periscope, the year 2023 holds promise to be eventful and the Commission counts on your support all to deliver on the potentials of Nigeria's oil and gas sector.

Thank you.