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INDIGENOUS INDEPENDENT OIL COMPANIES AND THE NEW PIB

The idea behind the enactment of the Petroleum Industry Bill originated under former President Olusegun Obasanjo's regime when he set up an Oil and Gas Reform Implementation Committee (OGIC) to assess the modalities for the reform of the oil industry. The committee was saddled with the responsibility to carry out a comprehensive overhaul of the oil industry with a view to bring the sector within international best practices. The PIB seeks to establish a legal and regulatory framework, institutions and regulatory authorities for the Nigerian petroleum industry and to also establish guidelines for the operation of the upstream and downstream sectors, etc.

CONTRIBUTION OF THE INDIGENOUS INDEPENDENT OIL COMPANIES TO THE OIL SECTOR

Since the discovery of oil in commercial quantity in Nigeria, indigenous independent oil companies have been playing a major role in the sector through their exploration activities in different oil blocks and marginal fields across the Niger Delta regions. **Section 17 (1) of the Petroleum Act, LFN 2004** provides for the right to farm out a marginal field by a holder of an oil mining lease with the consent and terms approved by the President. The Local Content Act also gives priority to indigenous independent oil companies in farming out marginal fields. This has led to empowering the indigenous independent companies and technology and skills acquisition by these companies. Furthermore, indigenous independent oil companies have contributed enormously to the growth of domestic gas supply.

WHAT ARE THE FEARS OF THE INDIGENOUS INDEPENDENT OIL COMPANIES REGARDING THE NEW PIB?

One of the key provisions of the earlier version of the draft PIB was to reduce IOCs stronghold on inactive acreages. A thorough reading of the entire draft of the PIB will show that no clause in the PIB has set aside any acreage category for indigenous participation as was earlier provided.

The new draft PIB excludes indigenous independent oil companies in Joint Venture contracts with the Nigerian National Petroleum Corporation (NNPC) from gaining benefits from Production Allowances provided for in the fifth schedule 1, 2, and 3 of the draft bill. The indigenous independent companies affected by this are increasingly becoming the key providers of the domestic gas supply in Nigeria today.

HOW CAN THE PIB MITIGATE THESE FEARS OF THE INDIGENOUS INDEPENDENT OIL COMPANIES?

The government needs to constructively engage the independent operators and accommodate their yearnings and take into cognizance of the lacunas in the proposed bill raised by the indigenous operators. This will stimulate the development of otherwise small and stranded fields to the commercial benefit of the Government and the Nation. It will lead to the development of mid-sized independents with substantial ripple effects on the economy. Furthermore, it will boost domestic gas availability and by extension power generation, leading to the eventual actualisation of the Gas Master Plan. Finally, it will contribute to local capacity building with National energy security implications