

PETROLEUM INDUSTRY ACT, 2021

EXPLANATORY MEMORANDUM

This Act provides legal, governance, regulatory and fiscal framework for the Nigerian petroleum industry, and the development of host communities.

PETROLEUM INDUSTRY ACT, 2021

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PETROLEUM INDUSTRY ACT, 2021

A Bill

For

An Act to provide legal, governance, regulatory and fiscal framework for the Nigerian petroleum industry, the development of host communities; and for related matters.

[] Commencement

ENACTED by the National Assembly of the Federal Republic of Nigeria

CHAPTER 1— GOVERNANCE AND INSTITUTIONS

PART I — VESTING AND OBJECTIVES

1. The property and ownership of petroleum within Nigeria and its territorial waters, continental shelf and exclusive economic zone is vested in the Government of the Federation of Nigeria. Vesting of petroleum.

2. The objectives of this Chapter are to - Objectives.
 - (a) create efficient and effective governing institutions, with clear and separate roles for the petroleum industry;
 - (b) establish a framework for the creation of a commercially oriented and profit-driven national petroleum company;
 - (c) promote transparency, good governance and accountability in the administration of the petroleum resources of Nigeria;
 - (d) foster a business environment conducive for petroleum operations; and
 - (e) deepen local content practice in Nigeria oil and gas industry.

PART II— MINISTER OF PETROLEUM

3. (1) The Minister shall - Powers of the Minister.
 - (a) formulate, monitor and administer government policy in the petroleum industry;
 - (b) exercise general supervision over the affairs and operations of the petroleum industry in accordance with the provisions of this Act;

- (c) report developments in the petroleum industry to the government;
 - (d) represent Nigeria at international organisations on petroleum matters;
 - (e) promote an enabling environment for investment in the Nigerian petroleum industry;
 - (f) negotiate treaties or other international agreements on matters pertaining to petroleum on behalf of the Government;
 - (g) upon the recommendation of the Commission, grant petroleum prospecting licences and petroleum mining leases through the processes established in this Act;
 - (h) upon the recommendation of the Commission and pursuant to the provisions of this Act and the regulations, revoke and assign interests in petroleum prospecting licences and petroleum mining leases;
 - (i) delegate in writing to the Chief Executive of the Commission or Authority any power conferred on the Minister by or under this Act;
 - (j) upon the recommendation of the Commission or Authority approve the fees for services rendered by the Commission or Authority in regulations; and
 - (k) upon the recommendation of the Commission or the Authority, direct in writing the suspension of petroleum operations in any area –
 - (i) until arrangements to prevent danger to life or property have been made to his satisfaction, or
 - (ii) where in his opinion, a contravention of this Act or any regulation made under this Act has occurred or is likely to occur.
- (2) The Minister may order a cutback of the levels of crude oil or condensate production in the context of international oil pricing agreements supported by Nigeria.
- (3) The Minister shall have rights of pre-emption of petroleum and petroleum products marketed under any licence or lease in the event of a national emergency under the First Schedule to this Act. First Schedule.
- (4) The Minister shall give general policy directives to the Commission on matters concerning upstream petroleum operations and to the Authority on matters relating to midstream and downstream petroleum operations as well as matters related to co-

operation among the two entities in line with the provisions of this Act and the Commission and the Authority shall comply with such directives.

- (5) The Minister shall cause the general policy directives issued under subsection (4) to be published in the Federal Government Gazette.

PART III — THE COMMISSION

4. (1) There is established the Nigerian Upstream Petroleum Regulatory Commission (in this Act referred to as “the Commission”) which shall be a body corporate with perpetual succession and a common seal. Establishment of the Nigerian Upstream Petroleum Regulatory Commission.
- (2) The Commission shall have the power to acquire, hold and dispose of property, sue and be sued in its own name.
- (3) The Commission shall be responsible for the technical and commercial regulation of upstream petroleum operations.
5. The objects and functions of the Commission in this Part are limited to upstream petroleum operations. Application of this Part.
6. The objectives of the Commission shall be to – Objectives of the Commission.
- (a) regulate upstream petroleum operations including technical, operational and commercial activities;
 - (b) ensure compliance with all applicable laws and regulations governing upstream petroleum operations;
 - (c) ensure that upstream petroleum operations are carried out in a manner to minimise waste and achieve optimal government revenues;
 - (d) promote healthy, safe, efficient and effective conduct of upstream petroleum operations in an environmentally acceptable and sustainable manner;
 - (e) ensure efficient, safe, effective and sustainable infrastructural development of upstream petroleum operations;
 - (f) determine, administer and ensure the implementation and maintenance of technical standards, codes, practices and specifications applicable to upstream petroleum operations pursuant to good international petroleum industry practices;
 - (g) implement government policies for upstream petroleum operations as directed by the Minister of Petroleum in accordance with the provisions of this Act;

- (h) promote an enabling environment for investment in upstream petroleum operations;
- (i) ensure strict implementation of environmental policies, laws and regulations for upstream petroleum operations;
- (j) ensure the implementation of national policies for upstream petroleum operations; and
- (k) implement such other policies and objectives as are consistent with the provisions of this Act.

7. The technical regulatory functions of the Commission include to –

Technical regulatory functions of the Commission.

- (a) enforce, administer and implement laws, regulations and policies relating to upstream petroleum operations;
- (b) ensure compliance with applicable national and international petroleum industry policies, standards and practices for upstream petroleum operations;
- (c) establish, monitor, regulate and enforce health, safety and environmental measures and standards relating to upstream petroleum operations including –
 - (i) management of petroleum reserves and installations, and
 - (ii) exploration, development and production activities within the onshore, frontier, shallow water and deep offshore acreages of Nigeria;
- (d) administer, monitor and enforce compliance with the terms and conditions of leases and licences granted and permits and authorisations issued to a company in respect of upstream petroleum operations;
- (e) set, define and enforce approved standards and regulations for design, construction, fabrication, operation and maintenance of plants, installations and facilities used or to be used in upstream petroleum operations including –
 - (i) crude oil and natural gas evaluation and management,
 - (ii) upstream natural gas gathering,
 - (iii) natural gas treatment, and
 - (iv) the elimination of natural gas flaring and venting;

- (f) keep public registers of –
- (i) licences and leases granted by the Minister and permits and other authorisations issued by the Commission,
 - (ii) beneficial ownership, and
 - (iii) award, renewal, assignment, amendment, suspension and revocation;
- (g) carry out enquiries, tests, audits or investigations and take other steps to monitor the activities of licensees, lessees or permit holders;
- (h) establish and enforce standards relating to upstream petroleum operations;
- (i) undertake evaluation of national reserves and develop policies for prudent reservoir management practices;
- (j) maintain a Nigerian petroleum industry data bank comprising of materials, information and data acquired by, or submitted to, the Commission in the exercise of its statutory and regulatory functions;
- (k) require lessees, licensees and permit holders to furnish and publish specified information relating to upstream petroleum operations in this Act and the National Data Repository Regulation, 2020;
- (l) supervise and ensure accurate calibration and certification of equipment used for metering upstream petroleum operations, pursuant to applicable laws, and issue certificates of quality and quantity for petroleum produced;
- (m) publish reports and statistics on upstream petroleum operations to promote the growth of the petroleum industry;
- (n) advise the Minister on fiscal, operational, technical and other matters to enhance the upstream petroleum operations;
- (o) issue permits and other authorisations as may be necessary under an upstream licence or lease, including –
- (i) seismic operations,
 - (ii) drilling operations, and
 - (iii) design, construction and operation of facilities for upstream petroleum operations;

- (p) establish special laboratories to provide data storage and testing, quality assurance and certification for upstream petroleum operations;
- (q) perform technical evaluation and assessments regarding submissions made to the Commission by licensees, lessees or permit holders involved in upstream petroleum operations;
- (r) keep records, data and reports obtained from upstream petroleum operations, as may be required under any Act or regulation and give directive to any person, company or entity in that regard;
- (s) manage and administer data regarding unallocated acreage;
- (t) conduct bidding rounds for the award of petroleum prospecting licences and petroleum mining leases pursuant to this act and applicable regulations;
- (u) when requested, provide assistance to parties conducting upstream petroleum operation, where in the sole opinion of the Commission such assistance is merited;
- (v) approve field development plans for upstream petroleum operations as well as monitor its execution;
- (w) compute, determine, assess and ensure payment of royalties, rents, fees, and other charges for upstream petroleum operations as stipulated under this Act and any regulation;
- (x) establish parameters and codes of conduct for licensees, lessees or permit holders in the upstream petroleum operations;
- (y) monitor the financial viability of licensees, lessees or permit holders with respect to upstream petroleum operations;
- (z) develop, maintain and publish a database of upstream petroleum operations,
- (aa) subject to the confidentiality provisions of section 83 (7) of this Act, share information and data on the upstream petroleum operations with other government entities which have functions with respect to the petroleum sector;
- (bb) perform such other function as may be necessary to give effect to the provisions of this Act.

- (cc) ensure and monitor performance of industry players and quality of the provision of services of servicing companies in the upstream petroleum industry;
- (dd) conduct studies relating to the economy, efficiency and effectiveness of the upstream petroleum industry; and
- (ee) issue certificates of quality and quantity to exporters of crude oil, natural gas and petroleum products from integrated operations and crude oil export terminals established prior to the effective date and the Commission shall have the power to monitor and regulate the operations of crude oil export terminals and the responsibility of weights and measures at the crude oil export terminals shall cease to exist from the effective date.

8. The commercial regulatory functions of the Commission shall be to -

Commercial regulatory functions of the Commission.

- (a) review and approve the commercial aspects of field development plans in the upstream petroleum operations;
- (b) develop cost studies and benchmarks for the evaluation of upstream petroleum operations taking into account petroleum industry specific issues, including field size, reservoir depth, location of operations, technology applied, production methods and petroleum quality;
- (c) allocate petroleum production quotas for the purpose of curtailing export of petroleum in conjunction with NNPC Limited pursuant to regulations; and
- (d) where in situ facilities or fixed or floating platforms or vessels provide for fully integrated upstream and midstream petroleum operations, the Commission shall consider and the Commission shall be in charge of such integrated operations and petroleum operations may be considered integrated where there is a joint use of utilities used exclusively for the upstream and midstream operations.

9. (1) The functions of the Commission with respect to frontier basins shall be to --

Functions of the Commission for frontier basins.

- (a) promote the exploration of the frontier basins of Nigeria;
- (b) develop exploration strategies and portfolio management for the exploration of unassigned frontier acreages in Nigeria;
- (c) identify opportunities and increase information about the petroleum resources base within frontier basins in Nigeria; and

(d) undertake studies, analyse and evaluate unassigned frontier basins in Nigeria.

- (2) Where data acquired and interpreted under a petroleum exploration licence, in the judgment of the Commission, require testing and drilling of identifiable prospects and leads, and no commercial entity has publicly expressed an intention of testing or drilling such prospects, the Commission shall, in line with section 64 (k) of this Act, request the services of NNPC Limited to drill or test such prospect and leads on a service fee basis to be charged to the Frontier Exploration Fund under this Act.
- (3) Where commercial discovery is made under subsection (2), NNPC limited shall have the first right of refusal in the award of the acreage for subsequent development and other petroleum operations in such frontier acreages under this Act.
- (4) There shall be maintained, for the purpose of this section, a Frontier Exploration Fund which shall be 30% of NNPC Limited's profit oil and profit gas as in the production sharing, profit sharing and risk service contracts.
- (5) NNPC Limited shall transfer the 30% of profit oil and profit gas under subsection (4) to the Frontier Exploration Fund escrow account dedicated for the development of frontier acreages and utilise the funds to carry out exploration and development activities in the frontier acreages subject to appropriation by the National Assembly.

10. The Commission shall have power to –

Powers of the Commission.

(a) enforce the provisions of any –

- (i) regulation made with respect to upstream petroleum operations,
- (ii) regulations, policies or guidelines formerly administered by the Department of Petroleum Resources or the Petroleum Inspectorate, with respect to upstream petroleum operations, and
- (iii) enactments with respect to the upstream petroleum industry made prior to the coming into force of this Act and any regulations made pursuant to powers given under them;

(b) seal up any premises, under section 217 of this Act, including any facility or plant engaged in upstream petroleum operations, where there has been a contravention of this Act or any regulations made under this Act;

(c) ensure compliance with the Nuclear Safety and Radiation Protection Act and such other legislative provisions as may be applicable in upstream petroleum operations;

Cap N142, LFN, 2004.

- (d) set standards to promote the adoption of new technologies for upstream petroleum operations;
- (e) require lessees, licensees and permit holders to publish specified and non-proprietary information relating to upstream petroleum operations;
- (f) issue guidelines in accordance with the provisions of this Act or any regulation in respect of upstream petroleum operations;
- (g) recommend to the Minister the revocation or suspension of licences or leases in accordance with this Act and approve renewal of leases;
- (h) within the jurisdiction of the Commission, have access to –
 - (i) areas or rights of way regarding licences, leases or any related offices or buildings where information or data are available for inspection under this Act; and
 - (ii) all installations to which this Act applies, including plants and stations of every description, for the purpose of inspecting the operations conducted therein and enforcing the provisions of this Act and any regulations made under it;
- (i) impose on a petroleum prospecting licence, petroleum exploration licence or any petroleum mining lease to which this Act applies, special terms and conditions consistent with this Act at the grant or renewal of the licence or lease;
- (j) renew licenses and leases subject to the provisions of this Act; and
- (k) do such other things as are necessary and expedient for the effective and discharge of any of its functions under this Act.

11. (1) There is established a Governing Board (in this Act referred to as “the Board of the Commission”) which shall be responsible for the policy and general administration of the Commission. Governing Board of the Commission.

(2) The Board of the Commission shall consist of –

- (a) one non-executive chairman;
- (b) two non-executive commissioners;
- (c) the chief executive of the Commission (in this Act referred to as “the Commission Chief Executive”);

- (d) two other executive commissioners who are responsible for finance and accounts and exploration and acreage management;
 - (e) one representative of the Authority not below the rank of Director;
 - (f) one representative of the Ministry not below the rank of Director; and
 - (g) one representative of the Ministry of Finance not below the rank of Director.
- (3) Appointments to the Board of the Commission under subsection (2) shall be made by the President subject to confirmation by the Senate, except for the appointments of ex-officio members under subsection (2) (e), (f) and (g).
- (4) A person appointed under subsection (2) (a) and (b) shall have at least 15 years post-qualification cognate experience in petroleum or other relevant sector of the economy and shall hold office for a period of five years and may be re-appointed for a further term of five years, on such terms and conditions as may be specified in the letter of appointment.
- (5) Subject to subsection (4) of this section and section 18 (7) of this Act, a commissioner shall hold office for five years and may be re-appointed for a further term of five years.
- (6) A non-executive commissioner shall hold office on part-time basis.
- (7) The Board of the Commission may authorise in writing any commissioner, committee of the Board of the Commission, the Commission Chief Executive or any other officer or employee of the Commission, to exercise any power or carry out any duty or function of the Commission under this Act or regulation made under this Act.
- (8) The proceedings of the Board of the Commission and other ancillary matters shall be as prescribed by regulation made under this Act.

12. The Board of the Commission shall -

Functions of the Board of the Commission.

- (a) be responsible for the formulation of policy, supervision and giving strategic direction to the Commission;
- (b) provide general guidance for the carrying out of the functions of the Commission;
- (c) review and approve the business, strategic and operating plans of the Commission;
- (d) consider and approve the annual budget of the Commission before submission to the National Assembly for appropriation;

- (e) approve the management accounts and audited accounts of the Commission and consider the management letter from the external auditors;
- (f) determine the terms and conditions of service of employees of the Commission;
- (g) recommend remuneration, allowances, benefits and pensions of employees of the Commission in consultation with the National Salaries, Incomes and Wages Commission, having regard to the

—

- (i) specialised nature of work to be performed by the Commission,
- (ii) need to ensure the financial self-sufficiency of the Commission, and
- (iii) remuneration and allowances paid in the private sector in upstream petroleum operations to individuals with equivalent responsibilities, expertise and skills;

(h) structure the Commission into such number of departments as it deems fit for the effective performance of the functions of the Commission; and

(i) perform such other functions as may be necessary for the efficient and effective administration of the Commission under this Act.

13. (1) Commissioners shall be paid from the funds of the Commission such remuneration and allowances as applicable.

Remuneration and allowances of the Board of the Commission.

(2) The Commission shall comply with the policy and guidelines of the National Salaries, Incomes and Wages Commission regarding remunerations.

14. A member of the Board of the Commission may be suspended or removed from office by the President, where the member -

Suspension or removal of members of the Board of the Commission.

(a) is found to be –

- (i) unqualified for appointment under section 11 of this Act,
- (ii) unqualified subsequent to his appointment, or
- (iii) in breach of conflict of interest provisions in the Companies and Allied Matters Act or any regulation regarding conflicts of interest passed under this Act;

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- (b) ceases to be an employee of the ministry or agency he represents on the Board of the Commission;
- (c) has demonstrated an inability to effectively discharge the duties of his office;
- (d) has been absent from the meeting of the Board of the Commission for three consecutive times without the consent of the Chairman or in the case of the Chairman, without the consent of the President, except where good reason is shown for the absence;
- (e) is found guilty of serious misconduct by a court or tribunal of competent jurisdiction; or
- (f) has, under the law in force in any country -
 - (i) been adjudged or declared bankrupt or insolvent and has not been discharged,
 - (ii) made an assignment to or arrangement or composition with his creditors which has not been rescinded or set aside, or
 - (iii) been declared to be of unsound mind.

15. A non-executive commissioner may resign his appointment by giving two-month's written notice to the President. Resignation of a non-executive commissioner.
16. A vacancy on the Board of the Commission shall occur, where a commissioner - Vacancy on the Board of the Commission.
- (a) dies;
 - (b) is removed from office in accordance with section 14 of this Act;
 - (c) resigns from office;
 - (d) completes his tenure of office; or
 - (e) is incapacitated.
17. A vacancy on the Board of the Commission shall be filled by the appointment of another person in accordance with section 11 of this Act. Filling of vacancy on the Board of the Commission.
18. (1) The Commission Chief Executive is the accounting officer and shall be responsible for the administration of the Commission. Commission Chief Executive and Executive Commissioners.
- (2) There shall be six executive commissioners for the Commission with each responsible for one of the following -

- (a) Exploration and Acreage Management;
 - (b) Development and Production;
 - (c) Health, Safety, Environment and Community;
 - (d) Economic Regulation and Strategic Planning;
 - (e) Corporate Services and Administration; and
 - (f) Finance and Accounts.
- (3) A person to be appointed as Commission Chief Executive and as an executive commissioner of the Commission shall have extensive managerial, technical or professional knowledge of the upstream petroleum operations with a minimum of 15 years post-qualification cognate experience.
- (4) The Commission Chief Executive shall be appointed on such terms and conditions as may be set out in the letter of appointment, except as otherwise provided for in this Act.
- (5) An Executive Commissioner shall be appointed on such terms and conditions as may be set out in the letter of appointment, except as otherwise provided for in this Act.
- (6) The Commission Chief Executive shall be appointed for an initial term of five years and may be re-appointed for a further term of five years, subject to confirmation by the Senate.
- (7) The President may, not later than 90 days prior to the expiration of the tenure of the Commission Chief Executive or an executive commissioner, re-appoint the Commission Chief Executive or Executive Commissioner or appoint another qualified person.
- (8) A person shall not be appointed as a Commission Chief Executive or an Executive Commissioner, where the person –
- (a) is likely to be in breach of conflict of interest provisions under the Companies and Allied Matters Act or regulation made under this Act;
 - (b) has a financial interest in any business connected, directly or indirectly with the petroleum industry;
 - (c) is engaged in any activity for remuneration or otherwise connected with the petroleum industry;

(d) is a relative of a person who has an interest or is engaged in any of the activities under paragraphs (a) – (c), provided that

(i) such person may be appointed Commission Chief Executive or an Executive Commissioner if he declares his interest and makes appropriate arrangements to ensure the avoidance of a conflict of interest,

(ii) the President is satisfied that the interest or activity shall not interfere with the person's impartial discharge of his duties as the Commission Chief Executive or an executive commissioner, or

(iii) the financial interest is terminated prior to the appointment taking effect; or

(e) has, under the laws in force in any country -

(i) been adjudged or declared bankrupt or insolvent and has not been discharged,

(ii) made an assignment to, or arrangement or composition with his creditors, which has not been rescinded or set aside,

(iii) been declared to be of unsound mind,

(iv) been convicted of any criminal offence by a court of competent jurisdiction except for traffic offences, or

(v) been disqualified or suspended from practising his profession by the order of a competent authority.

19. The Board of the Commission shall determine the number of persons that shall be employees of the Commission. Employees of the Commission.

20. (1) The employees of the Commission shall be subject to terms and conditions of service set out by the Board of the Commission. Terms and conditions of service in the Commission.

(2) The terms and conditions of service referred to in subsection (1) may provide for –

(a) the appointment, promotion, dismissal and discipline of employees;

(b) appeals by employees against dismissal or other disciplinary measures; and

(c) the grant of pensions, gratuities and other retirement benefits to employees.

- (3) In this section, "appointment" includes secondment, transfer and contract appointments.
- (4) Employees of the Commission shall be "public officers" as defined in the Constitution of the Federal Republic of Nigeria. Cap. C23, LFN, 2004.
- (5) Employment by the Commission shall be subject to the provisions of the Pension Reform Act and officers and employees of the Commission shall be entitled to pension and other retirement benefits as prescribed under the Pensions Reform Act. Act No 4, 2014.
- (6) Nothing in subsection (5) shall prevent the Commission from appointing a person to an office on terms that preclude the grant of pension or other retirement benefits in respect of that office.
21. The Board of the Commission, in consultation with the National Salaries, Incomes and Wages Commission, shall determine and periodically review the remuneration and allowances payable to the employees of the Commission, having regard to the - Remuneration and allowances of employees of the Commission.
- (a) specialised nature of work to be performed by the employees of the Commission;
 - (b) need to ensure the financial self-sufficiency of the Commission; and
 - (c) remuneration and allowances paid within the petroleum industry to individuals with equivalent responsibilities, expertise and skills.
22. (1) The Commission shall, not later than 30th of September of each year or such other date that the Minister responsible for Budget and National Planning may determine, prepare and present to the National Assembly, a statement of estimated income and expenditure of the Commission for the next financial year. Statement of estimated income and expenditure of the Commission.
- (2) Notwithstanding the provisions of this section, the Commission may, in each financial year, submit to the National Assembly, supplementary or adjusted statements of estimated income and expenditure of the Commission.
- (3) The financial year of the Commission shall be a period of 12 calendar months commencing on the 1st of January in each year or such other date as the Minister of Finance may determine.
23. (1) The Board of the Commission shall appoint a Secretary, who shall - Secretary to the Commission.
- (a) be the Legal Adviser to the Commission;
 - (b) attend meetings of the Board of the Commission and keep minutes, corporate records and the common seal of the Commission; and

(c) carry out such administrative and other secretarial duties as the Commission Chief Executive and the Board of the Commission may direct.

(2) The Secretary shall be a legal practitioner with a minimum of 10 years post-qualification experience.

24. (1) The Commission shall maintain a Fund (in this Act referred to as “the Commission Fund”) into which money accruing to the Commission shall be paid and all expenditures of the commission shall be subject to appropriation by the National Assembly. Fund of the Commission.

(2) The source of the Commission Fund shall be as follows -

(a) money appropriated by the National Assembly for the Commission;

(b) fees charged by the Commission for services rendered to licensees, lessees, permit holders and other authorisations issued by the Commission;

(c) cost of collection by the Commission;

(d) income derived from publications made by the Commission and other related activities, including data sales;

(e) fees paid to the Commission for using facilities owned or managed by the Commission; and

(f) money accruing to the Commission by way of grants, aids, gifts, testamentary dispositions, endowments and contributions.

(3) The Commission Fund shall be applied –

(a) to meet approved budgetary obligations of the Commission;

(b) to meet administrative and operating cost of the Commission;

(c) to pay salaries, wages, fees or other remuneration or allowances, pensions and other retirement benefits payable to employees of the Commission;

(d) to acquire and maintain any property acquired by or vested in the Commission;

(e) for investments, as provided under the Trustee Investments Act or any other applicable legislation, subject to the approval of Minister responsible for Finance; and

- (f) in connection with any of the functions of the Commission under this Act.
- (4) The Commission shall ensure that money accruing from royalties and rents charged under this Act or any subsidiary legislation made under this Act on royalties and rents are paid into the Federation Account.
- (5) At the end of each financial year, any money that accrued to the Commission Fund under subsection (2), which have not been utilised for the purposes provided under subsection (3), shall be paid into the Consolidated Revenue Fund.
- (6) The Commission may accept grants of money or property on such terms and conditions as may be specified by the person or organisation making the grant, provided that -
- (a) the terms and conditions of the grant are consistent with the objectives and functions of the Commission; or
 - (b) no such grant is accepted from any person or organisation regulated by the Commission.
- (7) Nothing in subsection (6) or under this Act shall be construed as authorising the Commission Chief Executive, commissioners, officer or employee of the Commission to accept any grant for their personal use.
- (8) The Commission shall keep proper accounts of its income and expenditure for each financial year and cause it to be audited within six months after the end of each financial year by auditors appointed by the Commission from a list of auditors approved in accordance with guidelines, supplied by the Auditor-General for the Federation.
- (9) The Commission shall submit to the Minister -
- (a) a mid-year report of its operations and finances not later than the 31st of August of each year;
 - (b) an annual report of its operations and performance; and
 - (c) an audited financial account for the year, not later than 31st of March of the following year.
- (10) The Commission shall, not later than the 31st of March of each year –
- (a) submit to the Minister a summary of its annual report and audited financial accounts; and
 - (b) publish the annual report and audited financial accounts on its website.

(11) The provisions of any enactment relating to the taxation of companies or trust funds shall not apply to the Commission.

25. (1) Any Government ministry, department or agency exercising any power or function or taking any action, which may have direct impact on upstream petroleum operations shall consult with the Commission prior to --

Notice to the Commission.

(a) issuing any regulation, guideline, enforcement order or directive;

(b) exercising any such power or function; or

(c) taking any such action.

(2) The Commission shall review the recommendations of the Government ministry, department or agency and communicate decision accordingly and such decision shall be complied with by the relevant Government ministry, department or agency.

26. (1) The Commission shall in performing its functions under this Act have special powers to -

Special powers of the Commission.

(a) inquire, inspect, examine or investigate any business or activity relating to upstream petroleum operations under this Act, where it believes that illegal upstream petroleum operations are going on;

(b) conduct surveillance on crude oil and natural gas installations, premises and vessels where it believes that illegal upstream petroleum operations are going on;

(c) enter any upstream wellsite, plant, facility or place --

(i) at which crude oil or natural gas is produced, handled or treated, or

(ii) that is used in connection with any upstream wellsite, plant, facility or place where crude oil or natural gas is produced, handled or treated;

(d) enter at any reasonable time premises containing any records or property required to be maintained under this Act or related to the administration of upstream petroleum operations under this Act for the purpose of inspecting those records or that property;

(e) require any person or his agent, representative, partner, director, officer or employee engaged in upstream petroleum operations to --

- (i) answer any question that may be relevant to the inquiry, inspection, examination or investigation, and
 - (ii) provide any required information contained in a computer hardware or software or any other data storage, processing or retrieval device or system used in connection with the business or activities relating to upstream petroleum operations under this Act;
- (f) take any sample or carry out any test or examination as it may consider necessary in the performance of its functions;
- (g) use any machinery, equipment, appliance or thing as it may consider necessary in the performance of its functions;
- (h) remove for examination and copy anything that may be relevant to the inquiry, inspection, examination or investigation, including removing any computer hardware or software or any other data storage, processing or retrieval device or system, during which copyright and trade secrets shall be properly protected;
- (i) in conjunction with the Nigeria Police or other law enforcement agencies, arrest with a warrant, any person reasonably believed to have committed an offence under this Act; and
- (j) exercise any other power that may be conferred on it under any law or regulation.
- (2) An entity, person or agent, representative, partner, director, officer or employee of that entity or person under investigation by the Commission shall –
- (a) grant access to officers of the Commission with regard to any place, wellsite, plant, facility, upstream machinery, equipment, appliances or things that may be relevant to the investigation; and
 - (b) provide on request, any book, account, record, document, voucher, information and explanation relating to upstream petroleum operations as the officers of the Commission may require.
- (3) An entity, person or agent, representative, partner, director, officer or employee of that entity or person who fails to comply with subsection (2) commits an offence and is liable on conviction to –
- (a) a minimum fine of N5,000,000 or a term of five years imprisonment; and

(b) in the case of a continuous offence, to an additional minimum fine of N100,000 for each day during which the offence continues.

(4) The Commission shall in the exercise of its powers under this section avoid undue hindrance of entities and persons engaged in lawful upstream petroleum operations.

(5) The Commission can seal or close any premises or facility utilised for purpose of upstream petroleum operations if the licensee, lessee or permit holder is found to be in breach of the relevant provisions of this Act.

27. The special powers of the Commission under section 26 of this Act shall be performed by the Special Investigation Unit of the Commission or any person authorised by the Commission. Special Investigation Unit.

28. (1) The Commission Chief Executive, a commissioner or any officer of the Commission shall each be indemnified out of the Commission Fund against any liability incurred in defending any proceeding against the Commission or brought against him in his official capacity. Indemnity of officers of the Commission.

(2) Notwithstanding the provisions of subsection (1), the Commission shall not indemnify the Commission Chief Executive, a commissioner or any officer of the Commission for any liability incurred as a result of wilful misconduct or gross negligence.

PART IV - THE AUTHORITY

29. (1) There is established the Nigerian Midstream and Downstream Petroleum Regulatory Authority (in this Act referred to as "the Authority"), which shall be a body corporate with perpetual succession and a common seal. Establishment of the Nigerian Midstream and Downstream Petroleum Regulatory Authority.

(2) The Authority shall have the power to acquire, hold and dispose of property, sue and be sued in its own name.

(3) The Authority shall be responsible for the technical and commercial regulation of midstream and downstream petroleum operations in the petroleum industry.

30. The objects and functions of the Authority in this Part are limited to midstream and downstream petroleum operations in the petroleum industry. Application of this Part.

31. The objectives of the Authority shall be to - Objectives of the Authority.

(a) regulate midstream and downstream petroleum operations, including technical, operational, and commercial activities;

(b) ensure efficient, safe, effective and sustainable infrastructural development of midstream and downstream petroleum operations;

- (c) promote healthy, safe, efficient and effective conduct of midstream and downstream petroleum operations in an environmentally acceptable and sustainable manner;
- (d) promote a competitive market for midstream and downstream petroleum operations;
- (e) promote the supply and distribution of natural gas and petroleum products in midstream and downstream petroleum operations and the security of natural gas supply for the domestic gas market;
- (f) ensure compliance with applicable laws and regulations governing midstream and downstream petroleum operations;
- (g) ensure crude oil supply for domestic refineries;
- (h) determine, administer and ensure the implementation and maintenance of technical standards, codes, practices and specifications applicable to midstream and downstream petroleum operations pursuant to good international petroleum industry practices;
- (i) implement Government policies for midstream and downstream petroleum operations as directed by the Minister and in accordance with this Act;
- (j) promote, establish and develop a positive environment for international and domestic investment in midstream and downstream petroleum operations;
- (k) ensure strict implementation of environmental policies, laws and regulations for midstream and downstream petroleum operations;
- (l) develop and enforce a framework on tariff and pricing for natural gas and petroleum products; and
- (m) implement such other policies and objectives as are consistent with the provisions of this Act.

32. The functions of the Authority shall be to -

- (a) regulate and monitor technical and commercial midstream and downstream petroleum operations in Nigeria;
- (b) regulate commercial midstream and downstream petroleum operations, including -
 - (i) petroleum liquids operations,

Functions of the Authority.

- (ii) domestic natural gas operations, and
 - (iii) export natural gas operations;
- (c) determine appropriate tariff methodology, including for -
 - (i) processing of natural gas,
 - (ii) transportation and transmission of natural gas,
 - (iii) transportation of crude oil, and
 - (iv) bulk storage of crude oil and natural gas;
- (d) setting cost benchmarks for midstream and downstream petroleum operations;
- (e) provide pricing and tariff frameworks for natural gas in midstream and downstream gas operations and petroleum products based on the fair market value of the applicable petroleum products;
- (f) advise the Government, government agencies and other stakeholders on commercial matters relating to tariff and pricing frameworks;
- (g) develop open access rules applicable to petroleum liquids and natural gas transportation pipelines, terminal facilities and bulk storage facilities;
- (h) regulate the bulk storage, distribution, marketing and transportation pipelines of petroleum products;
- (i) grant, issue, modify, extend, renew, review, suspend, cancel, reissue or terminate licences, permits and authorisations for midstream and downstream petroleum operations;
- (j) monitor and enforce compliance with the terms and conditions of licences, permits and authorisations issued by the Authority;
- (k) keep public registers of –
 - (i) licences, permits and other authorisations issued by the Authority, and
 - (ii) renewals, assignments, amendments, suspensions or revocations;

- (l) set, define and enforce approved standards and regulations for design, construction, fabrication, operation and maintenance of plants, installations and facilities used or to be used in midstream and downstream petroleum operations;
- (m) carry out enquiries, tests, audits or investigations and take other steps to monitor the midstream and downstream petroleum operations;
- (n) ensure security of supply, development of the markets and competition in the markets for natural gas and petroleum products;
- (o) ensure third party access to facilities under gas processing licences, transportation pipelines and transportation networks and midstream bulk storage facilities, where such facilities are operated for the account of the owner;
- (p) develop rules for trading in wholesale gas supplies to gas distributors;
- (q) establish customer protection measures in accordance with the provisions of this Act;
- (r) publish decisions, directions or determinations of the Authority that have implications for customers and industry participants, together with the reasons for such decisions, directions or determinations which, in the opinion of the Authority, shall be published;
- (s) promote the interests of customers with regard to midstream and downstream petroleum operations;
- (t) promote the principles of economic development of infrastructure with regard to midstream and downstream petroleum operations;
- (u) promote competition and private sector participation in midstream and downstream petroleum operations;
- (v) determine the domestic gas demand requirement and the crude oil required for the domestic crude oil supply obligation and ensure that economic and strategic domestic demands are met;
- (w) regulate the supply, distribution, marketing and retail of petroleum products;
- (x) administer and monitor strategic stocks of petroleum products;

- (y) monitor the application of petroleum product prices, pricing formulae and frameworks;
- (z) monitor market behaviour with respect to midstream and downstream petroleum operations;
- (aa) identify, investigate and prevent abuse of dominant positions and restrictive business practice with regard to midstream and downstream petroleum operations;
- (bb) establish, monitor, regulate and enforce technical, health, environmental and safety measures relating to midstream and downstream petroleum operations;
- (cc) develop, specify and monitor technical and safety standards for wholesale marketing, processing plant, retail marketing and bunkering of petroleum products;
- (dd) ensure the accuracy of metering pumps and related measurement facilities in midstream and downstream petroleum operations;
- (ee) define and enforce approved standards and guidelines for the design, procurement, construction, operation and maintenance of plants, installations and facilities in the midstream and downstream petroleum operations;
- (ff) establish laboratories to provide data storage and testing, quality assurance and certification of crude oil, natural gas and petroleum products and regulate the activities of third party laboratories used in midstream and downstream petroleum operations;
- (gg) keep and classify records, data and reports as may be prescribed in regulations or guidelines;
- (hh) ensure the promotion of safety and development of midstream and downstream petroleum operations;
- (ii) issue certificates of quality and quantity to exporters of crude oil, LNG and petroleum products;
- (jj) implement and enforce compliance with laws, regulations and policies relating to midstream and downstream petroleum operations;
- (kk) establish parameters and codes of conduct for operators in the midstream and downstream petroleum operations;

- (ll) monitor the financial viability of operators with respect to midstream and downstream petroleum operations;
- (mm) develop, maintain and publish a database of midstream and downstream petroleum operations;
- (nn) monitor and ensure that the quality of petroleum products sold in Nigeria conform to defined specifications;
- (oo) establish, monitor and ensure compliance with the standards for the processing of petroleum products in Nigeria;
- (pp) request information and documents relating to licenced activities, including pricing information and macro-economic data from any licensee or permit holder in midstream and downstream petroleum operations;
- (qq) publish or direct licensees, lessees and permit holders to publish, in the interest of the public, information relating to midstream and downstream petroleum operations in accordance with applicable law or regulation;
- (rr) regulate the domestic base price and the prices applicable to wholesale customers of the strategic sectors and gas distributors;
- (ss) perform such other function as may be necessary to give effect to the provisions of this Act;
- (tt) ensure and monitor performance parameters of industry players and the quality of service provided by servicing companies in the midstream and downstream petroleum industry; and
- (uu) conduct studies relating to the economy and efficiency and effectiveness of the midstream and downstream petroleum industry.

33. Subject to section 216 of this Act, the Authority may make regulations –

- (a) concerning the processing, refining, transmission, distribution, supply, sale and storage of petroleum and petroleum products as well as other midstream and downstream petroleum operations;
- (b) establishing those midstream and downstream petroleum operations to be subject to a licence or permit from the Authority;

Regulations by the Authority.

- (c) establishing the application criteria and procedure for licences and permits for midstream and downstream petroleum operations;
- (d) establishing the procedure for review and approval of licence and permit applications for midstream and downstream petroleum operations;
- (e) establishing the duration and conditions of licences and permits for midstream and downstream petroleum operations;
- (f) concerning those licences and permits already in effect prior to the date of any regulations issued by the authority for midstream and downstream petroleum operations;
- (g) establishing the conditions and procedures for the transfer, surrender, suspension or revocation of licences and permits for midstream and downstream petroleum operations;
- (h) establishing the procedure for the modification of licences and permits for midstream and downstream petroleum operations;
- (i) establishing the penalties and enforcement mechanisms in respect of breaches of the regulations issued by the Authority;
- (j) monitoring processes for midstream and downstream petroleum operations;
- (k) concerning the construction and operation of, and third party access to, infrastructure for midstream and downstream petroleum operations;
- (l) concerning the production, transportation, and sale of petrochemicals and lubricants;
- (m) concerning the national strategic stock;
- (n) establishing tariffs for midstream and downstream petroleum operations;
- (o) concerning domestic natural gas supply and demand;
- (p) concerning natural gas trading and export;
- (q) ensuring the continuity and security of the supply of natural gas, crude oil, and petroleum products to customers;

- (r) concerning rights of way and pertaining to surface rights;
- (s) relating to the retail sale and distribution of petroleum products;
- (t) concerning dispute resolution and customer protection;
- (u) regulating pricing regimes for midstream and downstream petroleum operations;
- (v) establishing fees payable to the Authority subject to section 3 (1) (j) of this Act;
- (w) concerning competition and anti-competitive behaviour;
- (x) establishing public and non-public registries in respect of licences, permits and authorisations issued by the Authority, to be maintained by the Authority; and
- (y) any other matters as may be determined by the Authority under this Act which includes imposition of gas flare penalty arising from midstream operations which shall be for the credit of the Midstream and Downstream Gas Infrastructure Fund, and shall be utilised for midstream and downstream gas infrastructure investment within the Host Community of a designated facility.

34. (1) There is established a Governing Board (in this Act referred to as “the Board of the Authority”), which shall be responsible for the policy and general administration of the Authority. Governing Board of the Authority.

(2) The Board of the Authority shall consist of -

- (a) one non-executive chairman;
- (b) two non-executive members;
- (c) the Chief Executive of the Authority (in this Act referred to as “the Authority Chief Executive”);
- (d) two other executive directors responsible for finance and accounts and distribution systems, storage and retailing infrastructure;
- (e) one representative of the Commission not below the rank of executive commissioner;
- (f) one representative of the Ministry not below the rank of Director; and

(g) one representative of the Ministry of Finance not below the rank of Director.

- (3) Appointments to the Board of the Authority under this section shall be made by the President and be subject to confirmation by the Senate, except for the appointments of ex-officio members under subsection (2) (e), (f) and (g).
- (4) A person appointed under subsection (2) (a) and (b) shall have at least 15 years post-qualification experience in petroleum or other relevant sector of the economy and shall hold office for a period of five years and may be re-appointed for a further term of five years, on such terms and conditions as may be specified in the letter of appointment.
- (5) Subject to subsection (4) and section 41 (3) of this Act, a member of the Board of the Authority shall hold office for five years and may be re-appointed for a further term of five years.
- (6) A non-executive Board member shall hold office on part-time basis.
- (7) The Board of the Authority may authorise in writing any executive director, committee of the Board of the Authority, the Authority Chief Executive or any other officer or employee of the Authority, to exercise any power or carry out any duty or function of the Authority under this Act or regulation made under this Act.
- (8) The proceedings of the Board of the Authority and other ancillary matters shall be as prescribed by regulation made under this Act.

35. The Board of the Authority shall -

- (a) be responsible for the formulation of policy, supervision and giving strategic direction to the Authority;
- (b) provide general guidance for the carrying out of the functions of the Authority;
- (c) review and approve the business, strategic and operating plans of the Authority;
- (d) consider and approve the annual budget of the Authority before submission to the National Assembly for appropriation;
- (e) approve the management accounts and audited accounts of the Authority and consider the management letter from the external auditors;
- (f) determine the terms and conditions of service of employees of the Authority;
- (g) recommend remuneration, allowances, benefits and pensions of employees of the Authority in consultation with the National

Functions of the Board of the Authority.

Salaries, Incomes and Wages Commission, having regard to the

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- (i) specialised nature of work to be performed by the Authority,
- (ii) need to ensure the financial self-sufficiency of the Authority, and
- (iii) remuneration and allowances paid in the private sector in upstream petroleum operations to individuals with equivalent responsibilities, expertise and skills;

(h) structure the Authority into such number of departments as it deems fit for the effective performance of the functions of the Authority; and

(i) performance of other functions as may be necessary for the efficient and effective administration of the Authority under this Act.

36. (1) Executive directors of the Authority shall be paid from the funds of the Commission such remuneration and allowances as applicable.

Remuneration and allowances of members of the Board of the Authority.

(2) The Authority shall comply with the policy and guidelines of the National Salaries, Incomes and Wages Commission regarding remunerations.

37. A member of the Board of the Authority may be suspended or removed from office by the President where the member-

Suspension or removal of a member of the Board of the Authority.

(a) is found to be –

- (i) unqualified for appointment under section 34 of this Act,
- (ii) unqualified subsequent to his appointment, and
- (iii) in breach of conflict of interest provisions in the Companies and Allied Matters Act or any regulation regarding conflicts of interest passed under this Act;

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(b) ceases to be an employee of the ministry or agency he represents on the Board of the Authority;

(c) has demonstrated an inability to effectively discharge the duties of his office;

(d) has been absent from the meeting of the Board of the Authority for three consecutive times without the consent of the Chairman

or in the case of the Chairman, without the consent of the President, except where good reason is shown for the absence;

(e) is found guilty of serious misconduct by a court or tribunal of competent jurisdiction; or

(f) has, under the law in force in any country -

(i) been adjudged or declared bankrupt or insolvent and has not been discharged,

(ii) made an assignment to or arrangement or composition with his creditors which has not been rescinded or set aside, or

(iii) been declared to be of unsound mind.

38. A non-executive member of the Board of the Authority may resign his appointment by giving two month's written notice to the President.

Resignation of a non-executive member of the Board of the Authority.

39. A vacancy on the Board of the Authority shall occur, where a member of the Board -

Vacancy on the Board of the Authority.

(a) dies;

(b) is removed from office in accordance with section 37 of this Act;

(c) resigns from office;

(d) completes his tenure of office; or

(e) is incapacitated.

40. A vacancy on the Board of the Authority shall be filled by the appointment of another person in accordance with section 34 of this Act.

Filling of vacancy on the Board of the Authority.

41. (1) The Authority Chief Executive is the accounting officer and shall be responsible for the administration of the affairs of the Authority.

Authority Chief Executive and Executive Directors of the Authority.

(2) There shall be seven executive directors for the Authority, whose appointments shall comply with the Federal Character Commission Act subject to confirmation by the Senate with each responsible for one of the following-

Cap. F7, LFN, 2004.

(a) Hydrocarbon Processing Plants, Installations and Transportation Infrastructure;

(b) Distribution Systems, Storage and Retailing Infrastructure;

(c) Health, Safety, Environment and Community,

- (d) Economic Regulations and Strategic Planning;
 - (e) Corporate Services and Administration;
 - (f) Finance and Accounts; and
 - (g) Midstream and Downstream Gas Infrastructure Fund.
- (3) A person to be appointed as Authority Chief Executive and as an executive director of the Authority shall have extensive managerial, technical or professional knowledge of the midstream and downstream petroleum operations with a minimum of 15 years post-qualification cognate experience.
- (4) The Authority Chief Executive shall be appointed on such terms and conditions as may be set out in the letter of appointment, except as otherwise provided for in this Act.
- (5) An executive director shall be appointed on such terms and conditions as may be set out in the letter of appointment, except as otherwise provided for in this Act.
- (6) The Authority Chief Executive shall be appointed for an initial term of five years and may be re-appointed for a further term of five years, subject to confirmation by the Senate.
- (7) The President may, not later than 90 days prior to the expiration of the tenure of the Authority Chief Executive or an executive director, re-appoint the Authority Chief Executive or executive director or appoint another qualified person.
- (8) A person shall not be appointed as Authority Chief Executive, where the person –
- (a) is likely to be in breach of conflict of interest provisions under the Companies and Allied Matters Act or regulation made under this Act;
 - (b) has a financial interest in any business connected, directly or indirectly with the petroleum industry;
 - (c) is engaged in any activity for remuneration or otherwise connected with the petroleum industry;
 - (d) is a relative of a person who has an interest or is engaged in any of the activities under paragraphs (a) – (c), provided that –
 - (i) such person may be appointed Authority Chief Executive or as an executive director if he declares his interest and makes appropriate arrangements to ensure the avoidance of a conflict of interest,

Act No 3, 2020.

- (ii) the President is satisfied that the interest or activity shall not interfere with the person's impartial discharge of his duties as the Authority Chief Executive or as an executive director, or
- (iii) the financial interest is terminated prior to the appointment taking effect; or

(e) has, under the laws in force in any country-

- (i) been adjudged or declared bankrupt or insolvent and has not been discharged,
- (ii) made an assignment to or arrangement or composition with his creditors, which has not been rescinded or set aside,
- (iii) been declared to be of unsound mind,
- (iv) been convicted of any criminal offence by a court of competent jurisdiction except for traffic offences,
- (v) been disqualified, or
- (vi) suspended from practising his profession by the order of a competent authority.

42. The Board of the Authority shall determine the number of persons that shall be employees of the Authority. Employees of the Authority.
43. (1) The employees of the Authority shall be subject to terms and conditions set out by the Board of the Authority. Terms and conditions of service in the Authority.
- (2) The terms and conditions of service referred to in subsection (1) may provide for –
- (a) the appointment, promotion, dismissal and discipline of employees;
 - (b) appeals by employees against dismissal or other disciplinary measures; and
 - (c) the grant of pensions, gratuities and other retirement benefits to employees.
- (3) In this section, “appointment” includes secondment, transfer and contract appointments.
- (4) Employees of the Authority shall be “public officers” as defined in the Constitution of the Federal Republic of Nigeria, 1999. Cap. C23, LFN, 2004.

- (5) Employment by the Authority shall be subject to the provisions of the Pensions Reform Act and officers and employees of the Authority shall be entitled to pension and other retirement benefits as prescribed under the Pensions Reform Act. Act No 4, 2014.
- (6) Nothing in subsection (5) shall prevent the Authority from appointing a person to an office on terms that preclude the grant of pension or other retirement benefits in respect of that office.
44. The Board of the Authority, in consultation with the National Salaries, Incomes and Wages Commission, shall determine and periodically review the remuneration and allowances payable to the employees of the Authority, having regard to the - Remuneration and allowances of employees of the Authority.
- (a) specialised nature of work to be performed by the Authority;
 - (b) need to ensure the financial self-sufficiency of the Authority;
and
 - (c) remuneration and allowances paid within the petroleum industry to individuals with equivalent responsibilities, expertise and skills.
45. (1) The Authority shall, not later than 30th of September of each year or such other date that the Minister responsible for Budget and National Planning may determine, prepare and present to the National Assembly, a statement of estimated income and expenditure of the Authority for the next financial year. Statement of estimated income and expenditure of the Authority.
- (2) Notwithstanding the provisions of this section, the Authority may also, in any financial year, submit to the National Assembly supplementary or adjusted statements of estimated income and expenditure of the Authority.
- (3) The financial year of the Authority shall be a period of 12 calendar months commencing on the 1st of January in each year or such other date as the Minister of Finance may determine.
46. (1) The Board of the Authority shall appoint a Secretary, who shall - Secretary to the Authority.
- (a) be the Legal Adviser to the Authority;
 - (b) attend meetings of the Board of the Authority and keep minutes, corporate records and the common seal of the Authority; and
 - (c) carry out such administrative and other secretarial duties as the Authority Chief Executive and the Board of the Authority may direct.
- (2) The Secretary shall be a legal practitioner with a minimum of 10 years post-qualification experience.

47. (1) The Authority shall maintain a Fund (in this Act referred to as "the Authority Fund") Fund of the Authority.
into which money accruing to the Commission shall be paid.

(2) The source of the Authority Fund shall be –

- (a) money appropriated by the National Assembly for the Authority;
- (b) fees charged by the Authority for services rendered to licensees, lessees, permit holders and other authorisations issued by the Authority;
- (c) 0.5% of the wholesale price of petroleum products sold in Nigeria, which shall be collected from wholesale customers;
- (d) income derived from publications made by the Authority and other related activities, including data sales;
- (e) fees paid to the Authority for using facilities owned or managed by the Authority; and
- (f) money accruing to the Authority by way of grants, aids, gifts, testamentary dispositions, endowments and contributions.

(3) The Authority Fund shall be applied -

- (a) to meet the approved budgetary obligations of the Authority;
- (b) to meet the administrative and operating cost of the Authority;
- (c) to pay salaries, wages, fees or other remuneration or allowances, pensions and other retirement benefits payable to employees of the Authority;
- (d) to acquire and maintain any property acquired by or vested in the Authority;
- (e) for investments, as provided under the Trustee Investments Act or any other applicable legislation, subject to the approval of Minister responsible for Finance, and
- (f) in connection with any of the functions of the Authority under this Act.

(4) At the end of each financial year, any money that accrued to the Authority Fund under subsection (2), which have not been utilised for the purposes provided under subsection (3), shall be paid into the Consolidated Revenue Fund.

(5) The Authority may accept grants of money or property on such terms and conditions as may be specified by the person or organisation making the grant, provided that

- (a) the terms and conditions of the grant are consistent with the objectives and functions of the Authority; or
 - (b) no such grant is accepted from any person or organisation regulated by the Authority.
- (6) Nothing in subsection (6) shall be construed as authorising the Authority Chief Executive, directors, officer or employee of the Authority to accept any grant for their personal use.
- (7) The Authority shall keep proper accounts of its income and expenditure for each financial year and cause it to be audited within six months after the end of each financial year by auditors appointed by the Authority from a list and in accordance with guidelines supplied by the Auditor-General for the Federation.
- (8) The Authority shall submit to the Minister –
- (a) a mid-year report of its operations and finances not later than the 31st of August of each year;
 - (b) an annual report of its operations and performance; and
 - (c) an audited financial account for the year, not later than 31st of March of the following year.
- (9) The Authority shall, not later than the 31st of March of each year –
- (a) submit to the Minister a summary of its annual report and audited financial accounts; and
 - (b) publish the annual report and audited financial accounts on its website.
- (10) The provisions of any enactment relating to the taxation of companies or trust funds shall not apply to the Authority.
48. (1) Any Government ministry, department or agency exercising any power or function or taking any action, which may have direct impact on midstream or downstream petroleum operations shall consult with the Authority prior to –
- (a) issuing any regulation, guideline, enforcement order or directive;
 - (b) exercising any such power or function; or
 - (c) taking any such action.
- Notice to the Authority.

(2) The Authority shall review the recommendations of the Government ministry, department or agency and communicate decision accordingly and the decision shall be complied with by the relevant Government ministry, department or agency.

49. (1) The Authority shall in carrying out its functions under this Act have special powers to – Special powers of the Authority.

- (a) inquire, inspect, examine or investigate any business or activity relating to midstream or downstream petroleum operations under this Act, where it believes that illegal midstream or downstream petroleum operations are going on;
- (b) conduct surveillance on petroleum liquids and natural gas installations, premises and vessels where it believes that illegal midstream or downstream petroleum operations are going on;
- (c) enter any midstream or downstream wellsite, plant, facility or place –
 - (i) at which petroleum liquids oil or natural gas is refined, processed, stored, handled or treated, or
 - (ii) that is used in connection with any midstream or downstream wellsite, plant, facility or place where petroleum liquids or natural gas are refined, processed, stored, handled or treated;
- (d) enter at any reasonable time premises containing any records or property required to be maintained under this Act or related to the administration of midstream or downstream petroleum operations under this Act for the purpose of inspecting those records or that property;
- (e) require any person or his agent, representative, partner, director, officer or employee engaged in midstream or downstream petroleum operations to –
 - (i) answer any question that may be relevant to the inquiry, inspection, examination or investigation, and
 - (ii) provide any required information contained in a computer hardware or software or any other data storage, processing or retrieval device or system used in connection with the business or activities relating to midstream or downstream petroleum operations under this Act;
- (f) take any sample or carry out any test or examination as it may consider necessary in the performance of its functions;
- (g) use any midstream or downstream machinery, equipment, appliance or thing as it may consider necessary in the performance of its functions,

- (h) remove for examination and copy anything that may be relevant to the inquiry, inspection, examination or investigation, including removing any computer hardware or software or any other data storage, processing or retrieval device or system;
- (i) in conjunction with the Nigeria Police or other law enforcement agencies, arrest with a warrant, any person reasonably believed to have committed an offence under this Act; and
- (j) exercise any other power that may be conferred on it under any law or regulation.

(2) An entity, person or agent, representative, partner, director, officer or employee of that entity or person under investigation by the Authority shall –

- (a) grant access to officers of the Authority with regard to any place, wellsite, plant, facility, midstream or downstream machinery, equipment, appliances or things that may be relevant to the investigation; and
- (b) provide on request, any book, account, record, document, voucher, information and explanation relating to midstream or downstream petroleum operations as the officers of the Authority may require.

(3) An entity, person or agent, representative, partner, director, officer or employee of that entity or person who fails to comply with subsection (2) commits an offence and is liable on conviction to –

- (a) a minimum fine of N5,000,000 or a term of imprisonment for five years, and
- (b) in the case of a continuous offence, to an additional minimum fine of N100,000 for each day during which the offence continues.

(4) The Authority shall in the exercise of its powers under this section avoid undue hindrance of entities and persons engaged in lawful midstream or downstream petroleum operations.

50. The special powers of the Authority under section 49 of this Act shall be performed by the Special Investigation Unit of the Authority or any person authorised by the Authority.

Special Investigation Unit.

51. (1) The Authority Chief Executive, a director or any officer of the Authority shall each be indemnified out of the Authority Fund against any liability incurred in defending any proceeding against the Authority or brought against him in his official capacity.

Indemnity of officers of the Authority.

(2) Notwithstanding the provisions of subsection (1), the Authority shall not indemnify the Authority Chief Executive, a director or any officer of the Authority for any liability incurred as a result of wilful misconduct or gross negligence.

52. (1) There is established the Midstream and Downstream Gas Infrastructure Fund subject to appropriation of the National Assembly, which shall be –

The Midstream and
Downstream Gas
Infrastructure Fund.

(a) a body corporate with perpetual succession and a common seal;
and

(b) reside in the Authority as prescribed in accordance with this Act.

(2) The Midstream and Downstream Gas Infrastructure Fund shall have the power to acquire, hold and dispose of property, sue and be sued in its corporate name.

(3) There shall be a Governing Council which shall supervise and make investment decisions for the Fund.

(4) The Governing Council shall comprise the -

(a) Minister, who shall be the Chairman of the Council;

(b) representative of the Central Bank of Nigeria not below the rank of a director;

(c) representative of the Ministry of Finance not below the rank of a director;

(d) Authority Chief Executive;

(e) Executive Director Midstream and Downstream Gas Infrastructure Fund;

(f) three independent members, who shall be appointed by the President for a term of four years and may be reappointed for another four years and no more; and

(g) Legal Adviser of the Authority who shall serve as the Secretary to the Governing Council.

(5) The Executive Director, Midstream and Downstream Gas Infrastructure Fund shall –

(a) have extensive managerial, technical or professional knowledge of the midstream petroleum operations, and fund management or any other relevant industry with a minimum of 15 years' post-qualification experience; and

(b) be responsible for project management and administration of the Midstream and Downstream Gas Infrastructure Fund.

- (6) The members referred to in subsection (4) (f) shall have extensive managerial, technical or professional knowledge of the midstream petroleum operations, fund management or any other relevant industry with a minimum of 15 years post-qualification cognate experience.
- (7) The source of the Midstream and Downstream Gas Infrastructure Fund shall be –
- (a) 0.5% of the wholesale price of petroleum products and natural gas sold in Nigeria, which shall be collected from wholesale customers and such levy shall be in addition to the levy provided for under section 47 (2) (c);
 - (b) funds and grants accruing from multilateral agencies, bilateral institutions and related sources dedicated partly or wholly for the development of infrastructure for midstream and downstream gas operations in Nigeria;
 - (c) interest, if any, payable in respect of money in the Midstream and Downstream Gas Infrastructure Fund;
 - (d) money received from gas flaring penalties by the Commission under section 104 (4) of this Act, shall be for the purpose of environmental remediation and relief of the host communities of the settlor on which the penalties are levied; and
 - (e) any other sum, freely donated or accruing to the Midstream and Downstream Gas Infrastructure Fund for development of infrastructure in midstream gas operations.
- (8) The Authority shall ensure the prompt payment of all such sums directly into the Midstream and Downstream Gas Infrastructure Fund's Account.
- (9) The levy under section 52 (7) (a) of this Act shall become due within 21 days of the sale of petroleum products and natural gas sold in Nigeria, and the Authority shall, after consultation with the Council, make regulations for –
- (a) administration procedures; and
 - (b) penalties for –
 - (i) late payment of the levy,
 - (ii) non-payment of the levy, or
 - (iii) submission of false information in respect of the levy.
- (10) The purpose of the Fund shall be to make equity investments of Government owned participating or shareholder interests in infrastructure related to midstream and downstream gas operations aimed at –

- (a) increasing the domestic consumption of natural gas in Nigeria in projects which are financed in part by private investment;
 - (b) encouraging private investment through risk sharing by participating initially in selected high risk projects and in such other equity investments that encourage investment in midstream and downstream gas infrastructure; and
 - (c) reducing or eliminating gas flare.
- (11) There shall be a Transaction Advisor, who shall be responsible for providing transaction advisory services, including technical and commercial evaluation of proposals, defining project screening criteria and profitability target for projects and any other duty as may be assigned by the Council on behalf of the Fund.
- (12) The Transaction Advisor shall be selected on need basis through a competitive and transparent criteria specified by the Council and the selection process shall be managed by the Executive Director, Midstream and Downstream Gas Infrastructure Fund subject to the approval of the Council.
- (13) The Transaction Advisor shall, in performing his duties under subsection (11), submit report of his findings and recommendations to the Council.
- (14) The Midstream and Downstream Gas Infrastructure Fund shall be managed as follows –
- (a) the Council shall at the beginning of every financial year, approve the Midstream and Downstream Gas Infrastructure Fund's programme of action with its cost implications and the Accountant-General of the Federation shall release the approved amount for that financial year, subject to appropriation by the National Assembly;
 - (b) the money in the Midstream and Downstream Gas Infrastructure Fund's Account that is not utilised as prescribed under this Act shall be held or invested as the Council may direct;
 - (c) an annual statement of the Midstream and Downstream Gas Infrastructure Fund shall be prepared and submitted to the Council and Minister of Finance after three months of the end of the financial year to which they relate;
 - (d) a certified annual audited accounts of the Midstream and Downstream Gas Infrastructure Fund, together with a report on the operations of the Midstream and Downstream Gas Infrastructure Fund, shall be submitted to the Council within six months of the end of the financial year to which they relate; and

(e) a certified annual audited accounts of the Midstream and Downstream Gas Infrastructure Fund shall be published annually.

(15) Earnings, interest and other income accruing from the equity investment made under subsection (10) shall be paid directly to the Midstream and Downstream Gas Infrastructure Fund's Account.

(16) Interest and other incomes accruing from the equity investment of the Midstream and Downstream Gas Infrastructure Fund can be re-invested in other secured low risk investments as approved by the Governing Council.

(17) The members of the Governing Council shall be paid such allowances from the funds of the Midstream and Downstream Gas Infrastructure Fund in accordance with the approved guidelines by the Revenue Mobilization, Allocation and Fiscal Commission.

PART V-THE NIGERIAN NATIONAL PETROLEUM COMPANY LIMITED

53. (1) The Minister shall within six months from the commencement of this Act, cause to be incorporated under the Companies and Allied Matters Act, a limited liability company, which shall be called Nigerian National Petroleum Company Limited (NNPC Limited). Nigerian National Petroleum Company Limited.
Act No 3, 2020.
- (2) The Minister shall at the incorporation of NNPC Limited, consult with the Minister of Finance to determine the number and nominal value of the shares to be allotted, which shall form the initial paid-up share capital of NNPC Limited and the Government shall subscribe and pay cash for the shares.
- (3) Ownership of all shares in NNPC Limited shall be vested in the Government at incorporation and held by the Ministry of Finance Incorporated and the Ministry of Petroleum Incorporated in equal portions on behalf of the Federation and the Ministry of Petroleum Incorporated is incorporated under the provisions of the Eighth Schedule to this Act. Eighth Schedule.
- (4) The Ministry of Finance Incorporated and the Ministry of Petroleum Incorporated in consultation with the Government, may increase the equity capital of NNPC Limited.
- (5) Shares held by the Government in NNPC Limited are not transferable including by way of sale, assignment, mortgage, or pledge unless approved by the Government and endorsed by the National Economic Council on behalf of the Federation.
- (6) Notwithstanding any provision to the contrary in the Companies and Allied Matters Act and except by way of security, any sale or transfer of shares of NNPC Limited shall be at a fair market value and subject to an open, transparent and competitive bidding process and the sale or transfer of the shares of NNPC Limited shall be on equal proportion basis of shares held by the Ministry of Finance Incorporated and the Ministry of Petroleum Incorporated. Act No 3, 2020.

(7) NNPC Limited and any of its subsidiaries shall conduct their affairs on a commercial basis in a profitable and efficient manner without recourse to government funds and their memorandum and articles of association shall state these restrictions, and NNPC Limited shall operate as a Companies and Allied Matters Act entity, declare dividends to its shareholders and retain 20% of profits as retained earnings to grow its business.

Act No 3, 2020.

(8) Where NNPC Limited has a participating interest or 100% interest in a lease or licence, NNPC Limited shall pay its share of all fees, rents, royalties, profit oil shares, taxes and other required payments to Government as any company in Nigeria.

54. (1) The Minister and the Minister of Finance shall within 18 months of the effective date determine the assets, interests and liabilities of NNPC to be transferred to NNPC Limited or its subsidiaries and upon the identification, the Minister shall cause such assets, interests and liabilities to be transferred to NNPC Limited.

Transfer of assets and liabilities.

(2) Assets, interests and liabilities of NNPC not transferred to NNPC Limited or its subsidiary under subsection (1), shall remain the assets, interests and liabilities of NNPC until they become extinguished or transferred to the Government and six months following the determination under section 54 (1) of his Act, the Minister, the Minister of Finance and the Attorney-General of the Federation shall develop a framework for the payment of the liabilities not transferred to NNPC Limited and if such determination of which assets, interests and liabilities to be transferred has not been concluded within the stipulated period of 18 months, all the assets, interests, liabilities of NNPC is deemed to be transferred to NNPC Limited after 18 months from the effective date.

(3) NNPC shall cease to exist after its remaining assets, interests and liabilities other than its assets, interests and liabilities transferred to NNPC Limited or its subsidiaries under subsection (1) shall have been extinguished or transferred to the Government.

(4) Bonds, hypothecations, securities, deeds, contracts, instruments, documents and working arrangements with regards to assets, interests or liabilities transferred to NNPC Limited or any of its subsidiary under subsection (1) and which remains subsisting before the date of transfer shall, beginning from the date of transfer, be effective and enforceable against or in favour of NNPC Limited.

(5) Any pending action or proceeding brought by or against NNPC before the transfer date with regard to assets, interests or liabilities transferred to NNPC Limited under subsection (1) may be enforced or continued by or against NNPC Limited as the successor of NNPC.

(6) Notwithstanding the provisions of subsection (5) -

(a) an action or proceeding shall not be commenced against NNPC Limited, its subsidiary, director, officer, employee or agent with regard to asset, interest or liability of NNPC Limited, where the time for commencing the action or proceeding would have expired had such asset, interest or liability not been transferred to NNPC Limited or its subsidiaries; and

(b) the transfer of asset, interest and liability of NNPC to NNPC Limited under subsection (1) shall not create or be deemed to have created a new cause of action in favour of a -

(i) creditor of NNPC, or

(ii) party to a contract, agreement or arrangement with NNPC that was entered into before the date of transfer.

(7) For the purpose of this section and the Second Schedule to this Act, “assets, interests and liabilities” means tangible, intangible, real or personal property, rights and obligations, in each case of all types. Second Schedule.

(8) Subject to any arrangements that NNPC has entered into, any debt to NNPC related to outstanding cash calls under joint venture agreements shall become debt of -

(a) NNPC Limited where the assets have been transferred to NNPC Limited under subsection (1); and

(b) Government where the assets have not been transferred under subsection (2).

(9) The initial capitalisation of NNPC Limited shall be not less than its financial requirements to effectively discharge its commercial role and deal with its obligations and liabilities transferred to NNPC Limited.

55. (1) The Minister shall upon incorporation of NNPC Limited, consult with the Minister of Finance to appoint NNPC Limited as agent of NNPC for the purpose of managing the process of winding down the assets, interests and liabilities of NNPC. Appointment of NNPC Limited as agent of NNPC.

(2) Subject to the appointment under subsection (1), the NNPC Limited shall have the power to deal with the applicable assets, interests and liabilities of NNPC and may enter into contract with third parties on such assets, interests and liabilities.

(3) Pursuant to the appointment under subsection (1), NNPC shall -

(a) not deal with the applicable assets, interests and liabilities;

(b) at the request of NNPC Limited execute and deliver any document and do such other acts or things as may be required by NNPC Limited with regard to any asset, interest or liability referred to under subsection (1); and

(c) pay a nominal fee of US \$1 to NNPC Limited as administrative charges on the applicable assets, interests and liabilities to which NNPC Limited has been appointed under subsection (1).

(4) The cost of winding down the assets, interests and liabilities of NNPC shall be borne by the Government.

- (5) A cause of action shall not arise in tort, contract or otherwise between NNPC and NNPC Limited in respect of the applicable assets, interests or liabilities to which NNPC Limited has been appointed as agent under subsection (1).
56. Subject to section 92 (3) (a) of this Act, any guarantee granted or issued by the Government with regard to the transfer of liability of NNPC to NNPC Limited under section 54 of this Act shall be enforceable against the Government as if such liability was a liability of NNPC, provided that such guarantee was effective prior to such transfer. Subsistence of guarantee.
57. (1) Upon incorporation of NNPC Limited under section 53 of this Act, employees of NNPC and its subsidiaries shall be deemed to be employees of NNPC Limited on terms and conditions not less favourable than that enjoyed prior to the transfer of service and shall be deemed to be service for employment related entitlements as specified under any applicable law. Transfer of employees and conditions of service.
- (2) NNPC Limited shall continue to fulfil the statutory obligations of NNPC in relation to the pension scheme of employees of NNPC and its subsidiaries prior to the date of incorporation of NNPC Limited.
58. There shall be a Board of the NNPC Limited which shall perform its duties in accordance with this Act, the Companies and Allied Matters Act and the articles of association of NNPC Limited. The Board of NNPC Limited.
Act No 3, 2020.
59. (1) Except as set out in this section, the composition of the Board of the NNPC Limited shall be determined in accordance with the Companies and Allied Matters Act and its Articles of Association. Composition of the Board of NNPC Limited.
Act No 3, 2020.
- (2) The Board of NNPC Limited shall be appointed by the President and composed of -
- (a) a non-executive chairman;
 - (b) the Chief Executive of NNPC Limited;
 - (c) the Chief Financial Officer of NNPC Limited;
 - (d) a representative of the Ministry of Petroleum, not below the rank of a director;
 - (e) a representative of the Ministry of Finance, not below the rank of a director; and
 - (f) six non-executive members with at least 15 years post-qualification cognate experience in petroleum or any other relevant sector of the economy one from each geopolitical zone.
- (3) A person to be appointed as the Chief Executive of NNPC Limited shall have extensive managerial, technical and professional knowledge in the petroleum or other relevant industry with at least 15 years' post-qualification experience.

(4) In the absence of the Chairman, the members of the Board of NNPC Limited may appoint a non-executive member of the Board to act as alternate Chairman.

(5) The provisions of this section shall apply where NNPC Limited remains wholly-owned by the Government and where NNPC Limited is not wholly owned by Government, the composition of the Board of NNPC Limited shall be determined by the shareholders of NNPC Limited in accordance with the provisions of the Companies and Allied Matters Act and the articles of association of NNPC Limited.

Act No 3, 2020.

60. (1) The Board of NNPC Limited shall, within three months of the incorporation of NNPC Limited, develop formal and transparent process for the creation of its committees and nomination of members of the Board of NNPC Limited to the committees.

Committees of the Board of NNPC Limited.

(2) The mandate, composition and procedures of each committee of the Board of NNPC Limited shall be comprehensive and open for inspection by the shareholders of NNPC Limited.

(3) The Board of NNPC Limited shall nominate non-executive members of the Board capable of exercising independent judgment to its committees where there is likelihood of conflict of interest.

(4) The Board of NNPC Limited shall have committees for -

(a) ensuring the integrity of financial and non-financial reporting;

(b) the nomination of Board of NNPC Limited members and key executives;

(c) remuneration of members of the Board of NNPC Limited; and

(d) any other committee as the Board of NNPC Limited may consider appropriate.

61. (1) Members of the Board of NNPC Limited shall discharge their responsibilities in accordance with the highest standards, practices and principles of corporate governance.

Application of principle of corporate governance.

(2) The Board of NNPC Limited shall, upon request by one or more of shareholders holding not less than 10% of the voting interests in NNPC Limited, provide a comprehensive written explanation of any action or decision taken by the Board of NNPC Limited to its shareholders, provided that the Board of NNPC Limited may withhold the explanation if permitted under a duty of confidentiality NNPC Limited owed to any third party.

62. (1) NNPC Limited shall ensure that an annual audit of NNPC Limited is conducted by an independent, competent, experienced and qualified auditor.

Annual audit of NNPC Limited.

(2) The auditor of NNPC Limited shall provide an external and objective assurance to the Board of NNPC Limited and shareholders of NNPC Limited that the financial

statements of NNPC Limited fairly represent the financial position and performance of NNPC Limited.

(3) Where the auditor of NNPC Limited is unable to provide the assurance required under subsection (2), the Board of NNPC Limited shall immediately convene an extraordinary general meeting of the company to –

- (a) notify the shareholders of NNPC Limited; and
- (b) consider any action that may be necessary in that regard.

63. (1) The Board of NNPC Limited shall, in addition to its responsibilities under the Companies and Allied Matters Act and its articles of association -

Responsibilities of the
Board of NNPC Limited.

Act No 3, 2020.

- (a) be responsible for the strategic guidance and determining the business structure of NNPC Limited;
- (b) be responsible for the approval of the annual budget of NNPC Limited;
- (c) act in good faith and exercise due diligence and care in the best interests of NNPC Limited, the shareholders and the sustainable development of Nigeria;
- (d) apply the highest ethical standards in performing its duties, taking into account the interests of its stakeholders and the fiduciary duty of the directors to NNPC Limited;
- (e) make decisions guided by commercial and technical considerations that represents good international petroleum industry practices;
- (f) determine and report to the shareholders of NNPC Limited on key performance indicators on at least annual basis;
- (g) review and guide corporate strategy, major plan of action, risk policy and business plan;
- (h) set performance objectives for NNPC Limited, the Board of NNPC Limited, members of NNPC Limited's management and individual business units and subsidiaries of NNPC Limited;
- (i) monitor NNPC Limited's corporate performance;
- (j) oversee major capital expenditures, acquisitions and divestitures;
- (k) monitor the effectiveness of NNPC Limited's governance practices and propose and implement changes;

- (l) select, compensate, monitor and replace management executives and oversee succession plan;
- (m) align key executive and Board of NNPC Limited remuneration with the longer term interests of NNPC Limited, its shareholders and stakeholders;
- (n) monitor and address potential conflicts of interest of management and members of the Board of NNPC Limited and breach of fiduciary duty by members of the Board of NNPC Limited;
- (o) ensure the integrity of NNPC Limited's accounting and financial reporting systems, including audit of NNPC Limited's accounts by independent third party;
- (p) ensure that appropriate system of control is in place for risk management, financial and operational control and compliance with applicable law and relevant standards;
- (q) oversee the process of disclosure and communications to shareholders and the public; and
- (r) determine the dividend policy of NNPC Limited, ensure sustained growth and a sound financial base for NNPC Limited .

(2) The provisions of this section shall be incorporated into the memorandum and articles of association of –

- (a) NNPC Limited at the time of its incorporation; and
- (b) each of the NNPC Limited's wholly-owned subsidiaries as if references in this section to 'NNPC Limited' were references to such wholly-owned subsidiary.

(3) A member of the Board of the NNPC Limited shall be suspended or removed from office by the President, where the member –

- (a) is found to be-
 - (i) unqualified for appointment under section 59 of this Act,
 - (ii) unqualified subsequent to his appointment, or
 - (iii) in breach of conflict of interest provisions in the Companies and Allied Matters Act or any regulation regarding conflicts of interest passed under this Act;

- (b) ceases to be an employee of the ministry or agency he represents on the Board of the NNPC Limited;
- (c) has demonstrated an inability to effectively perform the duties of his office;
- (d) has been absent from the meeting of the Board of the NNPC Limited for three consecutive times without the consent of the Chairman or in the case of the Chairman, without the consent of the President, except where good reason is shown for the absence;
- (e) is found guilty of serious misconduct by a court or tribunal of competent jurisdiction; or
- (f) has, under the law in force in any country -
 - (i) been adjudged or declared bankrupt or insolvent and has not been discharged,
 - (ii) made an assignment to or arrangement or composition with his creditors which has not been rescinded or set aside, or
 - (iii) incapable to discharge the duties of his office as a result of infirmity of body or mind.

64. The objectives of NNPC Limited shall include to -

- (a) carry out petroleum operations on a commercial basis, comparable to private companies in Nigeria carrying out similar activities including exemption to Public Procurement Act, Fiscal Responsibility Act and Treasury Single Account.
- (b) NNPC Limited to be vested as the concessionaire of all Production Sharing Contracts (PSC), Profit Sharing and Risk Service Contracts as the National oil company on behalf of the Federation in line with its competencies;
- (c) lift and sell royalty oil and tax oil on behalf of the Commission and the Service respectively for an agreed commercial fee and in the case of profit oil and profit gas payable to the concessionaire, NNPC Limited shall promptly remit the proceeds of the sales of the profit oil and profit gas to the Federation less its 30% for management fee and Frontier Exploration Fund as specified in section 9 (4) of this Act;
- (d) carry out test marketing to ascertain the value of crude oil and report to the Commission,

Objectives of NNPC Limited.

Act No. 14, 2007

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- (e) be vested with the rights to natural gas under production sharing contracts entered into prior to and after the effective date of this Act;
- (f) carry out the management of production sharing contracts for a fee, based on the profit oil share or profit gas share in accordance with paragraph (c);
- (g) with respect to any joint operating agreement in which NNPC is a party on the effective date assume the working interest held by NNPC irrespective of whether such licence or lease is converted under section 92 of this Act;
- (h) engage in the business of renewables and other energy investments;
- (i) promote the domestic use of natural gas through development and operation of large-scale gas utilisation industries;
- (j) maintain the role of NNPC, under section 54 of this Act;
- (k) carry out task requested by the Commission or Authority on a fee basis and generally engage in activities that ensures national energy security in an efficient manner, in the overall interest of the Federation;
- (l) carry out such other tasks as may be determined by the Board of NNPC Limited; and
- (m) make NNPC Limited supplier of last resort for security reasons and all associated costs shall be for the account of the Federation.

65. (1) NNPC Limited and other parties to joint operating agreements in respect of upstream petroleum operations, may on a voluntary basis restructure their joint operating agreement as a joint venture carried out by way of a limited liability company, each referred to as an "incorporated joint venture company" (IJVC), based on the principles established in the Second Schedule to this Act.

Establishment of incorporated joint venture companies.

Second Schedule.

(2) The IJVC referred to in subsection (1) shall not be subject to the provisions of the Fiscal Responsibility Act and the Public Procurement Act.

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(3) The proposed IJVC structure shall be an independent entity, having a strong commercial orientation and transparent company operation for the IJVC shareholders, with clear rules for accountability.

Act No 14, 2007.

CHAPTER 2

ADMINISTRATION

PART I - GENERAL ADMINISTRATION

66. (1) The objectives of Chapter 2 are to -

Objectives.

- (a) promote the exploration and exploitation of petroleum resources in Nigeria for the benefit of the Nigerian people;
- (b) promote the efficient, effective and sustainable development of the petroleum industry;
- (c) promote the safe and efficient operation of the transportation and distribution infrastructure for the petroleum industry;
- (d) provide the framework for developing third party access arrangements to petroleum infrastructure;
- (e) encourage and facilitate both local and foreign investment in the petroleum industry;
- (f) promote transparency and accountability in the administration of petroleum resources in Nigeria;
- (g) develop, where appropriate, competitive markets for the sale and distribution of petroleum and petroleum products;
- (h) promote safe and affordable access to petroleum and petroleum products in Nigeria;
- (i) promote the processing of petroleum within Nigeria and the development of fuel and chemical industry and other related value-added products and activities;
- (j) create a conducive business environment for operations in the petroleum industry;
- (k) promote the liberalisation of the downstream petroleum industry;
- (l) establish an orderly, fair and competitive commercial environment within the petroleum industry; and
- (m) ensure that petroleum operations are conducted in a manner that protects the health and safety of persons, property and the environment.

(2) The provisions of Chapter 2 of this Act shall apply to -

(a) activities within or associated with petroleum operations and the petroleum industry; and

(b) persons conducting such activities.

67. The administration and management of petroleum resources and their derivatives shall be conducted in accordance with this Act and the principles of good governance, transparency and sustainable development of Nigeria.

Management of petroleum resources.

PART II-ADMINISTRATION OF UPSTREAM PETROLEUM OPERATIONS AND ENVIRONMENT

68. (1) Title to any data and its interpretation relating to upstream petroleum operations are vested in the Government of the Federation of Nigeria and shall be administered by the Commission.

Administration of acreage and vesting of data.

(2) The Commission shall administer any acreage for upstream petroleum operations in Nigeria.

(3) Where a significant petroleum discovery is made in a frontier basin, the Minister may, on the recommendation of the Commission, reclassify all or part of the basin from frontier acreages to a general onshore area and the fiscal terms applicable to onshore under this Act shall apply to –

(a) new licences and leases in the basin after reclassification; and

(b) any existing lease upon renewal, provided that it shall not be applied to licences and leases existing at the moment of reclassification.

69. (1) The Commission shall, after consultation with the Surveyor-General of the Federation, adopt a national grid system for acreage management.

National grid system.

(2) The grid system referred to under subsection (1) shall be based on the UTM system or any other projection system in use by the office of the Surveyor-General of the Federation.

(3) The Commission shall establish a system for numbering of parcels, which shall allow for subdivision and aggregation of the parcels.

(4) The basic unit of the grid system shall be a parcel of one square kilometer, subject to adjustment of the zones and national boundary.

(5) The Commission may further subdivide parcels into equal units of one hectare or such sub-units as the Commission may deem appropriate.

(6) The national grid system referred to under subsection (1) shall be used for the administration of upstream petroleum operations, including –

- (a) the definition of licence and lease areas;
- (b) relinquishments;
- (c) bid procedures;
- (d) identification of well locations;
- (e) petroleum conservation measures; and
- (f) other regulatory and acreage management procedures.

(7) Any current boundary of a licence or lease, which does not conform to the new national grid system shall remain unaltered and be apportioned in parcels.

70. (1) There shall be the following licences and leases under this Act related to upstream petroleum operations – Licences and leases.

- (a) petroleum exploration licence, which may be granted to qualified applicants to carry out petroleum exploration operations on a non-exclusive basis;
- (b) petroleum prospecting licence, which may be granted to qualified applicants to-
 - (i) drill exploration and appraisal wells and do corresponding test production on an exclusive basis, and
 - (ii) carry out petroleum exploration operations on a non-exclusive basis; and
- (c) petroleum mining lease, which may be granted to qualified applicants to-
 - (i) win, work, carry away and dispose of crude oil, condensates and natural gas on an exclusive basis,
 - (ii) drill exploration and appraisal wells and carry out the related test production on an exclusive basis, and
 - (iii) carry out petroleum exploration operations on a non-exclusive basis.

(2) A licence or lease may be granted under this Act only to a company incorporated and validly existing in Nigeria under the Companies and Allied Matters Act. Act No 3, 2020.

71. (1) The Commission shall be responsible for granting of petroleum exploration licences. Petroleum exploration licence.

- (2) The holder of a petroleum exploration licence shall have non-exclusive right to carry out petroleum exploration operations within the area provided for in the licence.
 - (3) A petroleum exploration licence shall be for three years and may be renewable for additional period of three years subject to fulfilment of prescribed conditions, but shall not include any right to win, extract, work, store, carry away, transport, export or otherwise treat petroleum discovered in or under the licence area.
 - (4) A petroleum exploration licence may cover an area that includes petroleum prospecting licences or petroleum mining leases, provided that the holders of such licences or leases, shall have no obligation to purchase the results of any survey conducted under the petroleum exploration licence.
 - (5) A petroleum exploration licence granted in respect of frontier acreages may include a provision permitting the licensee to select, based on the result of his exploration work and be granted one or more petroleum prospecting licences prior to the termination of the licence containing the fiscal provisions stipulated in Chapter 4 of this Act.
 - (6) The Commission shall have sole right and title over any acquired raw and interpreted data obtained by a licensee pursuant to a petroleum exploration licence, provided that the licensee shall be entitled to grant a data use licence to a third party subject to a written authorisation by the Commission, which shall not be unreasonably withheld.
 - (7) A licensee is entitled to a fee from a third party for data use licence granted under subsection (6) and shall remit to the Commission any agreed portion of the fee due to the Commission.
 - (8) Exploration activities conducted pursuant to a petroleum exploration licence shall be monitored and administered by the Commission in accordance with regulations made under this Act.
 - (9) The Commission shall have sole right and title over all acquired and interpreted data from existing speculative survey agreements entered into with the Department of Petroleum Resources on behalf of the Government prior to the effective date.
 - (10) The carrying out of geological, geophysical or geochemical surveys for scientific or educational purposes in relation to petroleum do not require a petroleum exploration licence, where the results of such surveys are not for sale or commercial gain.
72. (1) The holder of a petroleum prospecting licence shall, subject to the fulfilment of obligations imposed by this Act, have –
- Petroleum prospecting licence.
- (a) exclusive right to drill exploration and appraisal wells and non-exclusive right to carry out petroleum exploration operations within the area provided for in the licence; and

(b) right to carry away and dispose of crude oil or natural gas won or extracted during the drilling of exploration or appraisal wells as a result of production tests, subject to the fulfilment of obligations imposed by this Act.

(2) A holder of the petroleum prospecting licence shall not be granted an extension except as prescribed under sections 78 (4), (9) and 79 (6) of this Act.

(3) Where a holder of a petroleum prospecting licence fails to fulfil any term or condition of the licence, it shall not, except as provided in the licence, give the Minister a right of claim against the licensee or be deemed a breach of the licence, if the failure arises from force majeure.

(4) Where there is any delay by a licensee in the fulfilment of any term or condition of a petroleum prospecting licence caused by force majeure, the period of such force majeure shall be added to the period fixed for the fulfilment of the applicable term or condition, provided that such period shall not exceed three years in total after which, the licence may be terminated by the Commission or the licensee.

(5) The Minister may grant a petroleum prospecting licence to a qualified applicant recommended by the Commission and shall not grant such licence to any other person and where the Minister does not grant the licence, the Minister shall inform the Commission in writing for the rationale of the decision.

(6) Notwithstanding the provisions of this section, a petroleum prospecting licence may also be granted under section 93 of this Act.

73. (1) Subject to the provisions of sections 71 (5), 74 (3), 81 (1) and 93 (2) of this Act, petroleum prospecting licence or petroleum mining lease shall only be granted – Bidding process.

(a) based on a fair, transparent and competitive bidding process;
and

(b) in compliance with the provisions of this Act, regulations made under this Act and licensing round guidelines issued by the Commission for each licensing round.

(2) The Commission may periodically publish a licensing round plan.

(3) Subject to section 71 (5) and other provisions of this Act, the Minister may, on the recommendation of the Commission, grant a petroleum prospecting licence or petroleum mining lease to a winning bidder in accordance with section 74 of this Act, provided that the winning bidder has complied with the requirements of the bid invitation.

(4) The Minister shall inform the Commission of his decision within 90 days of the application for licence or lease and where he fails to inform the Commission within the stipulated time, the licence or lease shall be deemed granted.

74. (1) The grant of a petroleum prospecting licence or a petroleum mining lease on a previously appraised area of a petroleum prospecting licence or a surrendered, relinquished or revoked petroleum mining lease in, under or upon the territory of Nigeria, shall be by an open, transparent, competitive and non-discriminatory bidding process conducted by the Commission under section 73 (1) of this Act. Award process.

(2) The winning bidder shall be determined on the basis of the following bid parameters

(a) a single bid parameter, which shall be based on any one of the following parameters –

(i) a signature bonus to be paid in full prior to the granting of the licence or lease by or on behalf of the winning bidder,

(ii) a royalty interest,

(iii) a profit split or profit oil split,

(iv) a work programme commitment during the initial exploration period, or

(v) any other parameter as may be defined specific to a bid round; and

(b) a combination of the bid parameters specified in paragraph (a) of this subsection, based on a points system assessable by the bidder in such a manner that the bidder with the highest aggregate number of points shall be the winning bidder.

(3) Notwithstanding the bidding parameters prescribed in subsection (2), where there is a bilateral or multi-lateral agreement between Nigeria and another country, the Government may, for strategic purpose and in return for substantive benefits to the nation, direct the Commission to negotiate and award a petroleum prospecting licence or petroleum mining lease to a qualified investor identified in the agreement or treaty.

(4) A signature bonus payable in respect of any licence or lease awarded under subsection (3) shall be based on a transparent method for evaluating the acreage.

(5) The Commission shall call for bids in accordance with a procedure published on its website and in at least two international financial newspapers and two national newspapers with wide coverage.

(6) Where the Commission calls for bids pursuant to this section, it shall prescribe in a regulation or guideline the minimum pre-qualification criteria of prospective bidders in terms of technical and financial requirements and previous experience.

(7) The bids received based on the bid parameters prescribed in subsection (2) through an open, transparent and competitive bidding process, shall include an electronic bidding process, open to public and conducted in the presence of representatives of the Nigerian Extractive Industry Transparency Initiative, the Federal Ministry of Finance and the Federal Ministry of Petroleum Resources.

75. The licensing round guidelines shall be accompanied with the model licence for the petroleum prospecting licence or model lease for the petroleum mining lease for the bid round and shall include the -

Licensing round guidelines.

- (a) licence or lease acreages, the term and minimum work obligations;
- (b) requirements to be fulfilled by the bidders and the pre-qualification criteria, as the case may be;
- (c) bid parameter;
- (d) list of documents required and criteria for the evaluation of technical capacity, financial competence and legal status of interested parties; and
- (e) details and cost for the acquisition of relevant data and studies.

76. The model licence or model lease for each bid round shall reflect the conditions of the licensing round guidelines for the bid round and shall in all circumstances include the following clauses –

Model licence and model lease.

- (a) description of the acreage;
- (b) term of the licence or lease;
- (c) minimum work programme and minimum level of investment;
- (d) details of guarantees to be provided by the licensee or lessee regarding the performance of its licence or lease obligations;
- (e) details of obligations regarding relinquishment, decommissioning and abandonment;
- (f) rules for the resolution of disputes including arbitration, mediation, conciliation or expert determination;
- (g) applicable sanctions in the event of failure by the licensee or lessee to comply with the terms and conditions of the licence or lease; and
- (h) such other clauses as the Commission may deem necessary.

77. (1) A petroleum prospecting licence for onshore and shallow water acreages shall be for a duration of not more than six years, comprising of an initial exploration period of three years and an optional extension period of three years. Duration and area of petroleum prospecting licence.
- (2) A petroleum prospecting licence for deep offshore and frontier acreages shall be for a duration of not more than 10 years, comprising of an initial exploration period of five years and an optional extension period of five years.
- (3) The area provided for in a petroleum prospecting licence shall not exceed –
- (a) 350 square kilometres for any onshore or shallow water acreages;
 - (b) 1,000 square kilometres for any deep offshore acreages; and
 - (c) 1, 500 square kilometres for any frontier acreages.
78. (1) A petroleum prospecting licence shall contain a requirement that the licensee commit to a work programme and such other terms and conditions as the Commission shall determine. Work commitment, commercial discovery and significant gas discovery.
- (2) A licensee shall, during the initial exploration period and the optional extension period provided for in a petroleum prospecting licence, commit to drill at least one exploration well to a minimum depth specified in the licence for each period, except for frontier acreages, where the work program during the initial exploration period may only consist of geophysical work.
- (3) Where a licensee makes a discovery during the initial exploration period or the optional extension period provided for in the applicable petroleum prospecting licence, the licensee shall inform the Commission within 180 days of the discovery if he considers that the discovery merits appraisal or is of no interest to him.
- (4) Where a licensee considers that a discovery merits appraisal, the licensee shall submit to the Commission within one year for approval –
- (a) a commitment to an appraisal programme of not more than three years with a scope and nature permitting the licensee to declare a commercial discovery, where the result of the appraisal is positive; and
 - (b) the appraisal area, not larger than the outer boundary of the discovery, as determined by the licensee and a zone of not more than two kilometres surrounding the outer boundary, provided that the appraisal area does not extend beyond the area provided for in the applicable petroleum prospecting licence.

- (5) The Commission shall act on the approval request for the appraisal programme within 60 days after its submission and a licensee shall, upon the approval of the appraisal programme and appraisal area by the Commission, promptly carry out the committed appraisal programme.
- (6) Where the Commission fails to act on the appraisal programme referred to under subsection (5) within 60 days, the appraisal shall be deemed approved.
- (7) The provision of section 88 (3) of this Act shall apply to any appraisal area under subsections (5) and (6).
- (8) The licensee shall, upon the completion of the appraisal program –
 - (a) declare a commercial discovery;
 - (b) declare a significant gas discovery or a significant crude oil discovery; or
 - (c) inform the Commission that the discovery is of no interest to the licensee.
- (9) Where a significant gas discovery or significant crude oil discovery has been declared, the licensee shall be entitled to retain the area of such significant gas discovery or significant crude oil discovery for a retention period as may be determined by the Commission, which shall not be more than 10 years from the day the declaration was made and with the approval of the Commission a licensee is entitled to drill further appraisal wells.
- (10) The retention area of a significant gas discovery or significant crude oil discovery shall continue to subsist pursuant to a petroleum prospecting licence until the expiration of the period under subsection (9) or declaration of a commercial discovery by the licensee.
- (11) The Commission shall approve an area of a significant gas discovery or significant crude oil discovery which shall not be larger than the outer boundary of the discovery declared by the licensee, including a zone of not more than two kilometres surrounding the outer boundary, provided that such area shall not extend beyond the area described in the applicable petroleum prospecting licence.
- (12) The provision of section 88 (3) of this Act shall apply to any retention area.
- (13) Where, upon the expiry of the retention period determined under subsection (9), the licensee has not declared a commercial discovery, the area declared under subsection (9) shall be immediately relinquished by the licensee.
- (14) Upon the relinquishment of the retention area with the latest expiry date referred to in subsection (13), the applicable petroleum prospecting licence shall expire.

(15) Where a licensee declare a discovery of no interest under subsection (3) or (8), the Commission may require the relinquishment of the parcels that cover the structure of such discovery.

(16) A commitment by a licensee under this section shall be supported by a bank guarantee, letter of credit or performance bond issued by a bank acceptable to the Commission for an amount determined by the Commission.

(17) The licensee shall in each calendar year present an annual work program and status report as prescribed by regulations for approval by the Commission and such program shall as a minimum, contain the committed work.

79. (1) Where a licensee under a petroleum prospecting licence declares a commercial discovery under section 78 (8) (a) of this Act, the licensee shall within two years of the declaration, submit to the Commission a field development plan with regard to the commercial discovery together with a commitment to carry out the work described in the field development plan. Commercial discovery and field development plan.

(2) The Commission shall evaluate the technical and commercial terms of the field development plan and shall only approve the field development plan where -

(a) it meets the technical standards required for petroleum operations based on good international petroleum industry practices;

(b) the location of the measurement point, measurement processes and equipment are acceptable to the Commission;

(c) it results in the maximum economic recovery of crude oil, natural gas and condensates from the applicable reservoirs;

(d) it meets the health, safety and environmental standards, as determined by the Commission;

(e) it provides for the efficient and commercial use of facilities for midstream petroleum operations;

(f) it does not involve excessive capital or operating expenditures;

(g) it includes an approved Nigerian content plan pursuant to the Nigerian Oil and Gas Industry Content Development Act;

Act No 2, 2010.

(h) it includes an environmental management plan in a form that complies with section 102 of this Act;

(i) it includes a decommissioning and abandonment plan and a decommissioning and abandonment fund that complies with sections 232 and 233 of this Act;

(j) it provides for the elimination of routine natural gas flaring;

- (k) it does not relate to upstream petroleum operations that are in conflict with domestic gas delivery obligation;
 - (l) it includes -
 - (i) a detailed programme for the recruitment and training of Nigerians in all phases of petroleum operations handled directly by the licensee or through agents and contractors of the licensee, and
 - (ii) provision for scholarship schemes, internships, continuous professional development and other training requirements;
 - (m) it complies with the obligations to host communities under Chapter 3 of this Act; and
 - (n) it includes a development period sufficient to construct any required infrastructure and the development of the field.
- (3) Where the development of a commercial discovery requires construction of facilities for midstream petroleum operations in a manner integrated with the upstream petroleum operations, a licensee may submit the development plan as a single integrated project, which may be reviewed by the Commission.
- (4) Where a single integrated project is submitted, the Commission shall review and implement the project based on its regulatory responsibilities.
- (5) Where a licensee does not submit a field development plan and work commitment within the period set forth in subsection (1), the area containing the commercial discovery shall be relinquished.
- (6) Where the licensee has submitted a field development plan for the field, the licence shall continue until the process for the grant of a lease has been completed or the Commission has decided not to grant the lease.
- (7) Where the licensee establishes and secures approval for an appraisal area or declares a commercial discovery, a petroleum prospecting licence shall, where required, be extended until the –
- (a) grant of the petroleum mining lease; or
 - (b) decline of the approval for the appraisal area or commercial discovery.
- (8) Notwithstanding the provisions of section 78 (10) of this Act, the holder of the retention area shall within two years after declaring a commercial discovery, submit to the Commission a field development plan that complies with the requirements in subsection (2).

- (9) The Commission shall give its final decision to approve or disapprove a field development plan within 180 days after the submission of the field development plan in compliance with the requirements in subsection (2) and a lease shall be granted upon the approval of the field development plan.
- (10) Where the Commission fails to respond to the field development plan within 180 days, the plan shall be deemed approved.
- (11) A commitment by a licensee under this section shall be supported by a bank guarantee, letter of credit or performance bond issued by a bank acceptable to the Commission for an amount determined by the Commission.
- (12) Upon approval of a field development plan, no material modification shall be made except in accordance with the approval provisions set out in subsection (2) and the submission and approval of an amended field development plan.
- (13) Upon the granting of one or more petroleum mining leases, the annual work program and status report referred to under section 78 (17) of this Act shall include the program and report for each lease.
- (14) A field development plan may be submitted in phases, with the detailed provisions under subsection (2) relating to the first phase and the possible subsequent phases described on a high level basis, with approval being sought only for the first phase and amended field development plan needs to be presented for each following phase where the lessee is willing to commit to such following phase.
80. (1) A licensee or lessee shall promptly notify the Commission of any petroleum reservoir which extends beyond the boundaries of its licence or lease area. Unitisation.
- (2) The Commission may, for the purpose of ensuring optimum recovery of petroleum from a petroleum reservoir, require all petroleum operations relating to commercial discovery to be carried out by a licensee or lessee on the basis of a unitised development of the applicable commercial discovery, where -
- (a) the petroleum reservoir covered by an area to which a licence or lease relates extends beyond the boundaries of such area into an area to which another licence or lease relates and in respect of which a different person is the licensee or lessee; and
- (b) at least one licensee or lessee has made a declaration of a commercial discovery.
- (3) The Commission may, upon receipt of a notification under subsection (1) direct the applicable licensee or lessee to enter into a unit agreement to develop the petroleum reservoir as a unit, within a period of time to be determined by the Commission, which shall not be less than two years.
- (4) The unit agreement referred to in subsection (3) shall be approved by the Commission and shall --

- (a) be based on terms agreed by the parties and in a form that conforms with good international petroleum industry practices; and
 - (b) contain terms and conditions as may be required by a regulation issued by the Commission under subsection (9).
- (5) A unit agreement shall, in addition to the requirements of subsections (3) and (4)–
- (a) be based on reliable technical, operational and economic considerations;
 - (b) set out the proposed operator of the applicable unit; and
 - (c) set out technical information regarding the petroleum reservoir subject to unitisation, including structure mapping, net pay and such other engineering and geophysical information as may be required by a regulation issued by the Commission under subsection (9).
- (6) Where the applicable licensees or lessees are unable to reach agreement within the time limit imposed by the Commission under subsection (3), the Commission may, in compliance with subsections (4) and (5), require the licensees or lessees to jointly appoint a consultant to develop terms and conditions that are fair and equitable to licensees or lessees and Government and which shall be binding on the licensees or lessees after approval by the Commission and where the applicable licensees or lessees fail to appoint a consultant within two months after the requirement by the Commission, the Commission shall appoint the respective consultant and the remuneration of the Consultant shall be paid by the licensees or lessees.
- (7) Where a petroleum reservoir extends beyond the boundaries of the licence or lease into an adjacent area which is not covered by a licence or lease, the Commission may -
- (a) extend the boundaries of the licence or lease to include the entire petroleum reservoir within such licence or lease, provided that the licensee or lessee submits to the Commission a field development plan that includes the additional adjacent area acceptable to the Commission; or
 - (b) conduct a bid round for the adjacent area in accordance with the licensing round guidelines and the provisions of this Act.
- (8) Where a petroleum reservoir unitised under this section is able to continue in production after the expiration of one or more licences or leases relating to the petroleum reservoir, the Commission may grant an extension of the licences and leases in the unitised field.
- (9) The Commission may from time to time issue regulations in relation to unitisation.

81. (1) A petroleum mining lease shall be granted for each commercial discovery of crude oil or natural gas or both, to the licensee of a petroleum prospecting licence who has Petroleum mining leases.

(a) satisfied the conditions imposed on the licence or the licensee under this act; and

(b) received approval for the applicable field development plan from the Commission.

(2) A petroleum mining lease shall be granted under sections 70 (2) and 74 of this Act, where a prospective lease area contains petroleum field with suspended wells or continuing commercial production, where the corresponding petroleum mining lease has been revoked or has expired.

(3) A petroleum mining lease granted under subsection (2) may include an appraisal phase and the development and production of the field may include a work program requirement to enhance ongoing production.

(4) A licensee shall subject to subsection (7), propose that a separate petroleum mining lease be granted for each commercial discovery to which a petroleum prospecting licence relates prior to the expiration of the applicable petroleum prospecting licence.

(5) Notwithstanding any grant of a petroleum mining lease under subsection (4), the applicable petroleum prospecting licence shall continue for the remaining area to which that licence relates for the duration provided for in that licence.

(6) The area to which a petroleum mining lease relates and derived from a petroleum prospecting licence shall be proposed by the licensee, based on an independent engineering report, which shall not be binding on the Commission.

(7) The Commission shall approve the proposed area, which shall contain every parcel within the outer boundary of the field based on oil-water contacts, spill point, intersection of planned development wells with the reservoirs or other reservoir limits, including a zone surrounding the boundary consisting of all parcels that are in whole or in part within one kilometre of such outer boundary, provided that such area shall not contain parcels -

(a) outside the original licence area from which the lease is derived;

(b) in areas relinquished by the licensee; or

(c) in an existing petroleum mining lease.

(8) The Commission may approve modification of an area of a petroleum mining lease to include further parcels as are appropriate, based on the criteria prescribed under subsections (6) and (7), where during the period provided for in a petroleum

prospecting licence, the outer boundary of the commercial discovery changes due to further –

- (a) drilling or other exploration activities; or
- (b) petroleum discoveries in deeper or shallower formations.

(9) Where two or more petroleum mining leases derived from the same petroleum prospecting licence constitute a single field based on an interpretation by the Commission of geological or petroleum engineering data showing that the field is a single field, the leases shall be considered as a single lease, notwithstanding that their boundaries do not join with another lease, provided the granting date of the single lease shall be the date of the first lease that was granted.

(10) A petroleum mining lease shall not consist of an area that is less than one parcel or where a parcel has been subdivided under section 69 (5) of this Act, less than one subdivision of such parcel.

(11) Notwithstanding the provisions of this section, a petroleum mining lease may also be granted under sections 74 (3) and 93 of this Act.

(12) Where a lessee makes a separate commercial discovery underneath the area of a petroleum mining lease in shallower or deeper formations, the lessee may present a development plan for such discovery and upon approval of such plan the lessee shall be granted a separate lease for such commercial discovery.

82. (1) A lessee under a petroleum mining lease shall have the exclusive right to carry out the development and production of the petroleum with respect to the formations under the lease area as defined in the lease. Exclusive right to conduct operations.
- (2) A lessee under a petroleum mining lease shall have the exclusive right to drill exploration and appraisal wells in the lease area and the non-exclusive right to carry out petroleum exploration operations.
- (3) A petroleum mining lease for conducting upstream petroleum operations shall only be granted on the basis of a commitment from the applicable lessee to -
- (a) develop and produce the commercial discovery of crude oil or natural gas in the area to which the lease relates in accordance with the applicable field development plan; or
 - (b) restart or continue petroleum production in the area to which such lease relates.
- (4) The Commission shall, during the term of a petroleum mining lease, -
- (a) verify the implementation of the work commitments by the applicable lessee and its compliance with the applicable field development plan;

(b) monitor capital and operating costs incurred by the applicable lessee; and

(c) ensure that upstream petroleum operations at all times are carried out to conform with the standards required by this Act and by regulation made under this Act.

83. (1) A licensee or lessee shall for each petroleum prospecting licence or petroleum mining lease provide a yearly summary of royalties, fees, taxes, profit oil shares and other payments to Government within six months after each calendar year to the Commission and the Minister of Finance through the Accountant-General of the Federation and in case of joint ventures, where an operator makes payments to Government, the operator shall provide the required information and where individual holders of the licence or lease make such payment, the individual holders shall be responsible for providing the information and where consolidation applies on a consolidated basis. Confidentiality.
- (2) The Commission shall define the required detail and classification of the summary under subsection (1) and the summaries shall be non-confidential and published on the website of the Commission.
- (3) The text of any existing contract, licence or lease and any amendment or side letter with NNPC shall –
- (a) not be confidential;
 - (b) be published on the website of the Commission within one year after the effective date; and
 - (c) be provided to the Commission by a contractor of NNPC, licensee or lessee within one year after the effective date.
- (4) A contractor, licensee or lessee who does not or partially provides the Commission with the required information referred to in subsection (3), within the stipulated time contravenes the provisions of this Act and is liable to an administrative penalty of the sum of US \$10,000 for every day the default subsists.
- (5) The text of any new licence, lease or contract or amendment to it shall not be confidential and shall be published by the Commission immediately following the granting or signing of such texts.
- (6) A licensee or lessee who obtained geological, geophysical, geochemical and other technical petroleum data during upstream petroleum operations as determined by the Commission shall immediately provide the data to the National Data Repository of the Commission.
- (7) The data referred to in subsection (6) shall not be confidential, except for-
- (a) trade secrets and proprietary information and other information as approved by the Commission;

- (b) the earlier of a period of five years or the period until the relinquishment date of the licence area under subsection 88 (1) and (2), with respect to exploration data including exploration and appraisal wells and geophysical surveys;
- (c) 10 years for specific surveys carried out under section 71(6) of this Act; and
- (d) such other information for such periods as determined in the National Data Repository Regulations, provided, however, that information related to development wells and oil and gas field production related data shall not be confidential.

(8) Data in the National Data Repository of the Commission shall be accessible to any interested person under such terms as may be determined by the Commission, provided, however, that the respective fees required for making non-confidential data available shall not exceed the reasonable cost of copying any data and a minimal hourly payment for the use of work stations.

84. (1) Unless otherwise prohibited by this Act or regulation under this Act, where the Minister grants a licence or lease, a licensee or lessee may enter into a contract with a third party for the exploration, prospecting, production or development of crude oil or natural gas or both. Power to enter into contracts.

(2) The power to enter into contracts under subsection (1) shall not confer on any licensee or lessee the right to assign an interest in any licence or lease, except in accordance with the provisions of this Act.

85. (1) The Commission shall develop a model licence and model lease, which may contain an obligation to comply with fiscal obligations and other provisions related to fees, rents, royalties for such contract attached to or incorporated in the model licence or model lease. Model contracts.

(2) The model licence and model lease referred to under subsection (1) shall comply with the provisions of this Act and may contain the following additional contractual provisions -

- (a) a production sharing contract for the exploration, development and production of petroleum on terms under which the financial risk-bearing party shall recover costs from a share of production as established in the contract from the applicable area;
- (b) a profit sharing contract which is a production sharing contract whereby the profit oil is provided in cash to Government;
- (c) a risk service contract for the exploration, development and production of petroleum on terms under which the financial risk-bearing party shall recover costs by a payment in cash or in kind from petroleum produced from the applicable area;

(d) a concession agreement for exploration, development and production of petroleum, which may include an incorporated or unincorporated joint venture with NNPC Limited; and

(e) any contract being a variation of the contracts under paragraphs (a), (b) (c) or (d) or a contract which, at the time, is an internationally recognised form of contract for the exploration and production of petroleum.

(3) A licence or lease described under subsection (1) shall not be granted by the Minister unless the appropriate model contract is attached to the licence or lease as a guide on the relevant fiscal obligations.

(4) A contract as provided for under section 85 (2) (d) of this Act shall include a carried interest provision, whereby –

(a) the Government through the NNPC Limited has the right to participate up to 60% in the contract or identified as a bid parameter;

(b) the right to participate shall be from any time upon the granting of the licence or lease;

(c) the contract shall stipulate that Government shall refund fully its proportionate share of the unrecovered proven costs from the date of its participation and such refunded cost shall relate to development and production and shall not include bonuses and penalties, interest, premium or markups on cost;

(d) the contract shall not require any upfront payment by the Government;

(e) the nature, the validity and quantum of the unrecovered costs to be refunded shall be determined or verified by an agreed expert determination procedure;

(f) the refund obligation under this subsection may be in the form of cash or kind from future share of production or entitlements from the effective participation date; and

(g) the terms, conditions and financial details of any right of participation by the government under this subsection shall be contained in the model contract prepared by the commission in consultation with NNPC Limited.

86. (1) A petroleum mining lease granted under section 81 of this Act shall be for a maximum period of 20 years, which term shall include the development period prescribed under subsection (4).

Duration and renewal of leases and licences.

- (2) Where a petroleum mining lease does not initiate regular commercial production within the stipulated development period prescribed under subsection (4), the Commission shall recommend to the Minister to revoke the lease or license at the end of the stipulated development period, unless the lessee or licensee can provide to the Commission a valid reason that in the Commission's opinion is substantial, in which case the Commission shall recommend to the Minister to extend the development period accordingly.
 - (3) Where a petroleum mining lease is revoked under subsection (2), the applicable acreage shall vest in the Government and be controlled and administered by the Commission, which may be subject to a new petroleum mining lease granted in accordance with section 81 of this Act.
 - (4) The development period for a petroleum mining lease granted under section 81 of this Act shall be the period established in the field development plan under section 79 (2) (n) of this Act and where development period is not stipulated, the development period shall be -
 - (a) five years for an onshore lease; and
 - (b) seven years for a lease in shallow water or deep offshore or a lease in a frontier acreage.
 - (5) Acreage in respect of an expired or revoked petroleum mining lease under this Act shall be subject to a new bidding process under section 73 of this Act where there is still commercial production possible, unless the term of the petroleum mining lease is extended under this Act.
 - (6) A petroleum mining lease which continues to produce in paying quantities may be renewed by the Commission in accordance with section 87 of this Act for one or more successive additional terms, of not more than 20 years each, provided that -
 - (a) the field continues to produce in paying quantities; and
 - (b) all rents, royalties, taxes and other applicable fiscal obligations stipulated under this Act shall continue, subject to section 87 of this Act.
 - (7) A petroleum mining lease which ceases to produce in paying quantities for a period of not less than 180 days may, except for force majeure or any other reason acceptable to the Commission, be revoked by the Commission.
 - (8) A lessee of a petroleum mining lease who intends to suspend production for more than 180 days and to resume production at a later date, shall submit to the Commission a specific shut-in plan and a commitment to restart production in accordance with the shut-in plan.
87. (1) A lessee of a petroleum mining lease may, not less than 12 months before the expiration of the lease, apply in writing to the Commission for a renewal, of leased area or any part of it.

Conditions for renewal of petroleum mining leases.

(2) A petroleum mining lease shall be renewed by the Commission where it is satisfied that the lessee –

(a) has fulfilled its obligations relating to the development of the lease area;

(b) has fully met all payments requirement under this Act or any other enactment in respect of royalties, rents, taxes and fees relating to the petroleum mining lease;

(c) is not in default of any obligation or condition relating to the lease; and

(d) has discharged all operational obligations in compliance with applicable rules and regulations.

(3) The renewal referred to under subsection (2) shall be on terms and conditions determined by the Commission and the lessee shall pay a renewal bonus of an amount specified by the Commission based on the percentage of the market value on the renewal date prescribed in the regulation made under this Act.

(4) The Commission may, in public interest, change, impose or add new lease conditions, which shall be published in the Federal Government Gazette.

88. (1) Prior to the expiration of the initial exploration period of three years or of the optional extension period of three years under section 77 (1) of this Act, a licensee shall relinquish every area that is not an appraisal area, retention area or lease area based on parcels or sub-parcel under section 69 of this Act. Relinquishment.

(2) Prior to the expiration of the initial exploration period of five years or of the optional extension period of five years under section 77 (2) of this Act, a licensee shall relinquish every area that is not an appraisal area, retention area or lease area on parcel or sub-parcel under section 69 of this Act.

(3) Every appraisal area or retention area shall be retained as provided for under this Act and where one or more declarations of a commercial discovery have been made, the petroleum prospecting licence shall be extended until all related petroleum mining leases have been granted or denied.

(4) A licensee of a petroleum prospecting licence may voluntarily relinquish parcels and sub-parcels under section 69 of this Act, provided that the –

(a) licensee has complied with the obligation in the petroleum prospecting licence; and

(b) shape of a relinquished block shall be approved by the Commission to maintain acreage of shape that is viable for award in a future licensing round.

(5) After 10 years of the commencement of a petroleum mining lease --

(a) the applicable lessee shall relinquish all parcels which do not fall within the boundary of a producing field under this Act; and

(b) any formation deeper than the deepest producing formation shall be relinquished, and the deep rights shall vest in the Government.

(6) Upon the expiration of any significant gas discovery retention period in respect of a petroleum prospecting licence, every area relating to the significant gas discovery retention area shall be relinquished, unless the applicable licensee has declared a commercial discovery in such significant gas discovery retention area.

(7) An area or zone relinquished under this section, shall be vested in the Government and administered by the Commission and the relinquishments shall be in a north-south, east-west direction and defined in a rectangular or square shaped compact unit.

(8) Any rent paid in respect of an area or zone that is relinquished under this section shall not be refundable and such relinquishment shall be without prejudice to any obligation or liability imposed by or incurred under the applicable licence or lease.

(9) Where the deep rights have been relinquished and subsequently granted to a third party under subsection (5) (b), the Commission shall ensure that the licensees or lessees of the overlapping petroleum rights shall enter into a cooperation protocol based on good international petroleum industry practices, dealing with matters such as non-interference measures, location of wells, construction of gathering lines, unauthorised production from reservoirs, notice of dangerous operations, joint emergency response, joint use of certain facilities and pipelines, land and water rights and such other matters as the Commission deems required for optimal petroleum operations pursuant to regulations.

89. (1) Notwithstanding the provisions of this Act on relinquishment, a holder of a petroleum prospecting licence, petroleum exploration licence or petroleum mining lease may surrender part or the whole of the licenced or leased area, provided that the licensee or lessee has --

Surrender of licence or lease.

(a) complied with obligations imposed by or incurred under the applicable licence or lease; and

(b) given three months' notice in writing to the Commission prior to the surrender.

(2) Any rent or fee paid prior to a surrender under subsection (1) shall not be refundable and the licence or lease surrendered shall be without prejudice to any obligation or liability imposed by or incurred under the applicable licence or lease.

90. Subject to applicable law, terms and conditions prescribed by the Commission, a holder of a petroleum prospecting licence, petroleum exploration licence or petroleum mining lease is entitled with the approval of the Commission to rights of way for the laying, operation and maintenance of gathering lines, telephone lines, power lines and other similar lines through or across the areas the holder may require. Rights of way relating to upstream petroleum operations.
91. (1) Subject to subsection (2), the Commission may preserve in accordance with applicable law, a right of way, easement or other right over an area to which a petroleum prospecting licence, a petroleum exploration licence or a petroleum mining lease, which the Commission considers necessary for the laying, operation and maintenance of pipelines, telephone lines and power lines and any right of way or other right reserved shall continue for the benefit of any person to whom the Commission may subsequently grant the same. Rights of way reserved for the Commission.
- (2) Where a holder of a petroleum prospecting licence, petroleum exploration licence or petroleum mining lease is of the opinion that a reservation made by the Commission under subsection (1) affects the health, safety or environment of a person, the licensee or lessee may object to the reservation in writing and the Commission shall reconsider the reservation in light of the objection.
- (3) The holder of a petroleum prospecting licence, a petroleum exploration licence or a petroleum mining lease shall -
- (a) be entitled to enter and remain on the land that is the subject of the licence or lease and do such things that are not prohibited by applicable law or under the licence or lease; and
 - (b) comply with applicable law relating to town or country planning or regulating the construction, alteration, repair or demolition of buildings, or providing for similar matters, which relates to the carrying out of operations authorised by the licence or lease.
92. (1) A holder of an existing oil prospecting licence or oil mining lease may enter into a voluntary conversion contract under this Act. Voluntary conversion of an oil prospecting licence to a petroleum prospecting licence or oil mining lease to petroleum mining lease.
- (2) A licensee or lessee under a conversion contract shall benefit from the fiscal provisions under Chapter 4 of this Act, where the licensee or lessee complies with the provisions of this Act.
- (3) The conversion contract shall contain a termination clause of all outstanding arbitration and court cases related to the respective oil prospecting licence or oil mining lease and -
- (a) any stability provisions or guarantees provided by NNPC in respect of oil prospecting licences or oil mining leases to be converted shall be null and void; and
 - (b) the incentive provisions contained in sections 11 and 12 of the Petroleum Profit Tax Act shall not apply.
- Cap. P13, LFN, 2004.

(4) A conversion contract shall be concluded at a date ("conversion date") which is the earlier of –

(a) 18 months from the effective date; and

(b) the expiration date of the oil mining lease or date of conversion of the oil prospecting licence to an oil mining lease.

(5) Prior to the conversion date, the terms applicable to the oil prospecting licence or oil mining lease prior to the effective date shall continue to apply.

(6) Where a holder of an existing oil prospecting licence or oil mining lease does not enter into a conversion contract prior to the conversion date, the terms and conditions applicable to the oil prospecting licence or oil mining lease prior to the effective date of this Act shall continue to apply to the oil prospecting licence or oil mining lease, subject to sections 124 (2), 125 (6), 174 (6), 303 (1) and 311 (2) (b) of this Act.

(7) Where an oil prospecting licence is converted, the term of years included in such licence shall apply to the converted petroleum prospecting licence.

93. (1) A holder of oil mining lease, including oil mining lease that is subject to production sharing contract, shall at the renewal date applicable to the oil mining lease or at the conversion date, designate each area and zone of the oil mining lease as areas and zones -

Relinquishment upon renewal or conversion of an oil mining lease.

(a) which, in the opinion of the holder, merit appraisal and for which the holder of the oil mining lease is prepared to present an appraisal program under section 78 of this Act;

(b) in respect of which the holder is prepared to make a declaration of a commercial discovery under section 78 of this Act and submit a field development plan to the Commission under section 79 of this Act;

(c) in respect of which the holder is prepared to make a declaration of a significant gas discovery or a significant crude oil discovery under section 78 of this Act and submit an application for approval of a retention area;

(d) in respect of which development of a field is underway based on prior approvals after having declared the discovery commercial or if no such declaration was made after having made a final investment decision to develop the field; and

(e) in respect of which regular commercial production is occurring.

(2) Where the total acreage selected under subsection (1) is less than 40% of the area to which the applicable oil mining lease applies, the holder may select additional areas

covered by the oil mining lease for conversion to a petroleum prospecting licence in such a manner that the total of all areas selected shall not be more than 40% of the oil mining lease area and where the total acreage selected under subsection (1) is more than 40%, the holder shall be entitled to keep such larger area, consisting solely of the selected areas.

- (3) Any selected area under subsection (2) shall be based on parcels.
- (4) Areas and zones subject to an oil mining lease and not selected by the holder under subsections (1) and (2) shall be relinquished by the holder.
- (5) The relinquishment date for the purpose of subsection (4) shall be the renewal date or where the holder of the oil mining lease decides to convert under section 92 (1) of this Act, the conversion date.
- (6) Subject to section 94 of this Act on the applicable relinquishment date, the Commission shall convert the applicable oil mining lease in respect of each area and zone -
 - (a) designated by a holder under subsection (1) (a), (b), (c) or (2) into a petroleum prospecting licence in accordance with section 78 of this Act, with fiscal terms as applicable under section 267 (b) and other terms of Chapter 4 of this Act for new acreage and with the relinquishment date being the effective date for such petroleum prospecting licence; and
 - (b) selected under subsection (1) (d) and (e), into petroleum mining leases, with fiscal terms as applicable under section 267 (a) and other terms of Chapter 4 of this Act to the lease, provided that, for -
 - (i) production sharing contracts for the determination of the profit oil sliding scale based on cumulative production, the total production from all petroleum mining leases shall be applicable, and
 - (ii) royalty purpose, the production of each petroleum mining lease shall be the basis.
- (7) Where a licensee of an oil prospecting licence, including any oil prospecting licence that is subject to a production sharing contract, voluntarily opts to convert its licence to a petroleum prospecting licence under section 92 of this Act, it shall select as provided in subsection (1) the areas and zones indicated in this subsection upon the conversion date and the Commission shall convert the applicable oil prospecting licence of the areas and zones -
 - (a) designated by a holder under section 93 (1) (a), (b) and (c) of this Act as areas to be continued under the petroleum prospecting licence under this Act, with fiscal terms as

applicable under section 267 (b) and other terms under Chapter 4 of this Act for new acreage;

(b) selected under section 93 (1) (d) and (e) of this Act shall be converted into petroleum mining leases with fiscal terms as applicable under section 267 (a) and other terms of Chapter 4 of this Act, applicable to these leases, provided that –

(i) with respect to production sharing contracts for the determination of the profit oil sliding scale based on cumulative production, the total production from all petroleum mining leases shall be applicable, and

(ii) for royalty purposes, the production of each petroleum mining lease shall be the basis; and

(c) the remaining area shall continue as exploration area under the petroleum prospecting licence, with fiscal terms as applicable under Chapter 4 of this Act for new acreage.

(8) With respect to existing oil mining leases where NNPC held vested rights to natural gas prior to the effective date of the Act, under a conversion pursuant to subsection (6) (a) and (b), NNPC Limited shall retain these rights and where NNPC Limited relinquishes such rights, the conversion contract under section 92 (1) of this Act, shall include a consideration to NNPC Limited for the market value of the rights relinquished.

94. (1) A producing marginal field shall be allowed to continue to operate under the original royalty rates and farm out agreements, but shall convert to a petroleum mining lease under this Act, with terms applicable under sections 267 (b), 302, and other provisions under the Act within 18 months from the effective date. Marginal field.
- (2) A discovery declared as a marginal field prior to 1st January, 2021 and is not producing shall be converted to petroleum prospecting licence and shall benefit from the terms for new acreage under Chapter 4 of this Act.
- (3) Where the discovery has been transferred to Government, the Commission is entitled to offer the petroleum prospecting licence in a bid round under section 74 of this Act.
- (4) Within three years of the effective date, any marginal field that has not been transferred to Government, shall be subject to the following process and the holder of the oil mining lease –
- (a) present a field development plan for the marginal field;
- (b) with the consent of the Commission and on terms and conditions as the Commission may approve under regulations, farm out the discovery; or
- (c) relinquish the field in accordance with the provisions of this Act.

(5) The consent of the Commission to the farm-out of a marginal field under subsection (4) (b) shall, amongst others, be subject to the farmee presenting a field development plan over a period of time agreed with the Commission and a regulation made under this Act.

(6) The failure to present a field development plan under section 94 (4) (a) of this Act or within the time frame specified under section 94 (5) of this Act shall require the relinquishment of the marginal field.

(7) A marginal field relinquished under subsection (4) (c) or (6) shall be vested in the Government and be administered by the Commission.

(8) For the purpose of this section -

(a) "marginal field" means a field or discovery which has been declared a marginal field prior to 1st January 2021 or which has been lying fallow without activity for seven years after its discovery prior to the effective date; and

(b) "farm-out" means an agreement between the holder of a petroleum mining lease or petroleum prospecting licence and a third party, which permits the third party to explore, prospect, win, work and carry away any petroleum encountered in a licence or lease area during the validity of the licence or lease.

(9) No new marginal fields shall be declared under this Act.

95. (1) A holder of a petroleum prospecting licence or petroleum mining lease shall not assign, novate or transfer his licence or lease or any right, power or interest, or a shareholder of an incorporated joint venture shall not sell or transfer its shares without prior written consent of the Minister.

Assignments, mergers, transfers and acquisitions.

(2) The consent of the Minister under subsection (1) shall be granted upon the recommendation of the Commission.

(3) For the purpose of subsection (1), a change of control in the holder of a licence or lease under subsection (1) shall be deemed to be an assignment.

(4) A licensee or lessee wishing to assign, novate or otherwise transfer its interest, or a shareholder of an incorporated joint venture wishing to sell or transfer its shares under subsection (1), shall make an application for approval of the transfer to the Commission in the format prescribed by the Commission, and be accompanied with any other information that may be pursuant to any regulations published by the Commission.

(5) Notwithstanding the provisions of subsection (1), a holder of a licence or lease may by way of security, wholly or partly assign, pledge, mortgage, charge or hypothecate its interests under the applicable licence, lease or grant a security interest in respect of the interest, provided that the consent of the Commission shall be obtained.

- (6) The Commission shall within 60 days of the receipt, act on the application of the licensee or lessee under subsection (4) and on the request for consent under subsection (5) and the consent of the Commission with respect to subsection (5) shall not be unreasonably withheld.
- (7) Within 60 days of the receipt of the recommendation of the Commission under subsection (4), the Minister shall consider it for approval, such approval not to be unreasonably withheld, and where –
- (a) the Minister rejects the recommendation of the Commission, the Minister shall provide the reason for such rejection; and
 - (b) no response on the application has been received within 60 working days from the receipt of the recommendation of the Commission, the consent of the Minister under subsection (1) shall be deemed to have been granted.
- (8) Where the consent of the Minister is granted in respect of the application for a transfer, the Commission shall promptly record the transfer in the appropriate register.
- (9) The Commission shall communicate the refusal or approval of an application for an assignment, novation or transfer of a licence or lease in writing to the applicant.
- (10) Where the application for an assignment or a transfer of a petroleum prospecting licence or petroleum mining lease is refused, the Commission shall inform the applicant of the reasons for the refusal and may give reasonable time within which further representations may be made by the applicant or by third parties in respect of the application.
- (11) The Minister may grant consent to an assignment, novation or transfer of a petroleum prospecting licence or petroleum mining lease, subject to the following terms and conditions which the Commission may consider appropriate, that the proposed transferee -
- (a) is a company incorporated in Nigeria;
 - (b) is of good reputation and standing;
 - (c) has sufficient technical knowledge, experience and financial resources to enable it effectively carry out all responsibilities of a licensee or lessee under the licence or lease; and
 - (d) shall comply with the Federal Competition and Consumer Protection Act.

(12) The Commission shall make regulation to prescribe for payment of fees as a condition for any transaction under subsection (1), which fee shall be based on a percentage of the value of the transaction and shall not be tax deductible.

(13) The consummation and details of any transaction to which subsection (1) applies shall be -

(a) fully disclosed to the Federal Inland Revenue Service by the parties to the transaction; and

(b) published in the Federal Government Gazette by the Commission.

(14) For the purpose of this section, "change of control" means any person or persons acting jointly or in concert, to acquire direct or indirect beneficial ownership of a percentage of the voting power of the outstanding voting securities of the holder, by contract or otherwise, that exceeds 50% at any time.

(15) A holder of a petroleum exploration licence shall not assign, novate or transfer his licence or any right, power or interest without prior written consent of the Commission.

96. (1) Upon receipt of the written recommendation of the Commission for revocation, the Minister may revoke a petroleum prospecting licence or petroleum mining lease, where the applicable licensee or lessee -

Grounds for revocation of licence or lease.

(a) fails to conduct petroleum operations in accordance with good international petroleum industry practices, the provisions of this Act and any other relevant legislation;

(b) interrupts production for a period of over 180 consecutive days without justification or as provided for in the applicable licence, lease or approved field development plan, provided that an event of force majeure shall be an acceptable justification for interruption;

(c) fails to fulfil the terms and conditions of the applicable licence or lease or the approved field development plan;

(d) fails to pay to Government, as they become due, rents, royalties, taxes or other payments or production shares under this Act;

(e) fails to furnish any reports or data on operations as required by law after having been advised in writing by the Commission of such failure;

(f) assigns, novates or otherwise transfers any interest in the applicable licence or lease other than in accordance with section 95 of this Act;

- (g) has obtained an interest, in the applicable licence or lease based on false representation or contrary to corrupt practices and money laundering laws;
- (h) is declared by a court of competent jurisdiction to be insolvent, bankrupt or is liquidated, in each case except as part of a solvent plan or scheme of re-organisation, amalgamation or arrangement;
- (i) has failed to comply with environmental obligations required by applicable law or by the provisions of the applicable licence or lease;
- (j) is owned wholly or in part, directly or indirectly or is controlled by a former or serving public official or member of the Government, who obtained his interest in the applicable licence or lease other than as permitted by applicable law;
- (k) does not submit and advance a field development plan and work commitment under sections 78 and 79 of this Act;
- (l) fails to abide by any expert determination, arbitration award or judgment arising from the dispute resolution provisions set forth in a licence, lease or this Act;
- (m) fails to comply with domestic crude oil supply or domestic gas delivery obligations under this Act and any subsidiary regulation; or
- (n) fails to comply with the host communities obligations under this Act.

(2) Subsection (1) (j) shall apply to a former public official or member of Government only where the applicable interest was acquired while the public official was in office or was a member of the Government.

97. (1) Prior to the revocation of a petroleum prospecting licence or petroleum mining lease by the Minister under section 96 of this Act, the Commission shall –
- (a) serve a notice of default on the applicable licensee or lessee stating the grounds upon which the Commission may recommend a revocation of the licence or lease to the Minister; and
 - (b) provide the licensee or lessee with a remediation period of not less than 60 days within which to remedy the default.
- Notice of default prior to revocation.

- (2) Where the Commission is satisfied with the remedy provided by the licensee or lessee under subsection (1) (b), the revocation process shall terminate.
- (3) Where, at expiration of the remediation period provided under subsection (1) (b), the default persists, the licence or lease may subject to the provisions of section 99 of this Act, be revoked in accordance with section 96 of this Act.

(4) A notice of default shall be –

(a) sent by the Commission to the last known address of the licensee or lessee or its legal representative in Nigeria, or

(b) published in the Federal Government Gazette or on the website of the Commission,

each of which shall constitute sufficient notice to the licensee or lessee of the notice of default.

(5) Revocation of a petroleum prospecting licence or petroleum mining lease shall be without prejudice to any –

(a) liability or obligation which the licensee or lessee may have incurred in favour of the Commission, the Government or any third party; or

(b) claim, which the Commission, the Federal Government or any third party may make against the licensee or lessee.

(6) A revocation decision shall be published in the Federal Government Gazette and the Commission shall amend relevant registers maintained by it to reflect the revocation.

98. (1) Within 30 days of the revocation of a petroleum mining lease or participating or shareholder interest in a petroleum mining lease which is producing, the Minister may, on the recommendation of the Commission, appoint an interim operator to ensure petroleum operations continue from the areas and zones subject to the petroleum mining lease based on good international petroleum industry practices.

Administration of a revoked producing lease.

(2) The interim operator appointed under subsection (1) shall serve for a period to be determined by the Commission and the related contract shall be on a service fee basis.

(3) During the tenure of an interim operator, the Commission may conduct a fair, transparent and competitive bidding process for the grant of a new petroleum mining lease to replace the revoked petroleum mining lease.

99. (1) Where two or more persons are holders of a petroleum prospecting licence or petroleum mining lease and one or more of the grounds for revocation set forth in section 96 of this Act applies to not all of the holders, the Minister –

Power of revocation of participating or shareholders interest.

(a) may, in accordance with section 96 of this Act, revoke the participating or shareholders interest of the holder or holders to which the grounds apply; and

(b) shall not revoke the interests of the other holder or holders to which the grounds do not apply.

(2) A holder to which the grounds apply under subsection (1) (a) is referred to as a “defaulting holder” and a holder to which the grounds do not apply under subsection (1) (b) is referred to as a “non-defaulting holder”.

(3) Upon a revocation of an interest under subsection (1) (a), the rights of the defaulting holder shall cease without prejudice to any obligation or liability incurred or imposed on the defaulting holder under the terms and conditions of the licence or lease prior to the time of the revocation.

(4) The interests of each non-defaulting holder shall not be affected by a revocation of the interest under subsection (1) (b) and the non-defaulting holders shall take such measures as provided for under the joint operating agreement or shareholder agreement to redistribute the revoked participating or shareholder interest to the non-defaulting holders or third parties.

(5) Where subsection (1) applies, an assignment to a third party may require the approvals stipulated under this Act and any replacement of the operator will require the approval of the Commission.

(6) The Minister may revoke a licence or lease, where a non-defaulting holder under subsection (1) (b), fails to –

(a) take responsibility for the payment of rents, royalties, taxes, production shares, profit shares or other contractual payments to Government of the defaulting holder under the licence or lease; or

(b) comply with any other obligation under the licence or lease in a manner that may result in the revocation of the licence or lease under section 96 of this Act.

100. (1) A holder of a petroleum prospecting licence or petroleum mining lease shall pay to the Government royalties, fees, rents and production or profit shares in the amount and time as prescribed in the licence or lease under this Act and regulations made by the Commission.

Fees, royalties, rents and other payments to Government.

(2) Where royalties, fees, rents, production or profit shares or other required payment to Government due under this section remains unpaid for a period of 30 days after the date when it becomes due for payment, it shall be considered as a debt to the Commission with interest accruing at a prevailing Central Bank of Nigeria (CBN) rate to be provided for in a regulation issued by the Commission.

(3) The Commission may, after the 30 days period referred to under subsection (2) and until the debt is repaid, together with accrued and unpaid interest -

(a) enter into and upon any land, property or premises owned, possessed or occupied by the holder of the licence or lease;

(b) seize, distrain and sell any petroleum, petroleum products, engines, machinery, tools, implements or other effects belonging to the holder of the licence or lease, and the costs incurred by the Commission in connection with the seizure, distress and sale shall be added to the debt; and

(c) out of money arising from the sale of any item referred to in paragraph (b), pay off the debt and any surplus shall be paid by the Commission to the holder of the licence or lease.

(4) Payment to Government referred to under this section shall not be waived or discounted.

(5) Nothing in this section shall be interpreted as to reduce or amend the provisions of section 96 (1) (d) of this Act.

101. (1) A licensee or lessee shall not enter upon, occupy or exercise any of the rights or powers conferred by its licence or lease in relation to any -

Damage to protected and venerated objects.

(a) area held to be sacred, the question as to whether the area is sacred or not shall be decided by the customary court of the area, where necessary;

(b) part of the following relevant areas, except it obtains a written permission from and subject to conditions as may be imposed by the Commission, any part -

(i) set apart for, used or appropriated or dedicated to public purposes,

(ii) occupied for the purposes of the Government of the Federation or a State,

(iii) situate within a township, town, village, market, burial ground or cemetery,

(iv) which is the site of or is within 50 yards of any building, installation, water reservoir, dam, public road or tramway or which is appropriated for or situate within 100 metres of any railway, or

(v) of the land under cultivation;

(c) any part consisting of privately owned or legally occupied land other than private land falling under paragraph (b) except permission in writing to do so has been obtained by the licensee or lessee from the Commission, which may grant permission if the licensee or lessee has -

(i) given previous notice in writing to the Commission specifying by name or other sufficient designation and by quantity, the land proposed to be occupied and the purpose for which it is required, and

(ii) paid or tendered to the person in lawful occupation or the owner or owners of the land fair and adequate compensation; and

(d) dispute under paragraph (c) as to who is in lawful occupation or the owner of any land or as to the amount of any compensation payable, the licensee or lessee, pending the determination of the dispute, shall deposit with the Federal High Court, with jurisdiction over the matter, such sum as shall be determined by the Federal High Court to be reasonable compensation payable to the rightful owner or occupier of the land, having due regard to the existing regulatory framework.

(2) A person shall not, in the course of petroleum operations -

(a) injure or destroy any tree or object which is -

(i) of commercial value, or

(ii) the object of veneration to the people resident within the licence or lease area;

(b) damage or destroy any building or property; or

(c) disturb or damage the surface of the land or any other rights to any person who owns or is in lawful occupation of the surface area covered by the licence or lease.

(3) A licensee or lessee who causes damage under subsection (2) shall pay fair and adequate compensation to the persons or communities directly affected by the damage or injury.

(4) The amount of compensation payable under subsections (1) (c) (ii) and (3) shall be determined by the Commission and prescribed by regulation made under this Act.

(5) Where a licensee or lessee fails to pay compensation as prescribed under subsection (4) within 30 days, the Commission may apply sanctions in accordance with regulations made under this Act.

102. (1) A licensee or lessee who engages in upstream and midstream petroleum operations shall within —

(a) one year of the effective date, or

(b) six months after the grant of the applicable licence or lease,

submit for approval an environmental management plan in respect of projects which require environmental impact assessment to the Commission or Authority, as the case may be.

(2) The environmental management plan under subsection (1) shall be in accordance with the extant Acts.

(3) The Commission or Authority, as the case may be, shall approve the environmental management plan, where —

(a) it complies with relevant environmental Acts; and

(b) the applicant has the capacity or has provided for the capacity to rehabilitate and manage negative impacts on the environment.

(4) The Commission or Authority, as the case may be, shall in considering the environmental management plan, take into account the policy thrust of the Government regarding environmental protection and management practices.

(5) The Commission or Authority, as the case may be, may request for additional information from the licensee or lessee and may direct that the environmental management plan be adjusted in a manner the Commission or Authority may require.

(6) The Commission or Authority, as the case may be, may after its approval of an environmental management plan and after engagement with the operator of a licence or lease, call for an amendment of the environmental management plan.

(7) Chemicals shall not be utilised for upstream petroleum operations, except the Commission grants an applicable permit and approval.

103. (1) As a condition for the grant of a licence or lease and prior to the approval of the environmental management plan by the Commission or Authority, a licensee or lessee shall pay a prescribed financial contribution to an environmental remediation fund established by the Commission or Authority, as the case may be, for the rehabilitation or management of negative environmental impacts with respect to the licence or lease.

Financial contribution for
remediation of
environmental damage.

(2) In determining the amount of the financial contribution, the Commission or Authority as the case may be, shall take into consideration the size of the operations and the level of environmental risk that may exist.

- (3) The financial contribution to an environmental remediation fund under subsection (1) shall be subject to audit by the licensee or lessee, in accordance with guidelines that the Commission or Authority may, as the case may be, issue.
- (4) Where licensee or lessee fails to rehabilitate or manage or is unable to undertake the rehabilitation or management of any negative impact on the environment, the Commission or Authority, as the case may be, may, upon written notice to the holder, apply the fund under subsection (1) to rehabilitate or manage the negative environmental impact.
- (5) A licensee or lessee shall, under subsections (1) and (2) assess its environmental liability annually and increase its financial contribution to the satisfaction of the Commission or Authority, as the case may be.
- (6) Where the Commission or Authority, as the case may be, is not satisfied with the assessment and financial contribution referred to in this section, the Commission or Authority, as the case may be, may appoint an independent assessor to conduct the assessment and determine the financial contribution.

104. (1) A licensee, lessee or marginal field operator that flares or vents natural gas, except Gas flaring penalties.

- (a) in the case of an emergency,
- (b) pursuant to an exemption granted by the Commission, or
- (c) as an acceptable safety practice under established regulations,

commits an offence under this Act and is liable to a fine as prescribed by the Commission in regulations under this Act.

- (2) A fine due under this section shall be paid in the same manner and be subject to the same procedure for the payment of royalties to the Government by companies engaged in the production of petroleum.
- (3) A fine paid under this section shall not be eligible for cost recovery or be tax deductible.
- (4) Money received from gas flaring penalties by the Commission under this section, shall be for the purpose of environmental remediation and relief of the host communities of the settlers on which the penalties are levied.

105. (1) A licensee or lessee shall pay a penalty prescribed pursuant to the Flare Gas (Prevention of Waste and Pollution) Regulations. Prohibition of flaring or venting of natural gas.

- (2) The Commission shall have the right to take free of charge natural gas that is destined for flaring at the flare stack.

106. (1) A licensee shall, prior to the commencement of petroleum production, install metering equipment conforming to the specifications prescribed on every facility from which natural gas may be flared or vented as the Commission or the Authority may prescribe in a regulation. Measurement of flared natural gas.
- (2) A licensee or lessee who fails or refuses to install metering equipment under subsection (1) commits an offence and is liable to a fine as the Commission or the Authority may prescribe under a regulation.
107. The Commission or the Authority may grant a permit to a licensee or lessee to allow the flaring or venting of natural gas for a specific period — Exemption.
- (a) where it is required for facility start-up; or
- (b) for strategic operational reasons, including testing.
108. Notwithstanding any provision to the contrary under this Act, a licensee or lessee producing natural gas shall, within 12 months of the effective date, submit a natural gas flare elimination and monetisation plan to the Commission, which shall be prepared in accordance with regulations made by the Commission under this Act. Natural gas flare elimination plan.
109. (1) The supply of crude oil and condensates for the domestic market shall, subject to subsection (2), be on a willing supplier and willing buyer basis. Domestic crude oil supply obligations.
- (2) The Commission may issue regulations or guidelines on the mechanism for the imposition of a domestic crude oil supply obligation on lessees of upstream petroleum operations, including applicable penalties.
- (3) The Authority shall supply the Commission on a regular basis the crude oil requirements of refineries in operation and where shortages or inadequate supply conditions occur report such conditions to the Commission.
- (4) The Commission shall ensure that the domestic crude oil supply obligation contains the following, that —
- (a) crude oil may only be sold to holders of crude oil refining licences, whose refineries are in operation;
- (b) the supply of crude oil shall be commercially negotiated between the lessee and the crude oil refining licensee, having regard to the prevailing international market price for similar grades of crude oil; and
- (c) holders of crude oil refining licences shall provide payment guarantees as required by the applicable lessee, and payment for crude oil purchased pursuant to obligations shall be in US dollars or Naira, as may be agreed between the lessees or suppliers and the licensee of the refining licence.

110. (1) Subject to subsections (2) and (4), the Commission shall, by a regulation or guideline made under this Act, —
- (a) prescribe and allocate the domestic gas delivery obligation among all lessees before 1st March of each year based on the domestic gas demand requirements determined or updated under section 173 of this Act; and
 - (b) ensure compliance by every lessee of the domestic gas delivery obligation.
- (2) A lessee may, on a voluntary basis, conclude contracts with wholesale customers of the strategic sectors or with wholesale gas suppliers supplying the strategic sectors for delivery of marketable natural gas on a free market basis to these customers or suppliers and notify the Commission of the contracts and where the volume of the contracts is equal to or higher than the domestic gas delivery obligation for the lessee, the lessee shall —
- (a) be deemed to have fulfilled its domestic gas delivery obligation;
 - (b) not be a producer client of the gas aggregator; and
 - (c) inform the gas aggregator.
- (3) A lessee who has complied with its domestic gas delivery obligation or may wish to supply wholesale customers who are not part of the strategic sectors may deliver further supplies of marketable natural gas to the domestic market on a willing seller and willing buyer basis.
- (4) A wholesale gas supplier may, on a voluntary basis and following the procedure stipulated under subsection (2) —
- (a) enter into a contract with a lessee or wholesale customer of the strategic sectors for the delivery of marketable natural gas to the customers; and
 - (b) inform the Commission and Authority of the contracts.
- (5) The Commission shall require a lessee producing natural gas to carry out works and operations which may be required to increase production and to dedicate specific volume of the natural gas produced towards the requirements of the domestic market.
- (6) The volume of natural gas to be dedicated by a lessee towards the domestic gas delivery obligation shall be based on an allocation system among lessees as determined by the Commission upon consultation with the Authority with consideration of supporting infrastructure availability.
- (7) A lessee shall be obliged to deliver the volume of natural gas prescribed under subsection (6) to a wholesale customer determined by the domestic gas aggregator

and at a location indicated by the domestic gas aggregator under section 156 of this Act.

- (8) Subject to the provisions of subsection (7), a lessee who fails to comply with the domestic gas delivery obligation shall incur a penalty of US \$3.50 per MMBtu not delivered, provided that, where the lessee has signed a gas purchase and sale agreement with a wholesale supplier of the strategic sectors, the penalty for failure to deliver shall be as stated in that agreement.
- (9) The penalty amount of US \$3.50 per MMBtu referred to under subsection (8) may be adjusted as the Commission may prescribe in a regulation made under this Act.
- (10) A lessee shall not incur a penalty prescribed under subsection (8), where it can establish that its failure to comply is as a result of —
 - (a) force majeure;
 - (b) the inability of a purchaser to accept allocated natural gas volumes;
 - (c) the inability to transport the allocated natural gas for reasons beyond the control of the lessee; or
 - (d) the failure of a purchaser to pay for allocated natural gas volumes.
- (11) The Commission shall discontinue the imposition of domestic gas delivery obligations, where the Authority has determined under section 167 (3) of this Act that the natural gas market has attained full market status.
- (12) Upon being allocated the volumes to be supplied under the domestic gas supply obligation under subsection (1), the lessee shall submit a marketable natural gas production and supply plan consistent with these obligations to the Authority.
- (13) A producer-customer of the domestic gas aggregator shall pay compensation to customer-client for any loss suffered as a result of default to supply marketable natural gas in accordance with a gas purchase order issued by the domestic gas aggregator.
- (14) A lessee who does not comply with the domestic gas delivery obligation as directed by the Commission shall —
 - (a) in addition to the penalties provided under subsection (8), not be entitled to supply natural gas to any new midstream gas export operations, provided that this provision shall not apply to gas sales agreements already entered into; and
 - (b) where the lessee is supplying natural gas to midstream gas export operations, the Commission may impose other sanctions as are prescribed in a regulation made under this Act

- (15) An approval for the supply of natural gas for export projects shall, from the effective date, be subject to prior compliance by the lessee with its domestic gas delivery obligation.
- (16) Domestic gas delivery contracts entered into by lessees or licensees prior to the effective date and continuing after the effective date, shall be counted towards their domestic gas delivery obligation under this section.

PART III — GENERAL ADMINISTRATION OF MIDSTREAM AND
DOWNSTREAM PETROLEUM OPERATIONS

111. (1) The Authority may grant, renew, modify or extend individual licences or permits, provided that, where it relates to the establishment of refineries the licence shall be issued by the Minister on the recommendation of the Authority. Matters relating to licence Applications.
- (2) The Authority shall only grant a licence for midstream or downstream petroleum operations, where —
- (a) it meets the technical standards required for petroleum operations based on good international petroleum industry practices;
 - (b) the location and size of the area occupied by the facilities or right of way is acceptable to the Authority;
 - (c) it meets the health, safety and environmental standards, as determined by the Authority; and
 - (d) it provides for the efficient and economic use of facilities and pipelines.
- (3) The Authority shall only grant a licence for midstream petroleum operations where it -
- (a) does not involve excessive capital or operating expenditures;
 - (b) includes an acceptable environmental management plan under section 102 of this Act;
 - (c) includes a decommissioning and abandonment plan and a decommissioning and abandonment fund that complies with sections 232 and 233 of this Act;
 - (d) provides for the elimination of routine natural gas flaring;
 - (e) does not relate to midstream petroleum operations that would conflict with a licence already granted; and

(11) The Authority shall not consider further application or representation made by an applicant in respect of a refusal of an application previously considered and rejected by the Authority.

(12) An applicant that is not satisfied with the reasons given by the Authority for refusal of an application may apply to the Federal High Court for a judicial review.

112. (1) The Authority shall publish a notification of any application made for the grant of a licence or renewal under this Part in a manner prescribed by a regulation under this Act. Advertisement of licence applications.

(2) Upon the publication of the notification of the application referred to under subsection (1), interested parties may comment or make representations to the Authority in respect of the application in accordance with the time prescribed by regulation under this Act.

(3) Upon the grant or renewal of a licence, the Authority shall publish notification of the grant or renewal in the form and manner prescribed by regulation under this Act.

113. (1) The Authority shall make regulations and guidelines for the grant or renewal of licence for midstream and downstream petroleum operations. Licensing regulations.

(2) The Authority shall in consultation with the Commission ensure the implementation of the domestic crude oil supply obligation and domestic gas delivery obligation.

(3) The Authority shall ensure third party access to facilities and pipelines for midstream and downstream petroleum operations where such facilities and pipelines are operated for the own account of the licensee and shall ensure open access where the facilities and pipelines are operated by the licensee on an open access basis.

(4) The Authority shall encourage third party investment in facilities and pipelines for midstream and downstream petroleum operations.

(5) The Authority may make regulations on tariffs, which shall be consistent with the tariff methodology set out in this Act.

(6) The Authority may make such other regulations consistent with the regulatory functions of the Authority under section 32 of this Act.

114. (1) Conditions in a licence or permit issued under this Act may require the holder of a licence or permit to — Conditions in licences or permits.

(a) comply with any directions of the Authority in relation to matters specified in the licence or permit

(b) comply with any conditions specified in the licence or permit

- (c) secure the approval of the Authority prior to undertaking anything specified in the licence or permit;
 - (d) comply with relevant industry codes, standards and market rules;
 - (e) undertake its activities subject to the prescribed tariffs or tariff methodology;
 - (f) provide relevant information to the Authority;
 - (g) prepare and submit to the Authority true, fair and sufficient annual statements in such form, and particulars as the Authority may require;
 - (h) make available to the Authority such books as may be requested by authorised officers of the Authority;
 - (i) impose restrictions on the disposal of assets;
 - (j) adhere to undertakings made within a business plan submitted as part of the application process;
 - (k) prepare and submit to the Authority such information and periodical reports as the Authority may require;
 - (l) publish terms of access to its transportation or distribution pipeline or petroleum liquids or gas transportation networks as the case may be; and
 - (m) operate its licence or permit and related facilities, if any, according to the standard of a reasonable and prudent operator.
- (2) The duration of a licence or permit shall be specified by regulations made under this Act and the conditions applicable to the licence or permit may cease to have effect or be modified in accordance with terms specified in the licence or permit.
- (3) A licence or permit of the same class granted by the Authority, shall contain similar conditions representing standard conditions for that class and any difference in the conditions in the licence or permit shall only be for good reasons, which shall be published in the Federal Government Gazette.
- (4) Subject to this Act, the Authority shall have power to include special conditions specific to a particular licence or permit or to a holder of the licence or permit, provided that the special conditions are designed to meet specific circumstances and shall not be a disadvantage to another holder of a licence or permit.

10. The Authority shall, in respect of any licence or permit, at any time, as it may think fit, suspend or terminate the licence or permit.

(6) The Authority may provide that an activity be exclusive for all or part of the period of the licence or permit for a —

- (a) specific purpose;
- (b) specified geographical area and route; or
- (c) combination of paragraphs (a) and (b).

115. (1) A licence or permit shall be issued subject to compliance by the applicant with the provisions of the Land Use Act in respect of compensation for acquisition of land for midstream and downstream petroleum operations.

Compensation for acquisition of land.

Cap. L5, LFN, 2004.

(2) The Governor of a State of which land is required for carrying out operations or activities subject to a licence or permit may issue a certificate of occupancy under the Land Use Act in respect of the land and in accordance with existing state law.

Cap. L5, LFN, 2004.

116. A holder of a licence or permit shall not discriminate against customers, classes of customers or their related undertakings in respect of access, tariffs, prices, conditions or standards of service, except for justifiable and identifiable differences regarding matters such as quantity, transmission distance, length of contract, load profile, interruptible supply or other distinguishing features approved by the Authority.

General non-discrimination provisions.

117. (1) A holder of a licence or permit shall not, without the prior written consent of the Authority, assign or transfer its licence or permit or any right or obligation arising from the licence or permit.

Assignment or transfer of licence or permit.

(2) An application for assignment or transfer of a licence or permit shall be made to the Authority, which may require the applicant to publish a notice of the application in the form, manner and time prescribed by regulation under this Act.

(3) The Authority shall, in the determination of whether a licence or permit is to be assigned or transferred, —

- (a) follow the same procedure with appropriate modifications;
- (b) apply the same rules and criteria;
- (c) consider the same issues as if the party to whom the licence or permit is being assigned or transferred is applying for a new licence or new permit; and
- (d) consider the representations made to it by third parties in respect of the application.

(4) The Authority shall, subject to subsection (3), communicate in writing, its approval or refusal of an application for the assignment or transfer of a licence or permit, within the time prescribed by regulation under this Act.

- (5) Where the Authority does not approve or refuse an application and fails to communicate its decision to an applicant for the assignment or transfer of a licence or permit within the prescribed time, the application shall be deemed to be approved.
- (6) Where the Authority refuses the grant of an application for an assignment or a transfer of a licence or permit, it shall communicate to the applicant the reason for the refusal and shall give reasonable time within which further representation may be made by the applicant or by a third party in respect of the application.
- (7) Where the Authority grant consent to an assignment or transfer of a licence or permit, it shall notify the applicant in writing, subject to any condition it may consider appropriate.

118. (1) The Authority may suspend or amend the conditions applicable to a licence or permit or include additional conditions subject to subsection (2).

Suspension and amendment of conditions in a licence or permit.

(2) The Authority shall not suspend or amend any condition applicable to a licence or permit or include additional conditions to a licence or permit unless it gives the holder —

(a) a written notice of its intention and a draft copy of the proposed suspension or amendment; and

(b) an opportunity to make a written submission to the Authority within the time specified by regulation.

(3) The procedure for the suspension or amendment of a condition in a licence or permit shall be as prescribed by the Authority in a regulation under this Act.

(4) A holder of a licence or permit who is dissatisfied with the decision of the Authority to suspend or amend a condition in a licence or permit may apply to the Federal High Court against the decision.

119. (1) The holder of a licence or permit may, upon an application in the form, manner and meeting any condition prescribed by the Authority in a regulation made under this Act surrender the licence or permit, where —

Surrender of licence or permit.

(a) the licenced or permitted activity is no longer required;

(b) the licenced or permitted activity is not economically justifiable;

(c) another qualified person is willing and able to assume the rights and obligations of the holder of the licence or permit in accordance with the requirements and objectives of this Act, and

if applicable, the holder of the licence or permit has complied with the requirements of the law in respect of

relinquishment, decommissioning and abandonment of installations and reclamation of land.

(2) A holder of the licence or permit who has commenced activities and has ongoing operations shall, except a shorter period is stipulated in the licence or permit, give the Authority a minimum of 12 months' notice in writing of its intention to cease its activities.

(3) The form and procedure to be followed in surrendering a licence or permit under subsection (2) shall be as prescribed by regulation.

120. (1) Notwithstanding the provisions of Chapter 2 of this Act related to midstream and downstream petroleum operations, a licence or permit may be revoked, where —

Grounds for the revocation of a licence or permit.

- (a) the holder becomes insolvent, bankrupt, enters into an agreement or composition with its creditors or takes advantage of any enactment for the benefit of the debtors or goes into liquidation, except as part of a scheme for an arrangement or amalgamation;
- (b) upon the transformation or dissolution of the company or corporation, except it is for the purpose of amalgamation or reconstruction, provided that the prior written consent of the Authority has been obtained;
- (c) a holder of a licence or permit fails to commence activity within the timeframe prescribed in the licence or permit;
- (d) the holder of a licence or permit fails to comply with applicable laws and regulations on terms and conditions of its licence or permit;
- (e) the holder interrupts midstream or downstream petroleum operations for a period of more than 180 consecutive days without justification as provided for in the licence or permit, the acknowledgement of an event of force majeure, shall be an acceptable justification for interruption;
- (f) the holder assigns or transfers any interest in the licence or permit without obtaining the prior written consent of the Authority;
- (g) the holder has acquired the licence or permit based on false representation or contrary to corrupt practices and money laundering laws;
- (h) the holder has failed to comply with environmental obligations as required by law or the provisions of the licence or permit.