The Petroleum Industry Act
The Petroleum Industry Act (PIA) was signed into law by President Muhammadu Buhari on August 16, 2021.

Key Objectives of the PIA

The PIA will:

- Create an efficient and effective governing institution
- Create a commercially oriented and profit-driven national petroleum company
- Promote transparency, good governance and accountability
- Foster a business environment conducive to petroleum operations
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Objectives of the Governance and Institutions

To ensure transparency, good governance and accountability in the administration of petroleum resources in Nigeria

Create a commercially oriented national petroleum company and encourages friendly business environments for petroleum operations

The Minister - Responsibilities

Promote an enabling environment for investment in the Nigerian petroleum industry

Formulate, monitor and administer government policy in the petroleum industry

Exercise general supervision over the affairs and operations of the petroleum industry

Report development in the petroleum industry to the government
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The Nigerian Upstream Regulatory Commission ("the Commission")

The Commission will be responsible for the commercial regulation of upstream petroleum operations and will take over the responsibilities of the Department of Petroleum Resources (DPR).

The Commission will regulate all technical activities in the upstream sector by enforcing, administering, and implementing all laws, regulations, national and international policies, standards, and practices relating to the sector.

Objectives of the Commission

- Regulate upstream petroleum operations & ensure compliance with the law
- Implement government policies for upstream petroleum operations
- Ensure efficient, safe, effective and sustainable infrastructural development of upstream petroleum operations
- Promote an enabling environment for investment in upstream petroleum operations
- Ensure strict implementation of environmental policies, laws and regulations for upstream petroleum operations
The Nigerian Midstream and Downstream Petroleum Regulatory Authority ("the Authority")

The Authority will be responsible for the technical and commercial regulation of Nigeria’s midstream and downstream petroleum operations.

The Authority will also be responsible for determining the appropriate tariff methodology for processing natural gas, transportation and transmission of natural gas, transportation of crude oil, bulk storage of crude oil and quality monitoring for service provided.

Objectives of the Authority

- Regulate midstream and downstream petroleum operations
- Ensure efficient, safe, effective and sustainable infrastructural development of midstream and downstream petroleum operations
- Promote a competitive market for midstream and downstream petroleum operations
- Promote the supply and distribution of natural gas and petroleum products in the midstream and downstream petroleum operations
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**Nigerian National Petroleum Corporation Limited (NNPC Limited)**

Within six months of the commencement of the PIA, the Nigerian National Petroleum Corporation (NNPC) will be replaced by a limited liability company under the Companies and Allied Matter Act (CAMA) which will be known as the Nigerian National Petroleum Company Limited.

NNPC Limited will be responsible for carrying out petroleum operations on a commercial basis and also engage in the development of renewable resources in competition with private investors.

All shares in the NNPC Limited belong to the government through the Ministry of Finance and Ministry of Petroleum as the shareholders.

**Objectives of NNPC Limited**

- Carry out petroleum operations on a commercial basis.
- Be vested with the rights to natural gas under production sharing contracts entered into prior to the effective date.
- To lift and sell royalty oil and profit oil for commercial fees, payable by Government, at the request of the Commission and pay the corresponding revenue to accounts indicated by the Commission.
- Engage in the development of renewable resources in competition with private investors.
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Administration - Objectives

Provide transparent and efficient administration of the petroleum industry, promoting the exploration and exploitation of petroleum products for the benefit of Nigerians, ensuring the sustainable development of the petroleum industry and creating a conducive business environment within the petroleum industry.

Cater for the administration of the Upstream Petroleum operations, Midstream & Downstream Gas operations, and Midstream & Downstream Petroleum operations.

Administration of Upstream Petroleum Operations

The Commission will be responsible for regulating upstream petroleum operations and will be in charge of licenses and leases and perform technical and commercial regulatory functions that were the responsibility of the Department of Petroleum Resources (DPR).

The Commission is responsible for receiving applications for licences and leases and making necessary technical and commercial appraisals that would form the basis of its recommendation to the Minister on granting licences or leases to respective applicants.
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Objectives of the Host Communities Development

- Foster sustainable prosperity within host communities
- Enhance peaceful and harmonious co-existence between licensees or lessees and host communities
- Provide direct social and economic benefits from petroleum operations to host communities
- Create a framework to support the development of host communities

The Host Community Development Plan shall:

- Specify the community development initiatives required to respond to the findings and strategy identified in the host community needs assessment
- Determine and specify the projects to implement the defined initiatives
- Provide a detailed timeline for projects
- Conform with the Nigerian content requirements provided in the Nigerian Oil and Gas Industry Content Development Act
- Provide for ongoing review and reporting to the commission or authority
- Determine and prepare the budget for the host community development plan
- Set out the reasons and objectives of each project as supported by the needs assessment
- Provide for ongoing review and reporting to the commission or authority
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## Source of Funding

Each settler must contribute an amount equal to **2.5%** of its actual operating expenditure in the preceding year in respect of all petroleum operations affecting the host communities to the Trust.

- **Donations, gifts, grants, or honoraria**
- **Profits and interest accruing to the reserve**

## Usage and Allocation of the Fund

_Funds are to be allocated using the following formula:_

- **75%** will be allocated to the capital fund, out of which the Board shall make disbursements for projects in each of the host communities as may be determined by the management committee.
- **20%** will be allocated to the reserve fund, which will be invested for the utilisation of the host community development trust upon cessation of leases of the settlor.
- **5%** is to be utilised solely for the administrative cost of running the trust and special projects.
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**Exemption from Taxation**

- The funds of the trust shall be exempted from taxation.
- Statutory payments by the company to the trust shall be deductible for the purposes of hydrocarbon tax and companies income tax.

**Punishment for Vandalism**

- The host community shall forfeit its entitlement to the extent of the cost of repairs due to vandalism, sabotage, or other civil unrest that results to damage to petroleum and designated facilities or disrupts production activities within the host community.
- The basis for computation of the trust fund shall exclude the cost of repairs of damaged facilities attributable to any act of vandalism, sabotage, or other civil unrest in any applicable year.
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Petroleum Industry Fiscal Framework

The PIA made some significant changes to the fiscal framework in the oil and gas sector, which will lead to an overhaul of the current fiscal regime. Some of these changes include:

- Segregation of upstream-midstream-downstream assets into separate companies for tax purposes
- Limitation of tax deductibility of costs to 35% of gross revenues
- Reduction of income tax and production-based royalty rates
- Introduction of price based royalties for upstream production of oil
- Zero tax deductibility for interest, litigation and arbitration costs, and bad debt
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Dual Taxation Regime

The PIA introduced a dual income tax regime for upstream petroleum companies namely:

- **The Hydrocarbon Tax**
- **The Companies Income Tax**

The chargeable tax for any accounting period of a company shall be a percentage of the chargeable profit for that period aggregated and it shall be:

- **30%**
  - profit from crude oil for petroleum mining leases selected pursuant to sections 93(6)(b) and 93(7)(b) of the PIA

- **15%**
  - for onshore and shallow water areas and petroleum prospecting licenses selected according to sections 93(6)(a) and 93(7)(a) of the PIA