WORLD PETROLEUM FISCAL SYSTEMS COURSE ORGANISED BY
THE CRUDE OIL MARKETING DIVISION (NNPC) 15TH – 26TH
SEPTEMBER, 2008

Welcome Address by the Group Managing Director, NNPC,
ENG. A. L. YAR’ADUA

The:

Group Executive Directors,

Group General Managers and MDs of subsidiaries here present

Dr. Pedro van Meurs, our Esteemed Guest Lecturer,

Representatives of Messrs Vitol S.A., Arcadia Petroleum & Trafigura Beheer

MEMBERS OF THE PRESS

Good morning Ladies and Gentlemen.

The more than 50 years of petroleum operations in Nigeria initially witnessed increased government participation. But today, emphasis has shifted to private participation in all areas of the oil industry. The use of different fiscal terms and the dynamism of the international oil industry, make it of utmost importance to rise up to the inherent challenges of ensuring maximum benefits to Government and all stakeholders through up-to-date knowledge and information acquisition. This is the objective of this course on World Fiscal Systems with emphasis on Nigeria’s fiscal regimes.
The Nigerian oil industry operates two major fiscal regimes – the Concessionary and Contractual systems.

The Concessionary system in Nigeria comprises the traditional Joint Venture (JV), Carry or Alternative Funding and most recently, the Modified Carry Arrangements (MCAs). Small scale producers such as Independents and Marginal Fields operators are also in this category.

The Contractual system is made up of Production Sharing Contract/Agreement (PSC/PSA) and the Service Contract (SC). The present emphasis on the Contractual system that began in early 1990s culminated in the signing of the 1993, 2005 and 2006 PSCs. It arose from the urgent need by Government to deploy more and more of its resources to the provision of infrastructural facilities and social services. As a result, the competition of the oil sector with other sectors of the economy for scarce Government resources is gradually being minimized.

However, with barely a decade of its existence in Nigeria, the Contractual system is experiencing severe challenges that require urgent solution. This can only be achieved through increased cooperation and collaboration of various government agencies whose staff are present here today to participate in this course. It is my hope that this will create synergy between participating agencies that enables Government to always maximize the benefits from its petroleum investments and assets.

Ladies and Gentlemen, I have the honour to welcome Dr. Pedro Van Meurs to Nigeria and particularly, as our guest lecturer on Petroleum Fiscal Systems. Dr. Pedro is no doubt, one of the few globally
acclaimed experts on Petroleum Fiscal Systems. It was therefore an arduous task to secure the two-week window from him for this course, considering his numerous engagements all over the world yearly. Thank you, Dr. Pedro for honouring our invitation.

To the course participants, I can assure you that this is a rare privilege to have direct interaction with one of the most renowned petroleum economist in the world. His antecedents on solving complex issues in the economy of oil and gas Exploration and Production transcends decades of economic and political developments in the petroleum industry. I am therefore convinced that you will all leave this course well informed.

Our expectation at the end of this course is for participants to make comparative analysis of Nigeria’s fiscal systems with those that obtain elsewhere in the world. Thus, resulting in a formidable approach in renegotiating existing fiscal systems and negotiation of future Petroleum Contracts.

Finally, I wish to express my thanks to our trading partners – Vitol S.A., Arcadia Petroleum and Trafigura Beheer - for the cooperation and support rendered to organize this course.

Please enjoy your course.

Monday, September 15, 2008.