

FAAC POST MORTEM SUB-COMMITTEE

FINAL REPORT OF THE NIGERIAN PETROLEUM DEVELOPMENT COMPANY (NPDC) INDEBTEDNESS TO THE NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION (NUPRC) ON FORCADOS ASSETS, OML 119, OMLS 60-63, OML 11, OML 24 and OML 98 TO THE TUNE OF \$2,226,998,165.02

1.0 Introduction

1.1 Following the Reconciliation meeting held in January, 2020 between NNPC/NPDC, NUPRC and stakeholders, several meetings were held in order to consider the progress made by NPDC in defraying its indebtedness to Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and any other related issues.

1.2 Members are called to note that the representatives of NUPRC who were major stakeholders, were not in attendance at the two scheduled meetings held on 9th to 11th August, 2021 and 1st to 5th November, 2021 to consider NNPC/NPDC legacy debt of **\$2,226,998,165.02** as established by all the major Stakeholder's in January, 2020.

2.1 Presentation by NNPC/NPDC on 9th to 11th August, 2021

Table 1: Analysis of NPDC's Indebtedness to the Federation as at 31st December, 2020

NPDC's INDEBTEDNESS TO THE FEDERATION AS AT 31ST DECEMBER 2020					
S/N	DESCRIPTION	FORCADOS, OML 119 and New Acquisitions		BRASS	TOTAL
		NGN	USD	USD	FUSD
	Opening Balance				
1	GVC	-	722,898,215.50	1,504,099,949.52	2,226,998,165.02
2	Royalty Oil	-	-	-	-
3	Royalty Gas	-	-	-	-
4	Gas Flare Penalty	-	-	-	-
5	Concession Rental	-	-	-	-
A	Liabilities Brought Forward		722,898,215.50	1,504,099,949.52	2,226,998,165.02
	Additions for the Year 2020				
1	GVC (New Acquisitions - OMLs 11, 24 & 98)	-	864,962,350.06	-	864,962,350.06
2	Royalty Oil	-	349,052,235.18	295,323,722.00	644,375,957.18
3	Royalty Gas	17,156,249,804.11	2,022,705.95	33,170,989.37	91,443,694.68
4	Gas Flare Penalty	-	134,357,393.15	29,099,832.34	163,457,225.49
5	Concession Rental	-	1,460,685.80	-	1,460,685.80
B	Total Additions for the Year	17,156,249,804.11	1,351,855,370.14	357,594,543.71	1,765,699,913.21
	Payments:				
1	GVC	-	(362,556,297.47)	-	(362,556,297.47)
2	Royalty Oil Paid	-	(280,879,703.50)	-	(280,879,703.50)
3	Royalty Gas Paid	-	-	-	-
4	Gas Flare Penalty	-	-	-	-
5	Concession Rental Paid	-	(182,210.55)	-	(182,210.55)
C	Total Payments		(643,618,211.52)		(643,618,211.52)
D	Total Outst. After Payments (A + B - C)	17,156,249,804.11	1,431,135,374.12	1,861,694,493.23	3,349,079,866.71
	Entitlements to be Applied for Offset:				
	Proceeds of Atlantic Lifting		(745,462,945.00)	(823,075,190.00)	(1,568,538,135.00)
	OML 11 Crude Sales Paid to Federation		(378,586,775.93)	-	(378,586,775.93)
	OML 24 Crude Sales Paid to Federation		(36,365,601.99)	-	(36,365,601.99)
	OML 98 Gas Sales Paid to Federation		(11,712,529.23)	-	(11,712,529.23)
E	Total Entitlement for Offset		(1,172,127,852.15)	(823,075,190.00)	(1,995,203,042.15)
F	Net Outstanding After Offset (D - E)	17,156,249,804.11	259,007,521.97	1,038,619,303.23	1,353,876,824.56

Notes

1. New additions for GVC comprises of GVCs for OMLs 11, 24 and 98
2. Proceeds of Atlantic Liftings are as per the Presidential and NEC approvals
3. OML 11 lifting proceed relates to the 55% lifting for the period 1st Jul. 2019 - Jun. 2020
4. NPDC is negotiating a financing to defray the remaining GVC for OML 24 being \$278Million
5. NPDC is proposing monthly payment of \$20.1Mn through allocation of proceeds to defray outstanding GVC liability over 24 months
6. The monthly payment shall be in addition to the \$278Million for OML 24

2.1.2 The above table is summarized as thus:

Table 2: Summary of NPDC Liabilities

S/No.	DESCRIPTION	AMOUNT (\$)
1	Liabilities brought forward	2,226,998,165.02
2	Additional Liabilities for the year 2020	1,765,699,913.21
3	Total Liabilities	3,992,698,078.23
4	Payments made	(643,618,211.52)
5	Total Outstanding after payments	3,349,079,866.71
6	Entitlement to be applied for offset	1,995,203,042.15
7	Net Outstanding after Offset	1,353,876,824.56

2.1.3 NNPC called on members to recall the agreement reached on the outstanding legacy debt of **\$2,226,998,165.02** owed to NUPRC as at January, 2020 and how the Company had been battling with the issues surrounding the legacy debt and other liabilities which led to seeking for the intervention of the President of the Federal Republic of Nigeria.

2.1.4 NNPC informed the meeting that it had obtained an approval from the National Economic Council (NEC) to utilize the sum of **\$1,568,538,135.00** being value of Crude Oil lifted by the Atlantic Energy Group on Strategic Alliance Agreements (SAAs) to offset NPDC's indebtedness to NUPRC. While the sum of **USD 688.798 million** in First Bank of Nigeria to remain in order not to allow the bank to fall. NNPC further explained that the sum of **USD688.798 million** was a loan obtained by Atlantic Energy Group which was not paid and NPDC being a partner of Atlantic Energy Group was liable. To substantiate the position, NNPC/NPDC presented an extract of the Emergency virtual meeting of NEC, decisions and conclusions held on 2nd July, 2021 which was titled "**Presentation of the Report of the NEC Ad-hoc Committee Reviewing the Report of the Inter-Ministerial and Agencies Committee on the Review of the Impact of the Terminated Strategies Alliance Agreements and Request for Approval of Recommended Solutions**" which was addressed to the Group Managing Director, NNPC and signed by the Permanent Secretary, NEC.

2.1.5 The National Economic Council (NEC) reviewed the impact of terminated Strategic Alliance Agreement entered into by NPDC in 2011 and 2013 and the impact of further delays of the assets recovery in the finances of NPDC, First Bank of Nigeria and the Nigerian economy. The Committee also summarized the exposure of the First Bank of Nigeria to the tune of **\$688.798 million** and NPDC to NUPRC of **\$1,568,538,135.00**. "**Summarizing the exposure to First bank USD688.798 million and NPDC to DPR of \$1,568,538,135.00. NPDC is unable to function as a proper operating/production Development company because of its debt overhang whilst First Bank a legacy bank cannot be allowed to fall in view of the ripple effect this would cause the entire banking sector**" and the decision bullet one which stated that "**Council approved the Committee's report and adopted the prayers**".

3.0 Revised Analysis Presentation by NNPC/NPDC during the Meeting held on 1st to 5th November, 2021

3.1 NPDC presented a revised Analysis of its indebtedness to the Federation as shown below:

Table 3: Revised NPDC Indebtedness to the Federation Presented at Kigali, Rwanda

S/N	DESCRIPTION	FORCADOS, OML 119 and New Acquisitions		BRASS	TOTAL
		NGN	USD	USD	FUSD
	Opening Balance				
1	GVC	-	722,898,215.50	1,504,099,949.52	2,226,998,165.02
2	Royalty Oil	-	-	-	-
3	Royalty Gas	-	-	-	-
4	Gas Flare Penalty	-	-	-	-
5	Concession Rental	-	-	-	-
A	Liabilities Brought Forward		722,898,215.50	1,504,099,949.52	2,226,998,165.02
	Additions for the Year 2020				
1	GVC (New Acquisitions - OMLs 11, 24 & 98)	-	864,962,350.06	-	864,962,350.06
2	Royalty Oil	-	68,172,531.68	295,323,722.00	363,496,253.68
3	Royalty Gas	17,156,249,804.11	2,022,705.95	33,170,989.37	91,443,694.68
4	Gas Flare Penalty	-	134,357,393.15	29,099,832.34	163,457,225.49
5	Concession Rental	-	1,278,475.25	-	1,278,475.25
B	Total Additions for the Year	17,156,249,804.11	1,070,793,456.09	357,594,543.71	1,484,637,999.16
C	Total Liability (A + B)	17,156,249,804.11	1,793,691,671.59	1,861,694,493.23	3,711,636,164.18
	GVC Payments:				
1	Legacy	-	(58,646,860.00)	-	(58,646,860.00)
2	OML 11	-	(200,000,000.00)	-	(200,000,000.00)
3	OML 24	-	(30,909,437.47)	-	(30,909,437.47)
4	OML 98	-	(73,000,000.00)	-	(73,000,000.00)
D	Total Payments		(362,556,297.47)		(362,556,297.47)
E	Total Outst. After Payments (C + D)	17,156,249,804.11	1,431,135,374.12	1,861,694,493.23	3,349,079,866.71
	Entitlements to be Applied for Offset:				
	Proceeds of Atlantic Lifting		(745,462,945.00)	(823,075,190.00)	(1,568,538,135.00)
	OML 11 Crude Sales Paid to Federation		(378,586,775.93)	-	(378,586,775.93)
	OML 24 Crude Sales Paid to Federation		(36,365,601.99)	-	(36,365,601.99)
	OML 98 Gas Sales Paid to Federation		(11,712,529.23)	-	(11,712,529.23)
F	Total Entitlement for Offset		(1,172,127,852.15)	(823,075,190.00)	(1,995,203,042.15)
G	Net Outstanding After Offset (E + F)	17,156,249,804.11	259,007,521.97	1,038,619,303.23	1,353,876,824.56

Note:

- The total indebtedness presented in tables 1 and 2 above remains the same, however some of the entries were changed to align with DPR reconciliation sign-off.
- New additions for GVC totaling \$864.96Million comprises OMLs 11 (\$456.03Million), OML 24 (\$309.09Million) and OML 98 (\$99.84Million)
- Proceeds of Atlantic Liftings of \$1.568Billion is as per the Presidential and NEC approvals
- OML 11 lifting proceeds relates to the 55% lifting for the period 1st Jul. 2019 - Jun. 2021
- NPDC is proposing monthly payment of **\$22.56Million** through allocation of proceeds to defray the agreed and established total outstanding liability of **\$1,353,876,824.56** in sixty (60) months.

3.1 The above table shows that NPDC legacy debt to NUPRC to the tune of **\$2,226,998,165.02** brought forward. Additional liabilities in the year 2020 which included GVC for new acquisitions of OML 11,24 and 98 of the sum of **\$1,484,637,999.16** was added to bring the total liability to the tune of **\$3,711,636,164.18**.

3.2 There were GVC payments for OML 11, 24 and 98 of the sum of **\$362,556,297.47** and other entitlements to be applied to offset the debt were Proceeds of Atlantic lifting, OML 11 Crude sales paid to the Federation, OML 24 Crude sales paid to the Federation and OML 98 Crude sales paid to the Federation amounting to **\$1,995,203,042.15** reducing the total indebtedness of NPDC to NUPRC to **\$1,353,876,824.54**.

3.3 NPDC also presented a monthly payment plan of **\$22,564,613.74** to offset the total liabilities of **\$1,353,876,824.56** in 60 months (5 years). The payment plan was to be reviewed yearly.

3.4 **Resolution at the meeting of 1st to 5th November, 2021**

After extensive deliberation at the meeting, the following were the resolutions:

- a) NPDC proposed to commence allocation of proceeds from its share of its production to the value of Twenty Two Million, Five Hundred and Sixty Four Thousand, Six Hundred and Thirteen US Dollars, Seventy Four Cents (**\$22,564,613.74**) monthly towards the repayment of the outstanding liabilities within sixty (60) months period. While the FAAC Post Mortem Sub-Committee recommended that NPDC's outstanding liabilities of One Billion, Three Hundred and Fifty-Three Million, Eight Hundred and Seventy Six Thousand, Eight Hundred and Twenty Four US Dollars, Fifty Six Cents (**\$1,353,876,824.56**) should be paid within 24 months in the interest of the Federation;
- b) Parties shall meet annually to review the payment performance under the repayment plan proposed by NPDC and explore avenues for acceleration subject to operational and market realities;
- c) FAAC Post-Mortem Sub-Committee to make presentations to FAAC and NUPRC on the reconciled and signed-off NPDC's net indebtedness position and the agreed repayment plan;
- d) NUPRC to confirm the NPDC entitlement to the tune of Four Hundred and Twenty-Six Million, Six Hundred and Sixty Four Thousand, Nine Hundred and Seven US Dollars, Fifteen Cents (**\$426,664,907.15**) after due reconciliation as claimed by NPDC; and

- e) The resolution on the payment plan should be finalized on or before Thursday 11th November, 2021

4.0 The Report was stalled, in view of the absence of NUPRC at the meeting, the meeting was inconclusive because some of the claims of NPDC needed to be verified by NUPRC. Hence, the FAAC Post Mortem Sub-Committee since November, 2021 had called on NUPRC to convene a reconciliation meeting in order to verify the claims of NPDC in order to enable FAAC Post Mortem Sub-Committee conclude the assignment.

5.0 **Final Reconciliation Meeting of NUPRC and NPDC on 3rd and 4th March, 2022**

5.1 The representative of NUPRC at the Sub-Committee meeting held on 13th April, 2022 verbally reported that NUPRC and NPDC had a reconciliation meeting on 3rd and 4th March, 2022 and she summarized the outcome of the meeting. The Sub-Committee further requested NUPRC to submit a written Report to that effect.

5.2 Accordingly, NUPRC submitted a Report to the Sub-Committee which captured the following:

- During the Reconciliation Meeting, NPDC presented an extract of the NEC approval, however, NPDC was requested to provide the comprehensive report of the NEC approval to the Commission's Chief Executive (CCE);
- The parties agreed to the application of **\$1,568,538,135.00** waiver and the balance of **\$599,813,170.02** would be paid within nine months starting from May, 2022 on a monthly instalment of **\$66,645,907.78**;
- The meeting agreed that the Office of the Accountant General of the Federation (OAGF) has the obligation to pay the 4% Cost of Collection (**62,741,525.40**). The parties will follow up the payment with the OAGF;
- They also resolved that the reconciliation superseded all previous engagements on the subject.
- The reconciliation meeting minutes was signed off by Mr. Fasina B. O. of NUPRC and Mr. Shehu S. I. of NPDC.
- NUPRC provided the following table at the conclusion of the reconciliation meeting:

Table 4: Final Analysis of NPDC Indebtedness to NUPRC as At March, 2022

DESCRIPTION	Forcados (USD)	Brass (USD)	Total
Opening Balance	1,847,785,233.96	1,554,099,949.52	3,401,885,183.48
Payments			
Cash	(100,000,000.00)	(50,000,000.00)	(150,000,000.00)
Payment by Allocation as at Jan. 2020	(413,966,844.00)	-	(413,966,844.00)
Total	(513,966,844.00)	(50,000,000.00)	(563,966,844.00)
Outstanding GVC as at Jan. 2020	1,333,818,389.96	1,504,099,949.52	2,837,918,339.48
Additional Payment	(58,646,860.00)	-	(58,646,860.00)
Entitlement Allocation		(610,920,174.46)	(610,920,174.46)
Outstanding GVC as at Jan. 2020	1,275,171,529.96	893,179,775.04	2,168,351,305.02
Atlantic Lifting Proceeds	(675,358,359.94)	(893,179,775.06)	(1,568,538,135.00)
Outstanding GVC as at March 2022	599,813,170.02		599,813,170.02

7.0 After extensive deliberation of NUPRC response at the Sub-Committee meeting, the meeting resolved that NUPRC should be written and requested to provide further explanation to some observations raised by members as follows:

- a) Why the established sum of **\$2,226,998,165.02** as NPDC indebtedness to NUPRC as at January 2020 was changed to **\$2,837,918,339.48** by NUPRC?

Reply:

NUPRC said it did not change the established sum of **\$2,226,998,165.02** as signed off by stakeholders on 21st January, 2020. The amount of **\$2,837,918,339.48** was the opening balance on 1st January 2020 in the ledger of NPDC (GVC Forcados and Brass assets). This was a period prior to the stakeholders meeting and sign off.

- b) When was the payment of **\$58,646,860.00** and **\$610, 920,174.46** considered and established by both parties that resulted in the reduction of the indebtedness to **\$2,168,351,305.02** because the 2020 reconciliation meeting resolved that reconciliation to consider NPDC indebtedness to NUPRC was to be carried out quarterly by the stakeholders –

Reply:

NUPRC stated that it did not hold reconciliation with any third party, rather it only applied payments received into the GVC Account from NPDC after stakeholder's engagement in 2020 and the approved net-off by stakeholders in year 2020.

The amount of **\$58,646,860.00** were different cash payments made into the NUPRC GVC Account while the sum of **\$610, 920,174.46** was part of the 'Credit' net off approved in 2020 reconciliation.

Sequel to the NPDC approved claim of **\$2,675,029,790.37** by stakeholders on 21st January 2020, the Commission (Defunct DPR) split the amount across all NPDC outstanding obligations of Oil and Gas Royalties, Gas Flared and Concession Rental totaling **\$2,064,109,615.91** while the balance of **\$610, 920,174.46** was allocated to Brass GVC obligation to defray the outstanding. Hence, the new balance of **\$2,168,351,305.02**.

- c) NUPRC to provide breakdown of the payment made to the Sub-Committee –

Reply:

NUPRC provided schedule and Bank statements as requested.

- d) Provision of the complete NEC approval for the waiver of the **\$1,568,538,135.00** and any other waiver applied to defray the indebtedness of NPDC –

Reply:

NUPRC stated that it has not received the complete NEC approval from NPDC as agreed at March, 2022 meeting. However, NUPRC attached the NEC extract and the Presidential Approval.

7.1 NUPRC maintained that the aforementioned is its position on the matter.

8.0 Recommendations

8.1 Based on the foregoing, the FAAC Post Mortem Sub-Committee recommends the following:

- i. FAAC should request NNPC/NPDC to provide the complete approval of NEC that allows the usage of **\$1,568,538,135.00** Atlantic Energy proceeds to defray the indebtedness of NPDC to NUPRC and invariably the Federation Account;
- ii. That NUPRC has agreed to the application of **\$1,568,538,135.00** waiver to defray part of the indebtedness of NPDC to NUPRC;
- iii. That NPDC is to pay the balance of **\$599,813,170.02** within nine months starting from May, 2022 on a monthly instalment of **\$66,645,907.78**;
- iv. Given the present economic situation in the country, the Sub-Committee recommends that FAAC should take a decision in respect of the monthly payment of **\$66,645,907.78** by NPDC pending a final resolution by FAAC on the matter.
- v. FAAC should request NPDC to make prompt payment into the Federation for the new acquisitions of OML 11, 24 and 98;
- vi. Reconciliations of the GVC payments should continue until all payments are made into the Federation Account.

9.0 Conclusion

9.1 Based on the above, the Post Mortem Sub-Committee unanimously agreed to present this as its Final Report on the **\$2,226,998,165.02** legacy debt owed to NUPRC by NPDC.



Mary John Dasibel

For Secretary, FAAC Post Mortem Sub-Committee

22nd July, 2022