

ANNEXURE 2

FAAC POSTMORTEM SUB-COMMITTEE

UPDATE ON THE DEDUCTION OF 30% NNPC MANAGEMENT FEE AND 30% FRONTIER EXPLORATION FUND FROM AUGUST, 2022 TO OCTOBER, 2023

1.0 INTRODUCTION:

- 1.1 You may recall that at the September, 2023 Federation Account Allocation Committee (FAAC) meeting, Members of Oil Producing States observed the deductions of 30% NNPC Management Fees and 30% Frontier Exploration Fund without considering the associated 13% Mineral Revenue to the Oil Producing States. In addition, the Oil Producing States requested to know if the computation and remittances of the 13% Mineral Revenue derivation includes these deductions and in line with the approved indices formulae. After a long deliberation on the issue FAAC Post Mortem Sub Committee was directed to look into it and revert.
- 1.2 Accordingly, the FAAC Secretariat vide a letter dated 17th October 2023, REF: PSF/FMF/5032/VOL.III/37 referred the issues to the Postmortem Sub-Committee to examine and report back.
- 1.3. In line with the above submission, the Postmortem Sub-Committee constituted an Ad-hoc Committee to examine the transfers to the 30% NNPC Management Fee and 30% Frontier Exploration Fund from August, 2022 to October ,2023.

2.0 Summary of NNPC Deductions on Frontier Exploration Fund and Management Fee

- 2.1 The deductions by NNPC are summarized in Table 1 below:

Table 1: NNPC 30% Management Fee and 30% Frontier Exploration Fund Deduction for the period August 2022 to October, 2023

2022	30% PSC Management Fee	Frontier Exploration Fund	TOTAL
	(=N=)	(=N=)	(=N=)
July	0.00	0.00	
August	708,062,315.39	708,062,315.39	
September	634,034,332.80	634,034,332.80	
October	603,337,080.20	603,337,080.20	
November	620,993,943.27	620,993,943.27	
December	641,728,999.23	641,728,999.23	
Sub-Total (2022)	3,208,156,670.89	3,208,156,670.89	6,416,313,341.78
2023			
2023	30% PSC Management Fee	Frontier Exploration Fund	TOTAL
	(=N=)	(=N=)	(=N=)
January	14,648,001,145.50	14,648,001,145.50	
February	12,828,481,183.33	12,828,481,183.33	
March	22,394,699,696.00	22,394,699,696.00	
April	16,366,930,864.62	16,366,930,864.62	
May	19,496,330,835.95	19,496,330,835.95	
June	31,859,700,316.27	31,859,700,316.27	
July	23,689,831,439.39	23,689,831,439.39	
August	19,055,468,194.79	19,055,468,194.79	
September	24,216,593,235.77	24,216,593,235.77	
October	23,082,554,346.01	23,082,554,346.01	
Sub-Total (2023)	207,638,591,257.63	207,638,591,257.63	415,277,182,515.26
Grand Total (2022-2023)	210,846,747,928.52	210,846,747,928.52	421,693,495,857.04

3.0 Findings:

- a) The Sub-Committee noted that the NNPC commenced actual implementation of the PIA in the month of July, 2022, hence the first-line deductions for 30% NNPC Management Fee and 30% Frontier Exploration Fund also started in August, 2023.
- b) Table 1 above indicated that the total amount deducted for NNPC Management Fee for the period August to December, 2022 was **N3,208,156,670. 89** and same amount of **N3,208,156,670. 89** was deducted for the Frontier Exploration Fund for the same period. Thus, the total amounts deducted in the period August to December, 2022 was **N6,416,313,341.78**.
- c) Also, for the period January to October 2023, the sum of **N207,638,591,257.63** was deducted as 30% NNPC Management Fee and same **N207,638,591,257.63** was deducted for Frontier Exploration Fund.

The total amounts deducted in the period January to October, 2023 was **N415,277,182,515.26**.

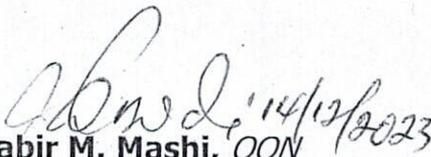
- d) That the total amount deducted between August, 2022 and October, 2023 was **N421,693,495,857.04**.
- e) Furthermore, the Sub-Committee noted that 13% Mineral Revenue Derivation were computed only on the 40% of NNPC PSC profit transferred to the Federation Account while the remaining 30% NNPC Management Fee and 30% Frontier Exploration Fund were treated as first line deductions without application of 13% Derivation.
- f) That the 13% Mineral Revenue Derivation on NNPC remittances were based on Net and not the Gross collection;
- g) That the computed 13% derivation on the total sum of **N421,693,495,857.04** deducted in respect of NNPC Management Fee and Frontier Exploration Fund for the period under review that should have been released to the Oil producing State was **N54,820,154,461.42**.
- h) That there is the need to know the status of 13% derivation on the JV crude lifting taken over by the NNPC.

4.0 Recommendation:

- 4.1 The Sub-Committee recommends that payment of 13% Mineral Revenue Derivation should henceforth be based on NNPC PSC Gross revenue and not on the Net remittance.

5.0 Conclusion:

- 5.1 13% derivation on the total sum of **N421,693,495,857.04** deducted in respect of NNPC Management Fee and Frontier Exploration Fund totaling **N54,820,154,461.42** should be refunded to the Oil producing States.


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Chairman, FAAC Postmortem Sub-Committee