

NNPC: No Record of Gas Sold By NLNG

From Stanley Nkwazema in Abuja, 06.05.2008

The House of Representatives Committee on Gas was yesterday stunned when officials of the Nigerian National Petroleum Corporation (NNPC) told the lawmakers that they do not have records of natural gas produced or sold by the Bonny based Nigerian Liquefied Natural Gas (NLNG) for nearly 10 years of its operation.

Chairman of the House Committee on Gas, Igo Aguma (Port Harcourt Federal constituency) berated the NNPC at the Public Hearing on 'a Bill to Amend the Nigeria LNG Act, cap N87 IFN laws of the federation of Nigeria 2004' over the poor handling of affairs at the NLNG. The 10-year moratorium on fiscal incentives and guarantees to the gas company ends October 9, 2009.

The committee was so piqued by the tardiness of NNPC that it alleged that the organisation was collaborating with the NLNG to deprive Nigerians value for the money they invested in the company.

Aguma frowned at a situation where NNPC, which represents Federal Government's 46% equity in the gas company, allowed the partner with 26% to call the shots.

"It is unfortunate that your representation has not impacted on Nigerians. We had expected that as representatives of Nigeria, as a shareholder in the company, you should have given this committee information on some of things we need to carry out our job with ease. It is not fair that NLNG does not pay levies.

Is it not time for you to do your calculation to know how much gas has been sold and the money made from the sales? There is no seriousness on the part of NNPC to even bring bills that could help put certain things right in the industry. You said incentive laws are already here, you are talking about road shows without a legal framework. We are going to guard the amendment process jealously," he said.

Despite pleas by the Bonny LNG that the House should not tamper with the 10-year moratorium on incentives and fiscal guarantees, the Committee insisted on going ahead with the amendment explaining that the extant agreement would expire in October 2009 and the earlier the National

Assembly started work on it, the better for the country. The committee further explained that lawmaking required time and that the House therefore should be proactive.

The lawmakers also said that the gas company and other stakeholders were expected to come up with post 2009 programmes for the gas companies and a working relationship that would create a conducive environment for utilization of gas resources in the country.

To this end, the committee resolved to give the stakeholders another opportunity to present the post-2009 programme in proper perspective. Based on this understanding, all stakeholders including Shell Petroleum Development Company (SPDC), Agip, Elf and the Niger Delta Development Commission (NDDC) agreed to forward additional information to the committee. A management staff of the NNPC Mohammed Waziri while addressing the lawmakers said, apart from the fact that the extant agreement would soon lapse, there were other issues being considered for presentation before the National Assembly for a holistic review.

Waziri, who listed some of the issues to include upstream gas and gas utilization policies said, “our position is for the retention of the incentives till the expiration of the agreement.”

He urged the committee not to tamper with the agreement, not because of the LNG’s position, but for related issues, which NNPC is working on, and hopes to bring before the House for consideration.

Waziri accompanied by the Director of Corporate Services and Head, Legal department, Sena Anthony explained that other gas companies had applied for incentives, which were being considered in line with incentives to other players in the industry.

The Managing Director of NLNG Bonny, Chidi Ibeneche, who only last month replaced the pioneer Managing Director of the company, Mr. Chris Haynes observed that the existing Act was based on the agreement reached between the Federal Government and the foreign partners in the project.

He told the committee that when the project was conceived, not many foreign investors were willing to come to Nigeria to do business and that the Federal Government had to use some of the conditions in the agreement to encourage investors. He also said that the conditions in the agreement such as tax holidays and exemption from levies for a period of 10 years were geared towards allaying the fears of foreign investors over political volatility in the country as at the time the project came on stream.

He pleaded with the committee to take into consideration the implication of amending the Act

noting that it would have global consequences as some foreign investors may think that Nigeria is still not investment friendly.

“The amendment would have a far reaching effect on not only the NLNG but the entire country in terms of investment. The NLNG Act was enacted as part of the incentives to make the project a reality. You could recall that for over 30 years, the project could not come on board. It was a solemn undertaking between government and investors. It became necessary to protect investors because of political instability and bearing in mind indigenisation laws, which scared many investors. Nigeria was in a difficult situation when the LNG Act was put in place. Nigeria has entered into several bilateral investment treaties and any amendment of the Act might amount to a breach,” he said.

But counsel to NLNG, Wale Akande (SAN), contended that since the matter is currently before the court it would be prejudicial for it to be discussed.

But chairman of the committee ruled that the constitution allows the parliament to discuss all matters, stressing that one arm of government could not prevent the other from carrying out its constitutional responsibilities.