

ANNEXURE 'A'

FAAC POST MORTEM SUB-COMMITTEE

REPORT ON NIGERIAN PETROLEUM DEVELOPMENT COMPANY (NPDC) **INDEBTEDNESS TO THE FORMER DEPARTMENT OF PETROLEUM RESOURCES** **(DPR) NOW NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION** **(NUPRC) ON FORCADOS ASSETS, OML 119, OMLS 60-63, OML 11, OML 24 and** **OML 98**

1.0 Introduction

1.1 Following the Reconciliation meeting held in January, 2020 between NNPC/NPDC, DPR and stakeholders, further meeting was reconvened on 9th to 12th August, 2021 to consider the progress made by NPDC in defraying its indebtedness to the former DPR (now Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and any other related issues.

1.2 Members should note that the representatives of NUPRC who is the principal representative of the Federation in collecting the revenue, were not in attendance at the different scheduled meetings. Be that as it may, the stakeholders unanimously agreed that all presentations made by NNPC/NPDC **be considered only for noting.**

1.3 Consequently, another meeting was scheduled to hold on 1st to 5th November, 2021. However, NUPRC communicated to the FAAC Post Mortem Sub-Committee on 29th October, 2021 of its inability to attend as re-scheduled. Subsequently, the FAAC Post Mortem Sub-Committee in consultation with other stakeholders decided to proceed with the reconciliation of NNPC/NPDC legacy debt of **\$2,226,998,165.02** as established in January, 2020.

1.4 Since November, 2021, the FAAC Post Mortem Sub-Committee had initiated another reconciliation meeting by writing to NUPRC to ensure that parties to the reconciliation are carried along. NUPRC replied and agreed that the reconciliation meeting be held between February 14th and 28th, 2022, Again, up till the last FAAC Post Mortem Sub-Committee meeting, NUPRC did not make any effort neither did any of the parties call for the reconciliation.

1.5 Based on this development, the stakeholders unanimously agreed to present the Report of the last reconciliation meeting where NPDC agreed to start repayment of the liabilities. (See Resolution item C in table 1)

2.0 Report of the Reconciliation Meeting between FAAC Post Mortem and NPDC From January 2020 to October, 2021

2.1 NPDC presented an updated report of its indebtedness to the Federation:

Table 1: NPDC Indebtedness to Federation

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

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	1,484,637,999.16
3	Total Liabilities	3,711,636,164.18
4	GVC Payments made	(362,556,297.47)
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

Note:

- a) NNPC earlier made a presentation different from what is shown in Table 1. NPDC informed Stakeholders that some of the entries were changed to align with NUPRC reconciliation sign-off.
- b) New additions for GVC totaling \$864.96Million comprises OMLs 11 (\$456.03Million), OML 24 (\$309.09Million) and OML 98 (\$99.84Million)
- c) Proceeds of Atlantic Liftings of \$1.568Billion is as per the Presidential and NEC approvals
- d) OML 11 lifting proceeds relates to the 55% lifting for the period 1st Jul. 2019 - Jun. 2021
- e) 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.

2.1.3 During the presentation, NNPC requested members to recall the sign-off agreement on the outstanding legacy debt of **\$2,226,998,165.02** to NUPRC as at January, 2020 and how the Company had been battling with the issues surrounding the legacy debt and other liabilities. Consequently, NPDC sought 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. NNPC further explained that another 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. (**Appendix 'I'**)

2.1.5 The National Executive 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**.

3.0 General Observations/Findings:

- i. NPDC had a legacy debt to NUPRC amounting to **\$2,226,998,165.02** since January, 2020 Reconciliation which was overdue for payment;
- ii. There was **\$697,462,056.06** as at December, 2019 which NNPC explained as sales revenue belonging to NPDC from NAOC divested assets for funding an Integrated Power Plant Project on behalf of Government in a Securitization Account domiciled in First Bank of Nigeria. NNPC/NPDC claimed that there was a Presidential Approval

- to sequester the revenue to fund Federation equity in the new Power Project; In the 2020 Reconciliation meeting, NPDC pleaded to use the money to defray NPDC's indebtedness to NUPRC;
- iii. In 2020, the stakeholders objected to the use of **US\$697,462,056.06** Okpai Power Sales proceeds paid into a Securitization Account at First Bank of Nigeria to defray but acknowledged the amount belonged to NPDC. However, in 2021, NPDC mentioned that the sum of **USD 688.798 million** was to remain in First Bank of Nigeria because a loan was obtained by Atlantic Energy Group to the tune of **USD688.798 million** that was not paid, of which NPDC was a guarantor.
 - iv. The Atlantic Energy entered into an agreement with NPDC and lifted Crude valued at **\$1,568,538,135.00** which they have not paid NPDC till date.
 - v. NPDC requested that it intends to use the sum of **\$1,568,538,135.00** being value of Crude Oil lifted by the Atlantic Energy Group on Strategic Alliance Agreements (SAAs) with NPDC under the award Atlantic Energy Group which the Federal Government through the office of the Attorney General of the Federation and EFCC are pursuing. For this purpose, NNPC management had issued power of attorney authorizing the Attorney General of the Federation and EFCC to pay in the money whatsoever recovered from the Atlantic Group, not exceeding the sum of **USD1,568,538,153.00** into any Account so designated by NUPRC as appropriate to defray part of NPDC's indebtedness to NUPRC on Good and Valuable Considerations (GVCs), Royalty, Concession Rentals, Gas Flare Penalty etc;
 - vi. Further to the above, NPDC posited that it had secured an Arbitration Award dated March 5th 2019 against Atlantic Energy Drilling Concept Nigeria Limited and Atlantic Energy Brass Development Group (referred to Atlantic Group) over dispute in the SAA dated April 20th and May 25th, 2011; December 17th, 2012 and February 14, 2013 covering OMLs 26, 30, 34, 42, 60, 61, 62 and 63;
 - vii. Under the above award, Atlantic Group was to pay as follows:
 - **\$1,690,900,391.39** plus interest representing amount unduly obtained from Crude Oil lifting from OMLs, entry fees for Brass Assets which was due but not paid and unpaid net approved cash calls for OMLs 26, 30, 34 and 42.
 - **N1.5 million** being legal cost.
 - **\$200,000** being amount paid by NPDC on behalf of Atlantic Energy as arbitration fees.
 - viii. At the meeting of January, 2020, the stakeholders objected to the use of the Arbitration award for recovery from the Atlantic Group debt of **one billion five hundred and sixty eight million five hundred and thirty eight thousand one hundred and thirty five dollars (USD1,568,538,135.00)** to defray part of NPDC's indebtedness to DPR.
 - ix. There were additional liabilities incurred in the year 2020 for GVCs because of new asset acquisitions and statutory obligations (royalty oil & gas, flare penalty &

- concession rental which amounted to the sum of One Billion, Four Hundred and Eighty Four Million, Six Hundred and Thirty Seven Thousand, Nine Hundred and Ninety Nine Naira, Sixteen Kobo (**USD 1,484,637,999.16**);
- x. Payments made by NPDC in respect of Goods and Valuable Consideration (GVC) and Statutory Obligations was **USD362,556,297.47**;
 - xi. NPDC's considered entitlements paid into the Federation Account to be used for offset was One Billion, Nine Hundred and Ninety Five Million, Two Hundred and Three Thousand, Forty-Two US Dollars, Sixteen Cents (**USD 1,995,203,042.15**);
 - xii. NPDC posited that there was a Presidential Approval to use the proceeds of Atlantic Energy to the tune of One Billion, Five Hundred and Sixty Eight Million, Five Hundred and Thirty Eight Thousand, One Hundred and Thirty Five US Dollars (**\$1,568,538,135.00**) to defray its indebtedness to Federation Account.
 - xiii. The new addition to the GVC comprises of OML 11, 24 and 98 amounting to Eight Hundred and Sixty Four Million, Nine Hundred and Sixty Two Thousand, Three Hundred and Fifty US Dollars, Six Cents (**\$864,962,350.06**);
 - xiv. Net total liabilities of NPDC after deduction of payments made and other entitlements stood at 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**) and Seventeen Billion, one hundred and fifty six Million, two hundred and forty nine thousand, eight hundred and four Naira, eleven kobo not included in the 60 months negotiations (**₦17,156,249,804.11**);
 - xv. At the Reconciliation meeting of 9th to 11th August, ²⁰²¹ NPDC informed stakeholders that it was negotiating a third-party financing to defray the remaining GVCs for new acquisition and had reviewed the option of obtaining a loan to defray the liabilities because it would not be in favour of NPDC and the Federation at large. Therefore, it opted to use Crude Oil liftings from the Assets to pay for the GVCs;
 - xvi. At the Reconciliation meeting of 1st to 5th November, ²⁰²¹ NPDC presented a monthly payment plan of Twenty Two Million, Five Hundred and Sixty Four Thousand, Six Hundred and Thirteen US Dollars, Seventy Four Cents (**\$22,564,613.74** to offset the total liabilities amounting to 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**) in 60 months (5 years). The payment plan is to be reviewed yearly; and
 - xvii. The FAAC Post Mortem Sub-Committee recommended a payment plan of 24 equal instalments of Fifty Six Million, Four Hundred and Eleven Thousand, Five Hundred and Thirty Four US Dollars, Thirty Three Cents (**\$56,411,534.33**) monthly which NPDC declined consent.

4.0 Resolution at the Meeting

- 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. Note that the Naira value of the Indebtedness of Gas Royalty amounting to Seventeen Billion, One Hundred and Fifty Six Million, Two Hundred and Forty Nine Thousand, Eight Hundred and Four Naira, Eleven Kobo (**₦17,156,249,804.11**) was not included in the 60 months negotiations;
- 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) There shall be a bi-annual Reconciliation meeting to review the payment performance;
- e) 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
- f) The resolution on the payment plan should be finalized on or before Thursday 11th November, 2021.

5.0 Recommendations

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

- i. That FAAC should consider NPDC's repayment plan of **\$1,353,876,824.56** in 60 months and an additional indebtedness of Royalty gas amounting to (See Table 1) **₦17,156,249,804.11** within 24 months.
- ii. That the Power of Attorney granted to the Attorney General and EFCC to recover the **\$1,568,538,135.00** from Atlantic Energy should be vigorously pursued;

- iii. All indebtedness of NPDC from January to December, 2021 should be articulated for further reconciliation and payment respectively;
- iv. That the Central Bank of Nigeria (CBN) exchange rate at the time of repayment be applicable;
- v. That the reconciliation meeting between NUPRC and NPDC and other Stakeholders should continue to ensure that the matter is resolved and no party is shortchanged.

6.0 Conclusion

6.1 Given the economic situation in the country, the FAAC Post Mortem Sub-Committee is of the opinion that NPDC should commence the immediate repayment of the established liabilities of **\$1,353,876,824.56** in 60 months amounting to **\$22,564,613.74** per month and the Naira value of **₦17,156,249,804.11** in 24 months amounting to **₦714,843,741.84** per month, pending the final reconciliation.


Kabir M. Mashi

(Kaigaman Katsina)

Chairman, FAAC Post Mortem Sub-Committee)

16th February, 2021