THE SENATE
FEDERAL REPUBLIC OF NIGERIA

THE DEEP OFFSHORE AND INLAND BASIN PRODUCTION SHARING CONTRACT ACT CAP D3 LFN 2004 (AMENDMENT) BILL, 2019

(SB. 21)

A BILL
FOR
AN ACT TO AMEND THE DEEP OFFSHORE AND INLAND BASIN PRODUCTION SHARING CONTRACT ACT CAP D3 LFN 2004 AND FOR OTHER MATTERS CONNECTED THERETO

FIRST READING	THURSDAY, 3RD OCTOBER, 2019
SECOND READING	TUESDAY, 10TH OCTOBER, 2019
THIRD READING AND PASSAGE	TUESDAY, 15TH OCTOBER, 2019

DEEP OFFSHORE AND INLAND BASIN PRODUCTION SHARING CONTRACT ACT CAP D3 LFN 2004 (AMENDMENT) BILL, 2019

Arrangement of Clauses

Clause

1. Amendment of the Deep Offshore and Inland Basin Production Sharing Contract Act CAP D3 LFN 2004.
2. Amendment of section 5.
3. Deletion of section 16.
4. Insertion of new section 17.
5. Insertion of new section 18.
6. Short title.

A BILL

FOR

AN ACT TO AMEND THE DEEP OFFSHORE AND INLAND BASIN PRODUCTION SHARING CONTRACT ACT CAP D3 LFN 2004 AND FOR OTHER MATTERS CONNECTED THERETO

{ } Commencement.

ENACTED by the National Assembly of the Federal Republic of Nigeria as follows:

1. The Deep Offshore and Inland Basin Production Sharing Contract Act CAP D3 LFN 2004 (in this Bill referred to as "the Principal Act") is amended as set out in this Bill. Amendment of the Deep Offshore and Inland Basin Production Sharing Contract Act CAP D3 LFN 2004.

2. The principal Act is amended in section 5 by substituting the existing section with a new section as follows : Amendment of section 5.

" 5 (1) Royalties shall be calculated on a field basis. The royalty shall be at a rate per centum of the chargeable volume of the crude oil and condensates produced from the relevant area in the relevant period as follows:

(a) in Deep offshore: greater than 200m water depth ..... 10 per cent;

(b) in Frontier/Inland basin: 7.5 per cent.

Royalty by Price

(2) Royalty by price is adopted in order to allow for royalty reflexivity based on changing prices of crude oil, condensates and natural gas. This also replaces the necessity for Section 16 of the principal Act.

(3) The royalty based on price shall be identical for the various water depths in Deep offshore (beyond 200m water depth) including frontier acreages for crude oil and condensates.

(4) The royalty rates shall be based on increase that exceeds US$ 20 per barrel, and shall be determined separately for crude oil and condensates as follows:

(a) from US$ 0 and up to US$ 20 per barrel: ..... 0 percent

(b) above US$ 20 and up to US$ 60 per barrel: 2.5%

(c) above US$ 60 and up to US$ 100 per barrel: 4%

(d) above US$ 100 and up to US$ 150 per barrel: 8%

(e) above US$ 150: ..... 10%".

3. Section 16 of the principal Act is deleted. Deletion of section 16.

4. The principal Act is amended by inserting a new section 17 as follows: Insertion of new section 17.
"The Minister shall cause the Corporation to call for a review of production sharing contracts every eight years."

5. The principal Act is amended by inserting a new section 18 as follows: Insertion of new section 18.

"(1) Any person, who fails or neglects to comply with any obligation imposed by any provision of this Bill commits an offence and is liable on conviction to a fine not below N500,000,000.00 or to imprisonment for a period not less than five years or both."

6. This Bill maybe Cited as the Deep Offshore and Inland Basin Production Sharing Contract Act CAP D3 LFN 2004 (Amendment) Bill, 2019. Short title.

EXPLANATORY MEMORANDUM

This Bill seeks to amend the Deep Offshore and Inland Basin Production Sharing Contract Act cap D3 LFN 2004, to make provisions for price reflexive royalties, periodic review of royalties payable in respect of Deep Offshore and Inland Basin Production Sharing Contracts as well as offences and penalty for non-compliance.

THIS BILL WAS PASSED BY THE SENATE ON TUESDAY, 15TH OCTOBER, 2019

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President,
Senate of the Federal Republic of Nigeria

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Clerk,
Senate of the Federal Republic of Nigeria