



PETROLEUM AND NATURAL GAS SENIOR STAFF ASSOCIATION OF NIGERIA (PENGASSAN)

PROPOSED AMENDMENT OF THE NLNG ACT ECONOMIC AND SECURITY IMPLICATIONS FOR THE NATION

INTRODUCTION

The National Executive Council (NEC) of our great Association, the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) on December 8, 2016 deliberated on topical national issues among which is the proposed amendment of the NLNG Act which is before the National Assembly. The NEC in session expressed its concerns as stated in our communique which was widely publicised in the national dailies.

BACKGROUND TO THE ACT

Nigeria LNG (NLNG) Limited was incorporated as a limited liability company on May 17, 1989 to harness Nigeria's vast natural gas resources and produce Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs).

The Company was established after 35 years of unsuccessful efforts by successive Nigerian governments to attract foreign investors to the LNG sector. The enactment of the NLNG Act (then Decree) effective 24th April, 1989 was the vista of opportunity investors needed. The Act provided such vital regimes necessary for the take-off of the project like the stabilization provision, which the Shareholders relied upon to bring in technology and huge capital (\$6billion initially from investors including USD\$2.5billion - equity plus loan - from the Nigerian Government through NNPC).

RECORDED SUCCESSES OF NLNG

From the initial investment of US\$6.0billion, the Company NOW has an asset base of over \$11billion, generated over \$90 billion in revenues, grown from one to a six-train operation, with a nameplate capacity of 22 million tonnes per annum (mtpa). NLNG is also on the verge of achieving Trains 7 and 8 to bring up the production capacity to approximately 30 mtpa.

Additionally, NLNG currently operates the largest LNG fleet in Africa providing jobs for Nigerians in the maritime industry.

- Buyers of Nigeria's LNG include countries which have bilateral investment treaties with the Federal Government of Nigeria.

NLNG has among others, contributed to the Nigerian economy as follows:

- over US\$15billion as dividends to the Nigerian government
- over US\$5.5billion in taxes
- N51bn in levies and fees

The Company has also paid a total of comprising Companies Income Tax, Tertiary Education Tax, WHT, VAT and other payments to Government including PAYE, State and Local Government taxes, as well as regulators' levies and fees totalling over N51billion.

HIGHLIGHTS OF THE PROPOSED AMENDMENTS TO THE NLNG ACT

Proposed amendments to the Act include:

- Deletion of Government's undertaking to honour the Shareholders Agreement of the Company and other contemplated contracts.
- Deletion of Assurances by Government to retain agreed Fiscal and Security Regime of the investment.
- Extension to NLNG of 3% contribution of the total annual budget of the company, payable only by upstream companies to NDDC.

CONCERNS AND IMPLICATIONS OF THE PROPOSED AMENDMENT

- 1. AMENDMENT WILL DAMAGE THE COUNTRY'S IMAGE**
- NLNG succeeded largely due to the provisions of the NLNG Act, which gave investors the confidence to invest in the country, but with the proposed amendment, that confidence will be eroded and will jeopardize critical ongoing and future investments Nigeria. This will damage the reputation of the country, the country's credit rating, and ability to retain the current investments, and attract future ones.
- 2. AMENDMENT WILL HARM MUCH NEEDED FOREIGN INVESTMENTS**
- After 35 years of unsuccessful efforts, NLNG could only be incorporated upon the enactment of the NLNG Act which enabled the establishment of the company and attracted the needed investment.

- 3. IMMEDIATE LOSS OF \$25 BILLION**
- Any amendment, particularly at this time of recession, will also mean an immediate potential loss of foreign investment of US\$ 25 billion in respect of NLNG's Train 7&8 investment.
- 4. IMMEDIATE LOSS OF 18,000 JOBS**
- The expected 18,000 jobs for Train 7&8 will be lost if the Act is amended. This is at a time when the Niger Delta and the nation are in such dire need of jobs that 18,000 jobs with its attendant multiplier effects on dependants will be very significant to the country.
- 5. REVERSAL OF THE GAINS FROM GAS FLARING REDUCTION**
- NLNG purchases gas which would have otherwise been flared and has almost single-handedly led to the reduction of gas flaring from about 65% in 1999 to about 20% currently. With the required investment, the company is capable of reducing that figure even further with the completion of the Train 7&8 Project.

- Any Amendment will however ultimately result in a return to high flaring and negative impact on the Niger Delta environment.
- 6. POTENTIAL LOSS OF INCOME TO FEDERAL GOVERNMENT IN TAXES AND DIVIDEND**
Possible loss of income to the Federal Government of Nigeria of upto \$124m per annum which is paid as dividend and related taxes. Recall that NLNG's 2014 and 2015 taxes yielded crucial bail out funds for this government recently.

CONCLUSION

NLNG is a Made-in-Nigeria company competing globally and has been a huge success so far. It is currently the 4th largest supplier of LNG in the world.

NLNG is a pride to Nigeria and the country's flagship company, with the model being considered for replication in various sectors of the economy.

The proposed amendment of the NLNG Act is NOT in the interest of Nigeria and it is ABSOLUTELY necessary that the Act is not amended as the imminent losses will far outweigh any doubtful gains; this is completely against what the country requires at this time and should NOT be allowed.

THE WAY FORWARD

In line with the present government's determination, and in particular President Muhammadu Buhari's commendable and relentless efforts to positively project Nigeria and attract foreign investments, actions such as the proposed amendments can easily erode the significant progress so far made, and MUST be discouraged by every patriotic Nigerian.

We therefore strongly advocate that the sanctity of the NLNG Act and its provisions, be preserved in the greater overall interest of the Federal Republic of Nigeria. Indeed, we believe that based on the NLNG success story, similar guarantees and incentives should urgently be extended to enable the take-off of other projects, beginning with the stalled Brass and OK LNG projects. This will go along way towards addressing the crushing problem of mass unemployment affecting millions of Nigerians and the many security challenges it has given rise to.

We demand that our legislators make laws that will improve existing businesses in the country and also attract new investments, and NOT laws which will stifle business, employment and/or erode investor confidence. The interest of the Nigerian people must remain paramount.

PENGASSAN wishes to assure all stakeholders including the Nigerian populace that it stands ready to do all within its power to hold those in positions of authority, especially elected representatives of the people, accountable to their pledge to uphold good governance and act in the best interest of Nigeria at all times.

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President