

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

Sponsored by Senator Bassey Albert Akpan

Co-Sponsored by Senator Ifeanyi Ubah

[] Commencement

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

- | | | |
|----|---|--|
| 1 | 1. The Deep Offshore and Inland Basin Production Sharing | Amendment of |
| 2 | Contract Act CAP D3 LFN 2004 (in this Act referred to as "the Principal | the Deep Offshore |
| 3 | Act" is amended as set out in this Act. | and Inland Basin
Production Sharing
Contract Act |
| 4 | 2. The Principal Act is amended in section 5 by inserting a new sub | Amendment of |
| 5 | section (3) as follows- | Section 5 |
| 6 | (3) Royalty by Price: | Royalty payable |
| 7 | "The royalty based on price shall be identical for the various water depths | in respect of Deep |
| 8 | including frontier acreages for crude oil and condensates and natural | Offshore and
Inland Basin
Production Sharing
Contract |
| 9 | gas. The royalty rates shall be based on every dollar (US\$ 1) increase and | |
| 10 | shall be determined separately for crude oil and condensates, and for natural | |
| 11 | gas as follows: | |
| 12 | (a) From US\$ 0 and up to US\$ 35 per barrel: 0 percent; | |
| 13 | (b) Above US\$ 36 and up to US\$ 70 per barrel: 2 per cent per | |
| 14 | dollar increase; | |
| 15 | (c) Above US\$ 70 and up to US\$ 100 per barrel: 8 per cent plus | |
| 16 | 0.2 per cent per dollar increase; | |
| 17 | (d) Above US\$ 100 and up to US\$ 190 per barrel: 20 per cent | |
| 18 | plus 0.1 per cent per dollar increase; | |
| 19 | (e) Above US\$ 190: 25 per cent. | |

1 The royalty rates based on price for natural gas shall be:

2 (f) 0% for a price from US\$0 per million Btu and up to and including
3 US\$2 per million Btu;

4 (g) over US \$ 2 per million Btu and up to and including US \$ 6 per
5 million Btu the royalty rate shall increase by 0.3% for every US \$ 0.10 per
6 million Btu increase in over US \$ 2 per million Btu;

7 (h) over US \$ 6 per million Btu and up to and including US \$ 10 per
8 million Btu the royalty rate shall be 12% plus 0.2% increase for every US \$
9 0.10 per million Btu increase over US \$ 6 per million Btu;

10 (i) over US \$ 10 per million Btu and up to and including US \$ 15 per
11 million Btu the royalty rate shall be 20% plus 0.1% increase for every US \$
12 0.10 per million Btu increase in price over US \$ 10 per million Btu; and

13 (j) over US \$ 15 per million Btu the rate shall be 25%."

Insertion of a
new section 17

14 **3.** The Principal Act is amended by inserting a new section 17 as
15 follows-

Periodic Review
after every 5
years

16 **17.** In accordance with the provisions of section 16 (2) of this Act, the
17 Minister shall cause the Corporation to call for a review of product sharing
18 contracts after every five years.

Introduction of
a new section 18

19 **4.** The Principal Act is amended by introducing a new section 18 as
20 follows-

Offences and
Penalty

21 **18.** Notwithstanding any provision of any enactment, any person
22 who fails to carry out any obligation pursuant to section 17 imposed by this Act
23 commits an offense punishable under this Act and shall be liable upon
24 conviction, to imprisonment for a term not less than 1 year or an option of fine
25 of N50,000,000.

Citation

26 **5.** This Bill may be cited as the Deep Offshore and Inland Basin
27 Production Sharing Contract Act CAP. D3 LFN 2004 (Amendment) Bill, 2019.

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 periodic review of royalty payable in respect of Deep Offshore and Inland Basin Production Sharing Contracts as well as offences and penalty for non-compliance.

