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The Algorithms of Petroleum Industry Act

Nigeria's enactment of the Petroleum Industry Bill is a long- awaited vision that s finally bearing fruit. The Petroleum Industry Act (PIA) was Ultimately signed by Nigerian President Muhammadu Buhari in 2021.

The main goal of the Act is to breath an enabling environment for the growth of the sector whilst addressing legitimate grievances of communities most impacted by extractive industries. That defined, what happened next is the link between policy formulation and implementation intricacies and how the Act will eventually alter the narratives of the petroleum industry in Nigeria

The PIA represents an effort by Africa's leading oil-producing country to respond to the dynamics of the global oil and gas environment. Until recently the energy sector represented the main income earner for Nigeria in 2019, the Oil and Gas sector accounted for about 5.8 percent of Nigeria's real GDP and was responsible for 95 percent of Nigeria's foreign exchange earnings and 80 percent of its budget revenues.

The PIA is expected to overhaul the regulation and improve corporate governance of the oil and gas industry. The two agencies NIUPRC and NMDPRA) will be responsible for the technical and commercial regulation of petroleum operations in their respective sectors, and have the power to acquire, hold, and dispose of property, as well as sue and be sued in their own name. The PIA has also commercialized the state- owned enterprise, the Nigerian National Petroleum Company (NNPC), turning it into the NNPC Ltd, a quasi-commercial entity.

The ownership of shares in NNPC Ltd is to be vested with the government, and the ministries of Finance and Petroleum shall hold the shares on behalf of the Federal Government. By the instrumentality of PIA, the President of Nigeria is vested with the power to appoint the presiding officer of the NNPC Ltd as well as heads and members of the regulatory agencies.

However, the Minister of Petroleum Resources, will head the industry with a wide range of powers. He is saddled with the task of formulating monitoring. and administering government policies under the PIA. Under the PIA, 30 percent of the profits of the NNPC Ltd will fund a new entity, to finance exploration in other basins in the country. The new entity is called Frontier Exploration Fund. The Act is also very clear about rent delineation in the Frontier Funds.

The PIA frontally addresses this problem by creating the Host Community Development Trust Fund (HCDTF). The HCDTF will stimulate sustainable prosperity across the broad spectrum of the oil producing communities and provide direct social and economic benefits from petroleum to host communities and enhance peaceful and harmonious co-existence between licensees or lessees and host communities.

Specifically, the law stipulates that existing host community projects must be transferred to the HCDTF, and each settlor (or oil license holder) must make an annual contribution of an amount equal to 3 percent of its operating expenditure for the relevant pperations from the previous year.

The management committee of the trust must include one member of the host community. In addition, the act stipulates a penalty for failure to comply with host community obligations, including revocation of license. Extra Protection for Host Communities for the people of the Niger Delta, it looks like the sunny side of life is here at last.

Protecting host communities is a top burner in the PIA. It imposes the duty and responsibility to protect oil and gas assets on host communities. More specifically, a clause (257) states that any host community that fails to protect oil assets in its community from vandalism will be held accountable for the repairs.

Further protection of the environment is to be shouldered by the oil producing companies. Over the years there has been untold degradation of the oil producing environment and habitat from gas flaring associated with oil drilling despite the fact that the Federal Government has passed several laws to stop this practice. The PIA has now criminalised some of the negative acts with penalties for

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companies for gas flaring and other 'vices. It also stipulates that the revenues from the penalties will be used for environmental remediation and relief of the impacted host communities.

A new tax structure emerges with the PIA. The petroleum profits tax is replaced with a hydrocarbon tax that is coupled with a tax on oil company profits. We have hydrocarbons, including crude oil, condensates, and natural gas produced from associated gas.

The PIA specifies that if there are supply shortages, only enterprises with active refining permits or a proven track record of international crude oil and petroleum products trading will be allowed to participate. Experts believe that this provision is an attempt to confer monopoly powers on a few domestic refiners.

Some experts have challenged a few of the interpretations in the ACT. They contended that PIA fails to clarify community development trust duties for both existing and new community levies (such as the Niger Delta development levy). From whatever perspective the PIA is viewed, it signifies a new lease of life for the Nigeria's Petroleum Industry.

The panoramic economic impact of the act is to technically open the oil and gas industry for investment which is a positive development for the Nigerian economy.