REPORT

OF THE

AD-HOC CONMITTEE

TO VERIFY AMD DETERMME THE ACTUAL SUBSIDY REQUIREMENTS AMD MONITOR THE IMPLEMENTATION OF THE SUBSIDY REGIME IN NIGERIA'

RESOLUTION NO. (HR.I/20I2)

LAID ON WEDNESDAY 18™ APRIL, 2012

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GLOSSARY OF TERMS

S/N	ACRONYM	DEFINITION
1	AGO	Automotive Gas Oil
2	CBN	Central Bank of Nigeria
3	GIF	Cost Insurance and Freight
4	DAPMAN	Depot and Petroleum Marketers Association of Nigeria
5	DMO '_.	Debt Management Office
6	HHK	House Hold Kerosene
7	DPR	Department of Petroleum Resources
8	FMF	Federal Ministry of Finance
9	FO	Fuel Oil
10	FOB	Free on Board
11	GMD	Group Managing Director
12	IPMAN	Independent Petroleum Marketers Association of Nigeria
13	ISAN	Indigenous Ship Owners Association of Nigeria
14	JEPTFON	jetties and Petroleum Tank Farm Owners of Nigeria
15	LPG	Liquefied Petroleum Gas
16	MOMAN	Major Marketers Association of Nigeria
17	NIMASA	Nigeria Maritime Administration and Safety Agency
18	NLC	Nigeria Labour Congress
19	NNPC	Nigeria National Petroleum Corporation
20	NPA	Nigeria Ports Authority
21	OAGF	Office of the Accountant General of the Federation
22	OMC'sTC's	Oil Marketing^Trading Companies Automotive Gas Oil
23	PEF	Petroleum Equalization Fund
24	PEF(M)B	Petroleum Equalization Fund Management Board
25	PENGASSAN	Petroleum and Natural Gas Senior Staff Association of Nigeria

26	PMS	Premium Motor Spirit
27	PPMC	Pipeline Products Marketing Company
28	PPPRA	Petroleum Product Pricing Regulatory Authority
29	PSF	Petroleum Support Fund
30	SDN	Sovereign Debt Note
31	STS	Ship to Ship
32	TUC	Trade Union Congress

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CHAPTER ONE

EXECUTIVE SUMMARY

Following the removal of subsidy on PMS on the 1^{st} day of January, 2012 by the Federal Government of Nigeria and the attendant spontaneous social and political upheavals that greeted the policy, the House of Representatives in an Emergency Session on the 8^{th} of January, 2012 set up an Ad-hoc Committee to verify and determine the actual subsidy requirements and monitor the implementation of the subsidy regime in Nigeria.

The Federal Government had informed the nation of its inability to continue to pump endless rampant of money into the seemingly bottomless pit that was referred to as petroleum products subsidy. It explained that the annual subsidy payment was huge, endless and unsustainable. Nigerians were led to believe that the colossal payments made were solely on PMS and HHK actually consumed by Nigerians. Government ascribed the quoted figures to upsurge in international crude price, high exchange rate, smuggling, increase in population and vehicles etc. However, a large section of the population faulted the premise of the Government subsidy figures, maintaining that unbridled corruption and an inefficient and wasteful process accounted for a large part of the payments. To avert a clear and present danger of descent into lawlessness, the leadership of the House of Representatives took the "bold and decisive action of convening the first ever Emergency Session on a *Sunday (8th January, 2012),* and set up the,Ad-hoc Committee to verify the actual subsidy requirements of the country.

The Committee decided that the scope of this investigation should be for three years 2009 -2011 for the following reasons:

- The actual budget expenditure on subsidy for both PMS and HHK was tolerable, being N261.1b in 2006, N278.8b in 2007 and N346.7b in 2008. 5 companies including NNPC were involved in 2006, 10 in 2007 and 19 in 2008 contrasted to 140 in 2011.
- Secondly, in line with accounting practice, the Committee decided to investigate three years activities of the scheme.
- The Committee could have chosen to limit the investigation to 2011. alone given the scale of escalation of subsidy in that year alone but decided to take three years to establish a trend.

The Ad-Hoc Committee held Public Hearings from 16th of January, 2012 to 9th of February, 2012, taking sworn testimonies from 130 witnesses, receiving information from several volunteers, and receiving in evidence over 3,000 volumes of documents.

In the course of the investigations the Ad-Hoc Committee was able to establish the following:

1. Contrary to statutory requirements and other guidelines under the Petroleum Support Fund (PSF) Scheme mandating agencies in the industry to keep reliable information data base, there seemed to be a

deliberate understanding among the agencies not to do so. This lack of record keeping contributed in no small measure to the decadence and rots the Committee found in the administration of the PSF. This is evident also in the budget preparatory process by MDAs where adequate data is not made available to the National Assembly. The Committee had to resort to forensic analysis and examination of varied and external sources (including the Lloyds List Intelligence) to verify simple transactions. In this regard, the PPPRA is strongly urged to publish henceforth, the PSF accounts on quarterly basis to ensure transparency and openness of the subsidy Scheme.

We found out that the subsidy regime, as operated between the period under review (2009 and 2011), were fraught with endemic corruption and entrenched inefficiency. Much of the amount claimed to have been paid as subsidy was actually not for consumed PMS. Government officials made nonsense of the PSF Guidelines due mainly to sleaze and, in some other cases, incompetence. It is therefore apparent that the insistence by top Government officials that the subsidy figures was for products consumed was a clear attempt to mislead the Nigerian people.

Thus, contrary to the earlier official figure of subsidy payment of N1.3 Trillion, the Accountant-General of the Federation put forward a figure of N1.6 Trillion, the CBN N1.7 Trillion, while the Committee established subsidy payment of N2,587.087 Trillion as at 31st December, 2011, amounting to more than 900% over the appropriated sum of N245 Billion. This figure of N2, 587.087Trillion is based on the CBN figure of

N844.944b paid to NNPC, in addition to another figure of N847.942b reflected as withdrawals by NNPC from the excess crude naira account, as well as the sum of N894.201b paid as subsidy to the Marketers. The figure of N847.942b quoted above strongly suggests that NNPC might have been withdrawing from two sources especially when the double withdrawals were also reflected both in 2009 and in 2010.

However, it should be noted that as at the time the public hearing was concluded, there were outstanding claims by NNPC and the Marketers in excess of N270billion as subsidy payments for 2011.

Whereas the mandate of the Committee was necessitated by the removal of subsidy, the Committee found out that subsidy payment on kerosene formed an Integra part of the total sum.

4. On its part, NNPC was found not to be accountable to any body or authority. The Corporation, in 2011, processed payment of N310.4 Billion as 2009 - 2011 arrears of subsidy on Kerosene, contrary to a Presidential Directive which removed subsidy on Kerosene in 2009.; The Corporation also processed for itself, direct deduction of subsidy payment from amounts it received from other operations such as joint venture before paying the balance to the Federation Account, thereby depleting the shares of States and Local Governments from the distributable pool. Worse still, the direct deduction in 2011 alone, which amounted to N847.942 Billion, was effected without any provision in the Appropriation Act.

5. While NNPC feasted on the Federation Account to bloat the subsidy payable, some of the marketers were involved in claiming subsidy on products not supplied. PPPRA laid this foundation by allocating volumes of products each quarter to the marketers which it knew were not in conformity with its own guidelines for participation,

6. Our investigation further revealed that certain marketers collected subsidy of over N230.184 Billion on PMS volume of 3,262,960,225 litres that from the records made available to us were not supplied. Apart from proliferation and non-designation of bank accounts for subsidy payment, PPPRA and the OAGF were unable to manage in a transparent manner the two accounts they chose to disclose. There were indications that PPPRA paid N158 Biilion to itself in 2009 and N157 Billion in 2010. When confronted, the OAGF was unable to submit details of the bulk payments arrogated to PPPRA and the account from which the bulk sums were disbursed to the supposed beneficiaries.

7. Curiously too, the particular Accountant-General that served during the period 2009 was found to have made payments of equal, installments of N999 Million for a record 128 times within 24 hours on the 12th and 13th *y* of January 2009, totaling N127.872 Billion. The confirmed payments " from the CBN records were made to beneficiaries yet to be disclosed by the OAGF or identified by the Committee, We however discovered that only 36 Marketers were participants under the PSF Scheme during this period. Even if there were 128 marketers, it was inconceivable that

all would have imported the same quantity of products to warrant equal payments.

8. In order to arrive at a probable figure of daily consumption of PMS, the Committee took the entire volume of 14,787,152,340 litres imported by marketers and NNPC in 2011 as recorded by PPPRA and then deducted what we suspected as over-invoiced volume of 3,262,960,225. Thus, the actual volume imported for year 2011 was 11,510,202,347. This manifested

into an average daily PMS consumption of 31.5 million litres.

9. However, in 2012 marginal increment of 1.5 million litres a day is recommended in order to take care of unforeseen circumstances, bringing it to 33 million litres per day. And to maintain a strategic reserve, an additional average of seven (7) million litres per day(or 630million litres per Quarter) for the first quarter of 2012 only is recommended. Thus, PPPRA is to use 40 million litres of PMS in the first quarter as its maximum ordering quantity per day. In subsequent quarters PMS daily ordering quantity should be 33 million litres per day. For Kerosene, the Committee recommends a daily ordering quantity of 9 million litres.

10. On the issue of kerosene subsidy, the Committee strongly advocated for a Government policy to immediately recommence subsidy payment on the product by urging withdrawal of the 2009 Presidential Directive.

11. We also proposed a budget amount of N806.766billion for the 2012 fiscal year for payment of subsidy on PMS and Kerosene.

12. For the 2012 Appropriation Act, the Committee's recommendation is based on the following follows:

PMS: 33,000,000 Litres x N44 (subsidy) x 365 days = N529,980,000.00

Provision for strategic reserve for 1st Quarter of 2012: 7,000,000 x N44 (subsidy) x 90 days N27,720,000.00

HHK 9,000,000 Litres x N101 (subsidy) x 274 days = N249,006,000.00

Total N806,766,000,000.00

Note: Commencement of kerosene subsidy is as from the second quarter of 2012, since the Committee is of the opinion that the product is still not under the subsidy regime.

Therefore, the Committee recommends the sum of N806.766billion as subsidy for year 2012.

13. With regards to the 445,000 bpd allocation to NNPC, the Committee believes that with the current refining capacity of 53% and the SWAP/Offshore processing arrangement of the balance of 47%, it is sufficient to provide the nation with the following products:

a. 40 Million Litres Per Day (MLPD) of PMS,
b. 10 MLPD of Kerosene (HHK)
c. 8.97 MLPD of Diesel (AGO),
d. 0.62 MLPD of LPG and
e. 2.31 MLPD of FO

It is only AGO whose average daily consumption of 12 million Litres per day will not be achieved in full. Since AGO has been deregulated, other marketers can make up for the 3.03 MLPD AGO shortfalls. The implication of this finding is that if NNPC properly manages the allocation of 445 bpd efficiently, the availability of the products can be achieved by the NNPC alone. This contrasts the situation where in 2009-2011 NNPC got the daily allocation of 445,000bpd and the nation still had to import through Marketers.

Curiously, although NNPC confirmed that it makes some savings of about

=N= 11.00 per litre refining locally than import, it could not be established that the Corporation reflects this cost differential in its claims to subsidy.

The Committee recommends that NNPC be unbundled to make its operations more efficient and transparent and this we believe can be achieved through the passage of a well drafted and comprehensive PIB Bill.

All those in the Management and Board of the NNPC directly involved in the infractions identified for the years 2009-2011 should be investigated and prosecuted for abuse of office by the relevant anti-corruption agencies.

14. Part of the funding sources of the PSF Account is over-recovery from marketers. This accrues when product landing cost is lower than the Ex-Depot price. The Committee observed that:
i. In 2009, there was an over-recovery of N2.766 Billion. This was expected to have been credited to the PSF Account but was not traceable to the official PSF Account disclosed, ii. Furthermore, in the presentation made by Akintola Williams Deloitte it was claimed that the sum of NGN5.27Billion was established as over-recovery in 2009, however, there was no evidence that this money was credited to the PSF Account.

15. It is our view that the Guidelines of the PSF Scheme, even as watered down by the Board in 2009, could have salvaged the Scheme if they were observed and enforced. Had the staff of various agencies and government officials not compromised and colluded with certain marketers, the level of corruption would have been minimal. The Committee viewed this fact with serious concern and has suggested measures to ensure that impunity is no longer condoned. Therefore,

marketers that had short-changed Nigerians were identified and recommended to make refunds within a time-frame of three months; civil servants were to be sanctioned in accordance with the Civil Service Rules as well as under extant Laws; management staff and top government officials were, based on the gravity of their offences, to be reprimanded, re-deployed, dismissed and, in specific cases, prosecuted for abuse of office and fraudulent practices.

16. The Committee recommended the refund to the treasury the sum of ***N1, 067,040,456,171.31 trillion*** from the under listed for various violations.

i.)	NNPC (Kerosene Subsidy)	-	N310,414,963,613.00
ii.)	NNPC (Above PPRA recommendation)	-	N285,098,000,000.00
iii.)	NNPC (Self discount)	-	N108,648,000,000.00
iv.)	Marketers (Total violations of PSF)	-	N8,664,352,554.00
v.)	Companies that refused to appear	-	N41,936,140,005.31
vi.)	PPPRA excess payment to self		N312.279.000.000.00
	TOTAL		**N1.067,040.456,171.31**

The Committee believes that if the PSF scheme was properly managed, this sum of N1.070trillion would have been available to the three tiers of Government for budget enhancement.

17. The Committee recommends that the following transactions be further investigated by the relevant anti-corruption agencies and determine their level of culpability with a view to making further recoveries;

i. Payment of N999m to unnamed entities 128times to the tune of N127.872b

ii. Companies who collected Forex to the tune of $402.610b whose utilization is questionable to the Committee.

iii. The 72 Companies listed under the financial forensics are hereby recommended for further investigation by the relevant anti-corruption agencies with a view to establishing their culpability and recovering the sums indicated against their names totaling

N230, 184,605,691.00.

iv. The Over recoveries of N2.766b and N5.27b which were not accounted for by the office of the Accountant General of the

Federation,

v. The cases of double deductions by the NNPC for subsidy payments in 2009,2010 and 2011 mentioned in this Report.

CHAPTER 2

PREAMBLE AND TERMS OF REFERENCE

PREAMBLE

2.0.1. Following increase of the pump price of premium motor spirit (petrol/PMS) from N65.00 to N 140.00 per litre by the Federal Government of Nigeria, with effect from the 1st day of January, 2012, there were spontaneous demonstrations against this policy in many parts of the country. These were followed by the coordinated actions of Nigeria's major Trade Unions and their civil society coalition partners, who engendered an unprecedented near complete shutdown of the country through a national strike which commenced on Monday 9th January, 2012.

2.0.2. In announcing the increase, the Federal Government explained that the action was in furtherance of its policy to deregulate the downstream petroleum sector through the removal of subsidy on Petrol which it stated had run into annual amounts in excess of NI trillion.

2.0.3. Though the nationwide strike, as stated by its organizers, was intended to secure a reversal of the increased PMS pump price to its pre-2012 price of N65.00 per litre, during the debates and street rallies, a number of related issues arose, including but not limited to what could perhaps be described as a national outrage with the opaque nature under which the fuel subsidy regime was being operated. There was palpable street and publicanger over the lack of transparency which appeared to have manifested in different Government officials mentioning conflicting figures as the total annual subsidy payment for 2011, amounting to N1.3 trillion as against N245Billion that was appropriated. The labour leaders and their coalition partners also disputed the Government figures, and canvassed their own substitute subsidy figures. This cacophony of debates continued amidst a successfully executed nationwide strike which indeed paralyzed productive sectors of the Nigerian economy as well as inflicted harsh dislocations to the social and security well being of our citizens.

2.0.4. It was against the backdrop of a clear and present danger of gradual descent into anarchy that the Leadership of the House of Representatives took the bold and decisive action of convening the first ever Emergency Session held on *a Sunday,* 8th January, 2012.

2.0.5. After exhaustive debates by the Honourable Members, the House of Representatives took far reaching decisions which *inter alia* included a Resolution to set up an Ad-Hoc Committee to investigate the operation of the fuel subsidy regime of the Federal Government of Nigeria.

2.1 TERMS OF REFERENCE

2.1.1 At the Emergency Session of the House of Representatives held on *Sunday, &[b] January, 2012,* the House Resolved *inter alia:*

> "to verify and determine the actual subsidy requirements and monitor the implementation of the subsidy regime in Nigeria".

2..1.2 An Ad-Hoc Committee was consequently set up with the following Members:

1.	Rep. Farouk M. Lawan, OFR	Chairman
2.	Rep. Dr. Ali Babatunde Ahmad	Member
3.	Rep. Eucharia Azodo	
4.	Rep. Engr. Aiphonsus Gerald Irona	
5.	Rep. Umar Abubakar Sade	
6.	Rep. James Abiodun Faleke	
7.	Rep. John Owan Enoh	
8.	Rep. Dr. Abbas Tajudeen	

SECRETARIAT:

1. Emenalo, Boniface C.
2. Nwanekezie Ezennia

2.1.3 The Ad-Hoc Committee held its inaugural meeting on the 13th day of January, 2012.

CHAPTER THREE

A. METHODOLOGY

3.1. The Ad-Hoc Committee during its inaugural and subsequent meetings established the administrative and operational framework for its investigative mandate including the following:

a. Drawing up the timetable for the activities of the Ad-Hoc Committee including dates of Committee meetings and dates for holding Public Hearings

b. providing for the procedure at these Meetings and Hearings

c. determining the list of persons (individual & corporate) to be invited to appear before the Committee to assist it with the mandate

d. classifying the list of persons into the various categories relative to the mandate

e. designing the invitation templates including electronic, hard and soft copy options to secure the timely and scheduled appearance before the Ad-Hoc Committee

f. determining the nature of oral testimony and mode of documentary evidence to be taken, including nature of administration of Oaths and Affirmations as applicable.

g. undertaking a forensic examination of the maritime framework under which importation of petroleum products was undertaken, with a view to tracking and authenticating the movement of vessels in international and other waterways, utilizing the professional partnerships and maritime intelligence available at Lloyds List Intelligence of London.

h. To investigate the Subsidy Regime, as operated during the period 2009 to 2011 which was the era when the abuse of the subsidy process and the escalation of the costs increased dramatically. Thus all references in the Report are to be deemed to refer to this period, except where otherwise indicated.

i. targeting the proceedings towards resolving the following issues, inter alia:

1. What is the volume of daily consumption of Premium Motor Spirit (PMS) or Petrol in Nigeria?
2. How much is the cost of importation per litre of the product?
3. was there any subsidy paid by the Federal Government and how much was it?

4. was the bidding process for the importation contract open, transparent and in compliance with Public Procurement Act 2007 and other extant laws?
5. what was the process of this payment and was due process followed?

6. was there a cabal associated with the importation and who were the members if any?
7. were there cases of corruption/irregularities associated with the process and or payment of subsidy by the Federal Government and why has the Government failed to address these identified corruption/irregularities?
8. How much was paid by the Federal Government as subsidy in 2011 and who authorized the payments?
11. How much was appropriated for subsidy and were there extra-budgetary spendings?
12. What is the state of our refineries, how much are their refining capacities?
13. What was the contribution of the 445,000 barrels of crude oil per day to the daily consumption of petroleum products?

In the attempt to resolve the above questions, the Committee identified and classified the major stake holders Into;

1. The Oil Marketers
2. Government Agencies and Parastatals
3. Professional Bodies and Trade Unions
4. Individuals
5. Key Consultants.

Below is the list of those invited and their appearance status:-

B. INVITED COMPANIES AND APPEARI

1. Aiteo Energy Resources Ltd
2. Ontario Oil and Gas Ltd
3. Naticel Petrochemical Ltd
4. A.A. Rano Nig. Ltd
5. Avidor Oil and Gas Company
6. Northwest Petroleum and Gas Company
7. Valviza Petroleum Ltd
8. Owa Oil and Gas Ltd
9. Shorelink Oil and Gas Service Ltd
10. Pon Specialist Ltd
11. Hyden Petroleum Ltd
12. Master Energy Oil and Gas Ltd
13. Oando Oil
14. Conoil
15. Honeywell Oil
16. Folawiyo Oil
17. Pinnacle Oil and Gas
18. Capital Oil Pic
19. Capital Oil and Gas
20. MRS Oil Pic
21. MRS Oil and Gas
22. ADDAX Petroleum
23. NIPCO Pic
24. Sahara Energy S.A.
25. SPOG Petrochemicals Ltd
26. Linetrale Oil Supply and Trading Co.
27. Setana Energy

28. OBAT Oil and Petroleum Ltd

29. Pinnacle Contractors Ltd

30. Anosyke Group of Co. Ltd

31. Total Nig. Pic

32. Rahamaniyya Group

33. Triquest Energy Ltd

34. SEDEC Energy Ltd

35. A-Z Products Ltd

36. Imad Oil and Gas Ltd

37. Knightsbridge Ltd

38. Menol Oil and Gas Ltd

39. Nasaman Oil and Service Ltd

40. Matrix Energy Ltd

41. Lloyds Oil Nig. Ltd

42. Alminnur Resources Ltd

43. MOB Integrated Services

44. Shield Petroleum Co. Nig, Ltd

45. Taurus Oil and Gas Ltd

46. Nadabo Energy Ltd

47. First Deepwater Discovery Ltd

48, Venro Energy Ltd

49. Dee Jones Petroleum

50. Valcore Energy Ltd

51. Integrated Oil and Gas Ltd

53. Integrated Resources

54. Brittania-U Nig. Ltd

55. Tonique Oil Services Ltd

56. Dozzy Oil Ltd

57. Sifax Oil and Gas Co.

58. EternaPlc

59. Bovas and Co. Ltd

60. Eurafric Oil and Coastal Services

61. Sea Petroleum and Gas
62. Top Oil and Gas
63. Ascon Oil Company Ltd
64. Swift Oil Ltd
65. Majope Investments Ltd
66. Avant Garde Energy Ltd
67. Sirius Energy Service Ltd
68. Duport Marine Ltd
69. Lumen Skies Ltd
70. Origin Oil and Gas Ltd
71. ABSAF Petroleum and Co. Ltd
72. Downstream Energy Source Ltd
73. Channel Oil and Petroleum Source Ltd
74. Briia Energy Ltd
75. CEOTI Ltd
76. Sulphur Streams Ltd
77. Geacan Energy Ltd
78. A.S.B. Investment Company
79. Fradro International Ltd
80. ManagiLubcon Ltd
81. Forte Oil Pic
82. Phoneix Oil Company Ltd
83. Eco-Regen Ltd
84. Lingo Oil and Gas Company Ltd
85. Ocean Energy Trading and Service Ltd
86. Ryden Oil Ltd
87. Anajul Nig. Ltd
88. Crystal Dynamic Energy Ltd
89. IPMAN Investments
90. Arcon Oil Ltd

91. AMG Petroenergy Ltd

92. Yanaty Petrochemicals Nigeria Limited

93. Xavier Energy Nigeria Limited

B.I COMPANIES THAT SUBMITTED PAPERS BUT DID NOT APPEAR

1. Maizube Petroleum Ltd
2. Mercuria Global Energy
3. Momats Oil and Gas
4. Nupeng Ventures
5. Rainoif Ltd

B.2 COMPANIES INVITED **BUT DID NOT APPEAR AND DID NOT SUBMIT**

1. Aquitane Oil
2. Bodej Investment
3. Cadees Oil and Gas
4. Carnival Ltd
5. Colbert Energy
6. Crusteam Nigeria
7. Deimar Petroleum Co.
8. Fargo International Ltd/Fargo Petrol and Gas Ltd
9. Grand Pet. And Chemicals
10. Ice Energy
11. Index Petroleum Africa
12. Mezcor S.A.
13. Meglams Oil and Gas
14. Mut-Hass Petroleum Ltd
15. Nepal Oil and Gas Service
16. Oilbath Nigeria
17. Oil Force Nigeria

18. Practoil

19. Ronad Oil and Gas West Africa Ltd
20. PVN Capital Ltd
21. Supreme and Mitchells Oil Ltd, Port Harcourt
22. Tahil and Tahil (Nig.) Ltd
23. Techno Oil Ltd
24. Tempo Energy Nig. Ltd
25. Tridax Oil and Gas Ltd
26. Vitcam Services Ltd
27. Viva Energy Ltd
28.

Zalex Energy Resource Ltd

Xalom Petroleum Ltd

Juiy Seventh Oil Ltd

Zamson Nig. Ltd

Somerset Energy Services

Stonebrsdge Oil Ltd

Mobil Oil Nigeria

AX Energy Ltd

CAH Resources Association Ltd

Crust Energy Ltd

Fresh Synergy Ltd

Ibafon Oil Ltd

Lottoj Oil & Gas Ltd

Oakfield Synergy Network Ltd

Petro Trade Energy Ltd

Prudent Energy & Service Ltd

Rocky Energy Ltd

Fatgbems Petro Company Ltd

C. INVITED FEDERAL GOVERNMENT AGENCIES

1. Hon. Minister of Petroleum Resources
2. Hon. Minister of Finance and coordinating Minister of the Economy

3. Hon. Minister of State, Finance
4. Attorney General of the Federation
4. Accountant General of the Federation
5. Director-General, Budget Office
6. Chairman, Federal Inland Revenue Service
7. Corps Marshall, Federal Road Safety Commission
8. Chairman & CEO, Duke Oil
9. MD, Hyson Oil Limited
10. Group Managing Director, NNPC
11. Director, DPR
12. Executive Secretary, PPPRA
13. Executive Secretary, Petroleum Equalization Fund Management Board
14. Governor, Centra! Bank of Nigeria, CBN
15. Managing Director, Nigeria Maritime Administration and Safety Agency (NIMASA)
16. Managing Director, Pipeline Products Marketing Company (PPMC)
17. Managing Director, Nigeria Ports Authority, NPA
19. The Chief of Naval Staff
20. Nigeria Customs Service
21. NEITI
22. Revenue Mobilisation, Allocation and Fiscal Commission

CI GOVERNMENT AGENCIES **INVITED** BUT NEITHER APPEARED **NOR** SUBMITTED ANY DOCUMENT

1. Port Harcourt Refining Company
2. Kaduna Refining Company
3. Warri Refining Company

C.2 FEDERAL GOVERNMENT CONSULTANTS THAT APPEARED BEFORE THE COMMITTEE

1, Managing Partner, OlusoiaAdekanola& Co
2. Akintola Williams, Deloitte.

D. INVITED ORGANIZED/PROFESSIONAL GROUPS THAT APPEARED AND MADE PRESENTATIONS.

1. Nigeria Labour Congress, NLC
2. Trade Union Congress, TUC
3. Independent Petroleum Marketer Association of Nigeria (IPMAN)
4. Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN)
5. Indigenous Ship Owners' Association of Nigeria (ISAN)
6. Association of Mega Filling Station Owners of Nigeria
7. Depot and Petroleum Marketers Association of Nigeria (DAPMAN)
8. Jetties & Petroleum Tank Farms Owners of Nigeria (3EPTFON)

D.I **INDIVIDUALS INVITED** THAT APPEARED OR MADE SUBMISSIONS **BEFORE THE COMMITTEE.**

1. Dr. Kalu Idika Kalu
2. Engr. Jackson Gaius-Obaseki, former GMD, NNPC
3. Barr. Femi Faiana
4. Aih. Umar Dembo (Former Minister of State, Petroleum Resources)
5. Barr. OlisaAgbakoba, SAN
6. Prof. Tarn David-West
7. Engr. Goody Egbuji
8. Sen. Dr. Ahmadu Ali, fss, CON, GCON
9. Mr. AbiodunJimohlbikunle

E. COMPANIES THAT APPEARED BUT WERE NOT DIRECTLY INVOLVED IN THE SUBSIDY REGIME.

1. Televaras Oil Ltd
2. Trafigura S.A
3. Vitol International
4. Hyson Oil Ltd

5. Zenon Oil

3.2. The Ad-Hoc Committee held Public Hearings from 16th of January, 2012 to 9th of February, 2012, taking sworn testimonies from 130 witnesses, receiving information from several volunteers, and receiving in evidence over 3,000 volumes of documents.

CHAPTER FOUR

EXISTING SUBSIDY REGIME

What is generally known as petroleum subsidy is actually paid from the Petroleum Support Fund (PSF). This PSF is administered by the PPPRA under Published Guidelines which came into effect in January, 2006.

The Petroleum Support Fund (PSF) is to among other things: serve as a pool of fund provided in the budget and contributed to by the three tiers of government (Local Government Areas, States and Federal Government) to stabilize the domestic prices of petroleum products against the volatility in the international crude and products prices, to be a supplementation with the accruals during the period of over-recovery; (over recovery here refers to the period at which the Petroleum Products Price Regulatory Agency, (PPPRA) recommended ex-depot price is higher than the landing cost of petroleum products).

The Petroleum Support Fund (PSF) guidelines are aimed at ensuring efficiency and prudence in the importation, distribution, marketing and availability of petroleum products to Nigerians at Government regulated prices.

These PSF guidelines are classified into Principles, Responsibilities of Stake holders/Operators and Eligibility for drawing from the Fund:

B. PRINCIPLES OF THE PETROLEUM SUBSIDY FUND.

1. **Under-recovery** shall apply when **the Landing Cost** of products based on import parity principle is in excess of the approved Petroleum Products Pricing Regulatory Agency, **PPPRA ex-depot price** for the product. In the case of the NNPC, the subsidy shall be computed by deducting the ex-depot price, the Petroleum Equalization Fund Management Fund (PEF(MB) Allowance, and the PPPRA Administrative charge from the Landing Cost,

2. Over-recovery, which implies payment from marketers into the Fund shall apply when the Landing Cost of the product based on import parity principle is below the approved ex-depot price for the product.

3. The Central Bank of Nigeria (CBN) shall be the custodian of the Fund, while the PPPRA shall be vested with the authority to administer the Fund as spelt out in the Guidelines.

4. Claims from/payment into the Fund shall be based on the duly verified shore tank volumes.

5. PPPRA shall determine the volume required for imports based on national demand/supply gap and taking cognizance of local production in line with its statutory mandate.

6. " The PPPRA shall constantly liaise with the Oil Trading/Marketing Companies and other relevant Stakeholders/Operators for the purpose of data collection, verification, certification and updating of the downstream information Data Bank.

7. (i) All payments relating to over/under recovery shall be made through the Fund's account domiciled in the CBN as approved by the Federal Ministry of Finance.

   ii. The PPPRA shall be responsible for compilation and verification of import documents and computation of over-recovery/under-recovery due to each Marketer within the prescribed time-frame in the Service Level Agreement as contained in Appendix I of the Guidelines and submission of the same to the Honourable Minister of Finance.

iii. The Federal Ministry of Finance, through the Office of the Director-General, Budget and the Office of the Accountant General of the Federation (OAGF) shall be responsible for auditing, fund-sourcing and crediting the accounts of Marketers in line with the Government e-payment policy.

8. i. All claims from/payment into the Fund must conform to the objectives of the PSF.

ii. Payment to Marketers under the PSF Scheme shall be net of the applicable RET(M)B Bridging Allowance and the PPPRA Administrative charge and such deductions shall be paid directly to the respective accounts of each of the two organizations by the Office of the Accountant General of the Federation.

9. Submission of PSF claims closes on the 20th of every month. All claims received after the 20th of the month shall be treated in the next batch for the successive month.

10. On receipt of verified documents from the Operators, payment shall be due not later than 45 days.

The PSF guidelines have provided for the roles which the various

3.

stakeholders in the downstream petroleum sectors are to play in order to actualize the efficient implementation of the PSF, as follows:

1. Department of Petroleum Resources (DPR) is to:

1. Issue import permits OMC/TC which is valid for one year from the date of issue.
2. Verification and certification of the quantity of petroleum products imported/supplied by the Marketers
3. Analysis of the quality specification of the products

4. Monitoring of the products supply and distribution chain from the jetties to depots and to the retail outlets, 5.
Enforcement of the prices set by the Government
6. Provide the PPPRA with necessary information and data relating to products procurement, supply and distribution (both import and local productions),
7. Collaborate with the PPPRA and PEF(M)B on intelligence monitoring to check malpractices.

2. Independent Inspectors were to carry out the following functions:

1. Measurement and certification of the quantity imported (both on the vessel and in the shore tank at the jetty) - Products ullaging
2. Certification of the quality specification of the products
3. Ascertain the quantity of bunker fuel in the vessel to avoid adulteration and volume distortions.

3. Federal Ministry of Finance (FMF)/ Office of the Accountant General of the Federation are involved in the PSF as follows:

1. Confirmation of the quantity of petroleum products imported by a marketer and delivered at the jetty and into the shore tank. (FMF appointed Audit Consultants Akintola Williams DeSoitte and OlusolaAdekanola and Co. to assist in this respect).
2. Processing and approval of payment due to the Marketers
3. Issuing of Payment Mandate through the Office of the Accountant General of the Federation to the Central Bank of Nigeria.

4. **Federal Ministry of Finance Audit Consultants** were appointed by the Ministry to assist with its responsibilities under PSF scheme by undertaking the foiiowings:

1. Witness and confirm the quantity imported by the Marketer at the jetties and shore tanks.
2. Participate in products uliaging
3. Provide products statistics (supply & distribution) from jetties to depots and to the retail outlets.

5. Petroleum Products Pricing Regulatory Authority (PPPRA) shall perform the foiiowing responsibilities in line with its mandate under the PSF scheme:

1. Plan and programme the receipt and distribution of petroleum products to ensure uninterrupted products availability in the country based on

determined petroleum products supply gaps.

2. Deploy PPPRA staff to monitor and verify data on imported products reception and distribution at the jetties, refineries and depots nationwide.
3. Demand from refineries, monthly production volume on products basis and from the Operators, data on products supply and distribution.

4. Maintain a reliable databank on the activities of the Fund and the industry.
5. Collaborate with DPR on adherence to products specification and HSE standards.
6. Collaborate with PEF(M)B and other Stakeholders on products movements to ensure efficient products supply and distribution to every part of the country.
7. Collaborate with CBN/FMF on data exchange, FOREX allocation and reconciliation.
8. Embark on wide publicity and enlightenment programmes to educate Stakeholders and the public at large on the benefits of the initiative (i.e, the Petroleum Support Fund).
9. Collaborate with the PEF(M)B and DPR on intelligence monitoring to check malpractices and apply appropriate sanctions to the defaulters.
10. Perform conciliatory and mediatory roles among Stakeholders/Operators.
11. Set Regulations on holding of petroleum stocks and ensure compliance.

12. Ensure Security of Supply: This is achieved by collaborating with the NNPC and other Marketers to release their reserved stocks into the market in time of emergencies and supply gaps arising from the inability of the Marketers in fulfilling their obligation on products procurement and shortfall in refinery production.

13. From time to time review the PSF Guidelines in line with its statutory mandate.
14. Monitoring of products evacuation from the depots to the retail outlets covering bridging and local delivery
15. Monitoring of prices at the depot and retail outlets levels
16. Determination of appropriate price build-up subject to approval by the Government
17. Determination of industry operators margins subject to Government approvals
18. Determination of appropriate under and over recoveries in line with the approved Ex-depot prices and established Landing Costs,

6_a Algerian Navy

1. Issuance of clearance for vessels carrying imported products to enter the Nigerian waters.

7. Nigerian Customs Service

1. Issuance of clearance to discharge or Authority to unload petroleum products with the quantities stated.

8* Algerian Port Authority (NPA)

1. Issuance of clearance to allow the vessel to berth at the Jetty after necessary payment (Port dues are based on the size of ships and volume of products as stated in the Bill of Lading).
2. Vessel's berth scheduling

9. Central Bank of Nigeria (CBN): The CBN as the financial regulatory authority shall:

1. be the custodian of the PSF Fund
2. 'Issue Statement of Account of the Fund to the PPPRA on monthly basis.
3. Issue FOREX to importers subject to the prevailing import procedures/guidelines of CBN.
4. Manage the idle funds for security and maximum returns.
5. Render to the PPPRA monthly disbursement of FOREX to petroleum products importers.
6. Render to the PPPRA on monthly basis, the actual FOREX rates debited the Marketers' account by the commercial banks.
7. Confirmation of the payment to the importers from the PSF

encountered by delays in payment to importers of Petroleum Products, the payment system was improved through the introduction of the use of the Sovereign Debt Note (SDN) in the year 2010 administered by the DMO whose responsibility became as follows:

1. Ensure the issuance of the Sovereign Debt Note (SDN) to importers for the value of under-recovery approved by the PPPRA

2. Guarantee importers' payment within 45 days of the issuance of the

11. Petroleum Equalization **Fund Management Board (PEF(M)B)** shall:

1. Provide the PPPRA with regular data on products distribution (local and bridging),
2. Shall ensure bridged products are received and acknowledged at invoiced destinations and report defaulting Operators to the PPPRA for appropriate action.

3. Collaborate with the PPPRA and DPR on intelligence monitoring to check malpractices and report incidence to the PPPRA for necessary action.

12. INDEPENDENT CARGO INSPECTORS: These were introduced in December, 2011 to undertake the following:

1. Ascertain arrival volumes, discharges and truck-outs from jetties and depots (The names of independent cargo inspectors include Sayboit, GMO, Inspectorate, SGS, Vibrant, and, Intertek)

2. Establish the veracity of imports through Family Tree

13. Facilities/Depot Owners

1. Ascertain the volume discharged into the tanks and monitor their distribution through the closing and opening inventory stocks as well as appropriate means of ullaging.

14. Oil Marketing/Trading Companies **(OMC's/TC's)** shall:

1. Import, supply and distribute petroleum products nationwide.
2. Comply with rules and regulations set by the PPPRA concerning products scheduling, shipment to jetties, products transportation through pipeline network/trucks/rail to storage depots and evacuation to retail outlets.
3. Submit on a monthly basis, data on products supply and distribution.
4. Allow PPPRA Operatives to monitor products movements from jetties to the depots and from depots to retail outlets.
5. Furnish PPPRA with three (3) spiral-bound copies of the import

contained in Appendix II of the PSF Guidelines.

The detailed breakdown of the operators (OMC/TC) and their categorization In terms of storage capabilities are listed In subsequent section of this report for Premium Motor Spirit (PMS),

15(a) In accordance with PSF Guidelines the responsibilities stakeholders and their roles have already been indicated per above,

(b) Under the PSF Scheme the PPPRA has a pricing template as follows:

PPPRA PRICING TEMPLATE (PRICE BUILD-UP COMPONENTS):

1. Product Cost ($/MT)

This is the monthly moving average cost of refined petroleum products (PMS, AGO, DPK) as quoted on **PlattOilgram. The reference spot market is North West Europe (NWE) and the transaction is CIF Cargoes (Cost, Insurance & Freight) basis for AGO and DPK, FOB Barges (Free on Board) basis for PMS. The NWE market is adopted because of its liquidity and transparency.

Piatt is the leading global provider of energy and metals information, and the world's foremost source of price assessments in the physical energy markets. Its Oilgram Price Reports is the daily report that covers markets changes, market fundamental and factors driving prices.

2. Conversion Rate

The conversion rate from Metric Tons to Litres based on the Specific Gravity of AGO is 1164; DPK is 1232 and PMS is 1341. The conversion factors may be altered depending on the Specific Gravity of the products approved by the DPR.

3. Exchange Rate

This is the average exchange rate of Naira to a Dollar as quoted by Central Bank of Nigeria (CBN) on daily basis.

4. Freight

This is the average clean tanker freight rate (World Scale (WS) 100) as quoted on Platts. It is the Cost of transporting 30, OOOmt (30kt) of

product from NWE reference market to West Africa (WAF) coast (Lagos/Bonny offshore).

5. **Lightering Expenses**

Ship-to-Ship (Transshipments)/Local Freight charge is the cost incurred on the trans shipment of imported petroleum products from the Mother Vessel into Daughter Vessel to allow for the onward movement of the product into the Jetty, This charge includes receipt losses of 0.3% in the process of products movement from the high sea to the Jetty and then to the depot and the NIMASA inspection charge. Also included in the Lightering Expenses is the Shuttle vessel's Chattering Rate from Offshore Lagos/Bonny to the different jetties in the country. Transshipment (STS) process is as a result of peculiar draught situation and inadequate berthing facilities at major Ports/Jetties - Apapa, Calabar and Port Harcourt. It should be noted that vessels discharging at different Jetties undergo STS at the offshore either Lagos or Bonny except Folawiyo and Atlas Cove Jetties.

6. Nigeria Port Authority **(NPA)** Charge

It is the cargo dues (harbor handling charge) charged by the NPA for use of Port facilities. The charge includes VAT and Agency expenses. The NPA charge is based on the quantity of products and the length of the ship - Length Overall (LOA)

7. Financing

It refers to stock finance (cost of fund) for the imported product. It includes the cargo financing based on the International London Inter bank Offered Rates (LIBOR) rates covering 21 days and the Nigerian Inter bank Offered Rate

(NIBOR) for 9 days. The financing of the component of subsidy claims being paid through the PSF covering 45 days is also added based on the prevailing NIBOR rates. The LIBOR is normally between 30 - 90 days e.g. 30-day, 60-day and 90-day LIBOR.

8. Jetty Depot Thru. **Put**

This is the tariff paid for use of facilities at the Jetty by the Marketers to move products to the storage depots.

9. Pipeline Charge

Product Pipeline Margin is for pipeline charges. The Charge is based on N.50/Litre fixed charge for pipeline length not less than 10km and variable charge subject to a maximum charge of N1.50 for 1000 km pipeline length *{only NNPC is entitled to claim the charge when product is moved between Atlas Cove and Mosimi*$_r$ Satellite town, Ibadan).

10. Storage charge

Storage Margin is for depot operations covering storage charges and other services rendered by the depot owners

11. Landing Cost

It is the cost of imported products delivered into the Jetty depots. It is made up of components highlighted above (1, 4, 5, 6, 7, 8 and 10).

12. **Distribution Margins**

These include Retailers, Dealers, Transporters margins, Bridging fund and Administrative charge as approved by the Government.

13. Taxes

These include highway maintenance, government, import and fuel taxes. It has the overall objective of revenue generation, social infrastructure investment. It also servicing and efficient fuel usage. Presently importation of PMS under the PFS Scheme attracts zero taxes.

14. Retail Price

This is the expected pump price of petroleum products at retail outlets. It is made up of landing cost of imported product plus reasonable distribution margins.

NOTE: Pump prices of the products are expected to be uniform because of equalization and bridging claims paid by the Petroleum Equalization Fund,

16. ELIGIBILITY FOR DRAWING **FROM THE PFS FUND**

Oil Marketing/Trading Companies are expected to meet the Rules and Regulations set by the PPPRA on the management/administration of the Petroleum Support Fund (PSF) as follows:

1. Applicant must be an Oil Marketing/Trading Company registered in Nigeria with the Corporate Affairs Commission (CAC) to conduct petroleum

products business,

2. Beneficiary/Claimant must possess the following:

i. Proof of Ownership or a valid through-put agreement of storage facility with a minimum of 5,000 metric tons for the particular product. Ownership of retail stations is an added advantage.

ii. Possession of a valid DPR import permit.

3. Having satisfied 1 and 2 above, an applicant shall submit application for participation in the Scheme to the PPPRA.

4. Successful applicants shall sign an Agreement with the PPPRA to become a participant under the Scheme.

5. Approval to import shall be expressly conveyed by the PPPRA to the Participant Importer.

6. Beneficiary/Claimant must notify PPPRA within a minimum of three (3) days ahead of cargo arrival in the country and furnish the PPPRA with the relevant documents including copies of invoices, bills of lading, source of funding and expected date of arrival for documentation.

7. The product loading and arrival time must be within a maximum of 30 days and must meet products specification by the DPR.

8. All approvals for importation are valid for a maximum of three months based on the current PPPRA quarterly importation plan.

9. Deliveries must be made to depot locations approved by the DPR and witnessed by PPPRA Operatives, External Auditors and the Industry Consultant (Independent Inspectors).

10. All documents forwarded to the PPPRA must contain shore tank report duly signed by PPPRA Representatives at discharge locations.

11. (i) All out-turn deliveries to approved locations must be through invoices at approved ex-depot prices.

ii. Marketers shall, render out-turn delivery returns which must contain the invoiced ex-depot prices and volumes to the PPPRA as part of conditions for continued participation in the Scheme.

17. The Checklist expected from the importers Includes the following;

1. Original PPPRA Import permit
2. Evidence from the Bank showing the amount paid on the Transaction and quantity verifiable with Central Bank of Nigeria (CBN).
3. Letter of Credit for the Transaction/Bill of collection (bill of exchange)
4. Letter of affirmation of discharge from the depot.
5. A final Invoice relating to the Transaction

6. Witness Page
7. PPPRA approval page
8. Guarantee page
9. Notification of nomination of vessel
10. DPR import permit
11. Maritime Insurance
12. Form M
13. Proforma invoice
14. Bill of Lading
15. Certificate *of origin*

16. Cargo Manifest

17. Ullage Report (port of origin)

18. Certificate of quantity (load port) 19=

Certificate of quality (load port)

20. Notice of readiness (load port)

21. Vessel ullage report on arrival before discharge to shuttle vessel . *22.*

Vessel ullage report after discharge (ROB) of Mother vessel

Vessel survey report after loading (mother vessel 61 *shuttle vessels* (if any)

24. Vessel survey report before discharge (mother vessel and shuttle vessels (if any)

25. Time log of discharge

26. Vessel experience factor

27. Tank inspection report

28. Bunker survey report

29. Cargo pumping log

30. Letter of protest (if any)

31. Notice of readiness at discharge port

32. Transfer of Certificate

33. Certificate of quantity at discharge port

34. Certificate of quality at discharge port

35. Shore tank report

36. DPR Vessel report

37. Nigeria Customs Service Clearance

38. Nigeria Navy Clearance

18 INTRODUCTION OF SOVEREIGN DEBT NOTE *(SDH)* AS THE

MEDIUM FOR PAYMENT UNDER THE PSF SCHEME

RE: PROCEDURES AND MODALITIES (ADOPTED BY IMMEDIATE PAST BOARD OF PPPRA

18.2 In order to ease the delay experienced in the subsidy settlement and the attendant negative effects such as foreign exchange differentials/interest rates demand by Marketers, the government after consultation with Stakeholders approved the alternative subsidy settlement approach in March, 2010

18.3 Instruments (SDIs) as alternative import financing instruments to enhance private sector participation in Products Supply and

Distribution. This is to guarantee timely payment of subsidy, thereby enabling Marketers to access financing support from banks.

18.3 The required modalities for implementation of the initiative was worked out in conjunction with the Federal Ministry of Finance, Budget Office of the Federation, Centra! Bank of Nigeria, Office of the Accountant General of the Federation, Debt Management Office, Marketers Association and PPPRA. The ultimate objective of government is the attainment of seamless supply of petroleum products in the system.

18.4 The Sovereign Debt Note (SON), as backed by government, is a promissory note introduced to ensure timely settlement of the subsidy liabilities to participants under the Petroleum Support Fund (PSF) scheme.

The government guarantees prompt settlement of legitimate petroleum product supply transactions on approved volumes within the 45-days window by means of the Sovereign Debt Note (SDN) and Sovereign Debt Statement (SDS).

18.5 SUNNARY OF THE POST-SDN SUBSIDY PROCESS:

The PSF payment has always been based strictly on the Federal Government appointed Auditors Report. The aim is to continually ensure the transparency of payments made under the Scheme. At the beginning and up till February, 2010, payments to eligible

Marketers were effected **post-audit** of the PPPRA recommended subsidy sum to the Federal Ministry of Finance.

However, with the introduction of this alternative payment approach **(Sovereign Debt Note)** by the Government to minimize the turnaround processing time for subsidy payment, it became compelling to settle subsidy claims **pre-audit.** The mechanism occasionally leaves variations between, the **PPPRA** subsidy recommendations and the **approved Federal Government appointed Auditor's report.** The variations are resolved by issuance of **Debit Note** against any Marketer found to have claimed in excess of the Auditors recommended subsidy since the Agency ensures that the Government is fully iradernnified against overpayment to any Marketer by the terms of the initial Legal Agreement.

18.6 **The steps can be** summarized as follows:

a. Notification to import by the Marketers.
b. Registration by the Marketer to participate in the PSF Scheme.
c. Approval to import given by the PPPRA based on the level of products availability and other relevant and critical factors deemed appropriate by the Agency.
d. Witnessing and confirmation of the discharge of the imported cargo by PPPRA staff, Federal Ministry of Finance Appointed Auditors (Akintola Williams Deloitte and Olusola Adekanlola and Co.), DPR, the independent inspectors and the Nigerian Navy at the jetties.
e. Processing of the import documents and determination of under or over recovery (as applicable) by the PPPRA on the basis of volume endorsed by the DPR and Independent Inspectors and the published Piatt product prices for the period of the imports.
f. Submission of the verified documents and subsidy claims to the Federal Ministry of Finance (FMF) by PPPRA.
g. Submission of documents of subsidy claims to the FMF Appointed Auditor (Akintola Williams Deloitte and Olusola Adekanlola and Co.) by the FMF through the Budget Office of the Federation (BOF).
h. Sovereign Debt Statement is issued to Marketers by PPPRA based on verified volumes.
i. Debt Management Office (DMO) prepares Sovereign Debt Note and notifies CBN and PPPRA.
j. Central Bank of Nigeria (CBN) redeems matured obligations to

Marketers within 45 days,

k. Federal Ministry of Finance (FMF) sources funds and coordinates subsidy settlement

l. Verification/Auditing of Marketer's subsidy claims by FMF Auditors (Akintola Williams Deloitte and Olusola Adekanlola and Co.)

m. Submission of Audited Report on subsidy claims to the FMF by the Auditors (Akintola Williams Deloitte and Olusola Adekanlola and Co.)

n. FMF reconciles payments to Marketers against the Auditor's report and advices PPPRA appropriately.

NOTE: The immediate past Board of the PPPRA led by Sen. Ahmadu All, FSS, CON, GCON, increased the number of participants in the Scheme from 49 to over 128. This increase, no doubt brought along with it some of the challenges which the Authority never anticipated.

CHAPTER FIVE

5. ASSOCIATED INFRASTRUCTURES A. REFINERIES

1.1 Nigeria has the following Refineries and their installed capacities are indicated beside each one as follows:

INSTALLED CAPACITY OF DOMESTIC REFINERIES (BPSD)

OPERATORS	LOCATION	INSTALLED CAPACITY (BARRELS)
HUPC	WARRI	125,000 MT
NNPC	PORT HARCOUT (OLD)	60,000 MT
MHPC	PORT HARCOUT (NEW)	150,000 MT
NNPC	KADUNA	110,000 MT
NDPR	OGBELE	1,000 MT
TOTAL INSTALLED DOMESTIC CAPACITY		446,000 MT

B, TANK FARMS

2.1 Listed below, are the detailed breakdown of the operators and their categorization in terms of storage capabilities for Premium Motor Spirit (PMS).

DEPOT OWNERS AND THEIR PMS STORAGE CAPACITIES

S/N 0	NAME OF COMPANIES	ADDRESS	STORAGE CAPACITIES
1	A-Z Petroleum	Docyard Road, Apapa - Lagos	Nil
2	Acorn Pic ,	Ibru Yard, Ibafo, Apapa - Lagos	6,000,000L
3	AITEO Energy Resources Ltd	-Abonema Warf, Port Harcourt, Rivers State -5/7, Dockyard Road, Apapa, Lagos	95,000MT 210,000 MT
4	Aquitane Oil and Gas Ltd.	-Ibru Yard, Ibafor, Apapa, Lagos	Nil
5	Ascon Oil Company Ltd.	Ibru Yard, Ibafor, Apapa - Lagos	12,700,000L
6	Avidor Oil and Gas	Abonnema, Whalf Road, PH, Rivers State	52,551,055 L
7	Bovas and Company Ltd	Mosheshe Industrial Area,	10,000,000 L

		Kirikiri Town, Water Front, Lagos	
8	Capital Oil and Gas Industries Ltd	Ibru Jetty Complex, Ibafor Lagos State.	49,618,400L
9	Cita Bulk Storage Facilities Ltd	Port Harcourt International Airport, Omagwa, Rivers State	Nil
10	Cleanserve Integrated Energy Solutions Limited	Murtala Mohammed Airport, Domestic Wing, Ikeja - Lagos	Nil
11	Conoil PLC	1. Apapa - Lagos (23,668,849 L). 2. Murtala Mohammed Airport Domestic Wing, Lagos 3. Reclamation Road, Port Harcourt Rivers State. (19,753,917 L) 4. Nnamdi International Airport, Abuja.	43,422,766 L
12	Cybernetics International Services Ltd.	Along Oghara - Oghareki Road, Oghara, Delta State	6,4000,000 L
13	Dee Jones Petroleum	Beachland Estate, Apapa,	13,500,000 L

	Company	Lagos.	
14	Delmar Petroleum Company	Delmar Jetty, Off Rumuopirikom/Rumuolumeni Road, Iwofe	Nil
15	Eco Aviation Fuel Support Services Limited (Formerly Sahara)	Murtala Mohammed International Airport, Ikeja - Lagos	Nil
16	Empire Energy Ltd.	Dumez Luxirious Park, Kaduna - Abuja Expressway Abuja, Suleja	Nil
17	Energy Destinations Limited	Dockyard Road, Apapa, Lagos	'Nil
18	Eres N.V. Nigeria Ltd,	Along Apapa - Oshodi Express Way, Ibru Yard, Ibafon, Lagos	Nil
19	EternaPic	Ibru Port Complex, Ibafon, Apapa L.G.A, Lagos	9,630,000 L
20	Eurafric Oil and Coastal Service Limited	Dockyard Road, Apapa, Lagos	Nil
21	Ever Oil and Gas Limited	Calabar Free Trade Zone, Cross River State.	12,544,000 L 1
22	Fatgbems International Ltd	Kirikiri Lighter terminal II, AmuwoOdofin, LGA, Lagos.	12,000,000 L

23	First Deepwater Discovery Ltd.	Ijegun Waterfront, Satellite Town, Lagos	7,300,000 L
24	First Nigerian Independent Oil Company Ltd	Ibru Yard, Ibafon, Apapa, Lagos	17,000,000 L
25	Folawiyo Energy Limited	27, Creek Road, Apapa, Lagos	Nil
26	Forte Oil Pic (Former AP)	2 AP/Conoil Road, Naval Dockyard, Apapa, Lagos (13,500,000 L)	18,500,000 L
27	Forte Oil Pic Aviation	Aviation Terminal Depot, Murtala Mohammed International Airport, Ikeje - Lagos	
28	Forte Oil Pic	Federal Light Terminal, Onne, Rivers State (5,000,000 L)	
29	Fresh Synergy Ltd	UbioOkpuk/NtanAfia, IkotAbasi LGA, Akwalbom State.	13,120,000 L
30	Grand Petroleum and Chemicals	Calabar Free Trade Zone, Cross River State.	Nil
31	Gulf Treasures Limited	Along Apapa - Oshodi Express Way, Ibru Yard, Ibafon, Lagos	17,800,000 L
32	Hensmor Nigeria Limited	Railway Compound, Dockyard Road, Apapa	Nil

33	Hyden Petroleum Company Limited	PHCN Compound, Dora, Apapa, Lagos	4,856,883L
34	Honeywell Oil and Gas Limited	Imesco Jetty, Marine Road, Calabar (4,600,000L)	16,895,322 L
35	Honeywell Oil and Gas Limited	Kayode Street, Apapa, lLa'gos (12,295,322 L)	
36	Ibafon Oil FZE	Calabar Free Trade Zone, Cross River State.	18,086,000 L
37	Ibafon Oil Limited	Ibru Yard, Ibafon, Apapa, Lagos Nil	Nil
38	Ibeto Petrochemical Industries Limited	Ibru Yard, Ibafon, Apapa - Lagos	Nil
39	Index Petrolube Africa Limited	Mosheshe Industrial Area, Kirikiri Town, Water Front, Lagos	3,015,930 L
40	Integrated Oil and Gas	Ibru Yard, Ibafon, Apapa, Lagos	52,000,000 L
41	Kings Crown Oil and Gas Limited	Calabar Free Trade Zone, Cross River State	5,000,000 L
42	Lister Oils Limited	21 Creek Road, Apapa, Lagos	16,000,000 L
43	Logistics and Petroleum Services Limited (Aviation)	NnamdiAzikiwe International Airport, Abuja.	Nil

44	Lubcon Ltd	Marina Road, Calabar, Cross River State.	Nil
45	Masters Energy Oil and Gas Limited	Aker Base, Oduoha Village, Rivers State	67,698,000 L
46	Matrix Energy	Ijalla Village, Warri, Delta State	20,000,000 L
47	Mobil Oil Nigeria PLC	Murtala Mohammed International Airport, Ikeja	Nil
48	Mobil Oil Nigeria	1, Mobil Road, Apapa, Lagos	22,500,000 L
49	Motifs Nigeria Ltd.	1, POI Reserve Mando Road, Kaduna	1,800,800 L
50	MRS Oil and Gas	2 Tincan Island Port Road, Apapa, Lagos (47,000,000L)	57,170,000 L
51	MRS Oil and Gas Company Ltd (Aviation)	Murtala Mohammed Airport, Domestic Wing, Ikeja - Lagos	
52	MRS, Oil Nigeria PLC	7, ASapata Road, *Dockyard, Apapaf Lagos* (10,170,000 L)	
53	NIPCO Pic	Dockyard Road, Apapa, Lagos	22,500,000 L
54	Northwest Petroleum and Gas	Calabar Free Trade Zone, Cross River State (21,000,000 L)	47,840,000 L

55	Northwest Petroleum and Gas	Calabar Free Trade Zone, Cross River State (26,840,0001	
56	OANDO Pic (Aviation)	NnamdiAzikiwe International, Airport, Abuja	66,000,000 L
57	OANDO Pic (Terminal I)	Marine Beach, Apapa (16,000,000 L)	
58	OANDO Pic (Terminal II)	Marine Beach, Apapa	
59	OANDO Pic	Federal Lighter Terminal, Onne, P.H (15,000,000 L)	
60	OANDO Pic	Murtala Mohammed Internationa! Airport, Ikeja	
61	OANDO Pic	2, Reclamation Road, Port Harcourt, Rivers State, (35,000,000 L)	
62	Obat Oil and Petroleum	Beachland Estate, Apapa, Lagos	21,600,000 L

63	Oilforce Nig. Ltd	1 Capital Oil Close, Westministerlbru Jetty Complex, Ibafon, Lagos State.	7,000,000 L

64	Oryx Fze	Calabar Free Trade Zone, Cross River State.	10,600,000 L
65	PETROLEUM PIPELINES AND PRODUCT MARKETING COMPANY	Nationwide	3,388,210,830
66	Petroleum Warehousing and Supplies Limited	Federal Ocean Terminal (FOT) Onne, Rivers STate	Nil
67	Petrolog Nigeria Ltd	9, Reclamation Road, Port Harcourt, Rivers State.	Nil
68	Petrostar Nigeria Limited	Aker Base Road, Rumuolumeni, Port Harcourt	21,600,000 L
69	Rahamaniyya Oil and Gas Ltd	Beachland Estate, Apapa - Lagos	40,000,000 L
70	Rainoi! Ltd	Along Oghara Ajagbodudu Road, OghareS<i, Delta State.	16,5OO,000L
71	Ringardas Nig. ltd	PHCN Power Station, New Ogorode Road, Sapele, Delta State.	33,000,000 L

72	Sahara Energy Resources Nig. Ltd	Ibru Yard, IbafonApapa (6,000,000 L)	6,000,OOO
73	Sahara Energy Resources Nig. Ltd	Port Harcourt International Airport, Omagwa, Rivers State	L 6,000,000

74	Sea Petroleum and Gas	Ibru Yard, Ibafon, Apapa, Lagos	Nil
75	Shorelink Oil and Gas	Abonnema Waterside, PH	14,000,000 L
76	Spog Petrochemicals Ltd	Along Apapa OshodiExpress Way, Ibru Yard, Ibafon Lagos	6,200,000 L
77	Swift Oil	Mosheshe Industrial Area, Kirikiri Town, Water Front, Lagos	7,847,547 L
78	Techno Oil Ltd	Mosheshe Industrial Area, Kirikiri Town, Water Front, Lagos	26,840,000 L
79	Tempogate Oil and Energy Company Limited	Calabar Free Trade Zone, Cross River State.	12,600,000 L
80	Tonimas Nigeria Ltd	Federal Ocean Terminal (FOT) Onne, Rivers State.	586,000 L
81	Top Oil and Gas Development Company Limited	Aumtco Premises, Northern Bye-pass, Maitama, Abuja,	Nil

81	Total Nigeria Pic	Ibru Yard, IbafonApapa - Lagos (13,647,000 L)	51,160,965 L
82	Total Nigeria Pic	Koko Plant, Koko, Delta	
83	Total Nigeria Pic (Joint Venture with Oando)	Marine Beach, Apapa, Lagos (18,885,966 L)	

84	Total Nigeria Pic (terminal II)	6, Bonny Road, Apapa, Lagos (18,627,999 L)	
85	Total Nigeria Pic (Juhi)	Murtala Mohammed International Airport, Ikeja	
86	Total Nigeria Pic (Aviation)	NnamdiAzikiwe International Airport, Abuja :	
87	T-Time Petroleum Services Ltd	Ibru Yard, Ibadon, Apapa	6,309436 L
88	West African Bitumen Emulsion Company	Wharf, Apapa	Nil
89	Zenon Petroleum and Gas Limited (Terminal I)	Ibru Jetty, Ibafon, Apapa	44,000,000 L
90	Zenon Petroleum and Gas Limited (Terminal II)	Ibru Jetty, Ibafon, Apapa (44,000,000 L)	

C. RETAIL OUTLETS

i. These are the breakdown of Retail Outlets for petroleum products in all the States of the Federation, (a total of 24,226 outlets), namely:

S/N	STATE	NOS OF PETROL STATIONS

1	**ABIA**	**778**
2	**ABUJA**	**303**
3	**ADAMAWA**	390
4	**AKWA-IBOM**	**784**
5	**ANAMBRA**	695
6	**BAUCHI**	385
7	**BAYELSA**	**68**
8	**BENUE**	635
9	**BORNO**	913
10	**CROSS RIVER**	550
11	**DELTA**	**742**
12	EBONYI	190
13	EDO	465
14	**EKITI**	210
15	ENUGU	697
16	GOMBE	291
17	XMO	867
18	JIGAWA	298
19	KADUNA	1,126

20	KANO	1,034
21	KATSINA	442
22	KEBBI	526
«EHIH?	SCOGI	385
24	ICWARA	827
25	LAGOS	1,751
26	NASSARAWA	348
27	NIGER	522
28	OGUN	2,207
&a DP	ONDO	743
30	OSUI^	970
31	OYO	1,657
32	PLATEAU	552

33	**RIVERS**	**719**
34	**SOKOTO**	**337**
35	**TARABA**	**336**
36	**YOBE**	**276**
37	**ZAMFARA**	**207**
		24,226

The Storage **Capacities Of** These Petrol Stations are **as** follows:

		29,177,	24,850,200
12,646,454			
	25,719,300	13,647,500	
	49,795,872		24,451,680
		26,015,630	20,959,520
	18,504,760	10,048,712	8,787,650
	4,340,000	1,968,500	1,928,500
BENUI	25,675,520	14,492,310	
30,811,220			
RIVER		18,477,850	17,951,
DELTA	49,500,660	27,116,170	23,025,730
EBONYI	11,618,300		

EDO	30,856,165	17,759,200	14,039,120
EKITI	12,556,050	6,125,130	5,902,800
ENUGLJ	48,573,984	26,503,070	20,895,674
GOMBE	19,933,000	10,095,680	9,733,500
IMO	59,901,715	30,575,725	26,456,640
JIGAWA	16,373,440	10,005,000	9,183,660
KADUNA	70,759,330	39,751,540	36,362,840
KANO	79,580,960	38,167,847	34,625,430
KATSINA	29,049,100	15,383,680	13,743,690
KEBBI	34,305,050	17,691,580	17,087,000
KOGI	23,171,680	12,733,940	11,509,740
KWARA	50,284,270	27,770,170	24,534,512
LAGOS	169,807,560	71,265,920	61,124,360
NASSARAWA	22,785,410	12,839,140	11,111,900
NIGER	32,581,650	19,094,040	17,042,890
OGUN	154,337,200	85,435,880	76,831,640
ONDO	41,730,770	19,320,690	19,945,330
1 OSUN	57,487,320	30,012,060	29,628,230
OYO	103,064,060	53,699,860	50,010,120
PLATEAU	39,437,558	19,828,191	17,038,470
RIVERS	59,842,122	28,720,160	26,086,170
SOKOTO	23,148,000	11,935,000	11,248,000
TARABA	21,308,314	12,290,612	10,858,000
YOBE	15,557,100	9,341,700	8,486,900
ZAMFARA	14,212,910	6,774,500	6,505,320

D. JETTIES

JETTY & RECEIVING DEPOTS

S/N	JETTY NAME	JETTY LOCATION	RECEIVING DEPOT
LAGOS STATE			
1	New Atlas Cove Jetty (NACJ)	Apapa	Atlas Cove
2	Single Point Mooring (SPM)	Apapa	Atlas Cove
3	Apapa Jetty [New Oil Jetty (NOJ), Petroleum Wharf Apapa Jetty (PWA), Bulk Oil Petroleum Jetty (BOP)]	Apapa	MRS Oil and Gas PEc, Dockyard
			NipcoPIc
			ConoilPSc
			Oando Terminal I
			OandoTerminal.il
			Totai/OandoJV
			Honeywell Oil and Gas limited
			Total Terminal 1
			Mobil Oil Nigeria Pic
			Aiteo Energy Resources
4	Apapa Jetty (Wazirs)	Apapa	NipcoPIc
			Eurafric Coastal Services Limited
			Hensmor Limited
			Energy Destinations Limited
			A-Z Petroleum Products Limited
5	Ibafon Jetty	Ibafon, Apapa	Acorn Pic
			Eres N. V. Nigeria Limited
			Total Pic, Ibafon
			Zenon (Terminal I)

			Zenon (Terminal II)
			EternaPlc
			Ascon Oil Company Limited
			Gulf Treasures Limited
			Sea Petroleum Oil and Gas Ltd
			Ibafon Oil Limited
			Ibeto Petrochemicals
			Aquitane Oil and Gas Limited
			SPOG Petrochemicals Limited
			T-Tirne Petroleum Services Ltd
			Sahara Energy Resource Ltd
6	Capital Jetty	Ibafon, Apapa	Capita! Oil & Gas Industries Ltd
			Oil Force Nigeria Limited
			First Nigerian Independent Oil Company Limited
7 '	Bovas Jetty	Kin kin, Apapa .	Bovas and Company- Limited
8	Dee Jones Jetty	Beacnland, Apapa	Dee Jones Petroleum and Gas Limited
9	Fatgbems Jetty	Kirikiri, Apapa	FATGBEHS PETROLEUM COMPANY LTD
10	First Deepwater Jetty	Ijegun, Apapa	First Deepwater Discovery Limited
11	Folawiyo Jetty	Creek Road, Apapa	Folawiyo Energy Limited
12	Hey den Jetty	Ijora, Apapa	Heyden Petroleum Company Ltd
13	Index Jetty	Kirikiri, Apapa	Index Petrolube Africa Limited
14	Integrated Oil Jetty	Ibafon, Apapa	Integrated Oil and Gas Limited
15	Lister Jetty	Creek Road, Apapa	Lister Oils Limited

16	MRS Jetty	Tin-Can, Apapa	MRS OH & Gas Company Ltd
17	Obat Jetty	Beachland, Apapa	Obat Oil and Petroleum Limited
18	Rahamaniyya Jetty	Beachland, Apapa	Rahamaniyya Oil aod Gas Limited
19	Swift Oil Jetty	Kirikiri, Apapa	Swift Oil Limited
20	Techno Oil Jetty	Kirikiri, Apapa	TECHNO OIL LTD
21	Berth 20	Apapa	WEST AFRICAN BITUMEN EMULSION COMPANY
RIVERS STATE			
22 '	Federal Ocean Terminal (FOT) Jetty	Onne	OandoPLc Forte Oaf Pic (Aviation)
23	Federal Lighter Terminal (FLT) Jetty	Uniis	Petroleum Warehousing Ton I mas Sea Petroleum Oil and Gas Ltd
24	**Macobar Jetty**	**Reclamation Road, Port Harcourt**	**ConoilPlc** **OandoPlc** **Petrolog Nigeria Ltd**
25	**Avidor Jetty**	**Abonnema Wharf Road, Port Harcourt**	**Avidor Oil and Gas Limited**
26	**Delmar Jetty**	**Rumuolumeni, Port Harcourt**	**Delmar Petroleum Company Limited**
27	**Masters Jetty**	**Rumuolumeni, Port Harcourt**	**Masters Energy Oil and Gas Limited**
28	**Petrostar Jetty**	**Rumuolumeni, Port Harcourt**	**Petrostar Nigeria Ltd.**
29	**NPA Jetty**	**Abonnema Wharf Road, Port Harcourt**	**SHORELINK OIL AND GAS**

			Gas Company Limited (Terminal I)
			Northwest Petroleum and Gas Company Limited (Terminal II)
			Oryx FZE
			Tempogate Oil and Energy Company Limited
32	Honeywell Jetty	Marina Road, Calabar	Honeywell Oil and Gas Limited
33	Lubcon Jetty	Marina Road, Calabar	Lubcon Limited
34	PPMC Jetty	Calabar	PPMC Depot
DELTA STATE			
35	Cybernetics Jetty	Oghara	Cybernetics International Services Ltd

36	Matrix Jetty	Oghara	Matrix Energy Limited
37	Rainoil Jetty	Oghara	RAINOIL LTD
38	PHCN Jetty	Sapele	RINGARDAS *NIG* LTD
39	Total Jetty	Koko	TOTAL NIGERIA PLC
40	Refinery Jetty	Warn	PPMC Depot
	AKWAIBOM STATE		
41	Fresh Synergy Jetty	Akwalbom	FRESH SYNERGY LTD

E. BARC3ES

APPLICATIONS FOR COASTAL VESSEL LICENSE (BARGES)-2Q12

NAME	OWNER	CAPACITY (MT)	DEADWEIGHT (MT)
i— DESIRE	RUNNER MARINE LTD	2,974	6,016
DESIRE II	RUNNER MARINE LTD	4,272	8,047
DERAI	RUNNER MARINE LTD	3,808	6,178
DERAII	RUNNER MARINE LTD	2,674	6,279
MARVEL I	RUNNER MARINE LTD	4,746	9,179
PRAISE I	RUNNER MARINE LTD	2,432	5,1!?2
PRAISE II	RUNNER MARINE LTD	2,440	5,688
MNEMOSYNE	SAJE SHIPPING NIGERIA LTD	4,393	X JL,^£r<3€?
SAJE 460	SAJE SHIPPING NIGERIA LTD	8,926	24,150
HERA	SAJE SHIPPING NIGERIA LTD	5,811	14,948
KIRI KIRI	SAJE SHIPPING NIGERIA LTD	6,574	16,409

DEMETRA	SAJE SHIPPING NIGERIA LTD	2,191	16,424
S215	SAJE SHIPPING NIGERIA LTD	10,379	25,932
RHEA	SAJE SHIPPING NIGERIA LTD	4,398	11,409
HESTIA	SAJE SHIPPING NIGERIA LTD	6,574	16,409 .
ENERGY 7001	RINGARDAS NIGERIA LTD	3,186	
ENERGY 6503	RINGARDAS NIGERIA LTD	2,897	7,835

F. PORTS

The following are designated Customs Ports in Nigeria, namely:

i. Apapa Port
i. Tin Can Island Port
ii, KLT Kirikiri Lighter Terminal
iii. Port Harcourt Port
iv. Onne Port
v. Sapele
vi. Warri Port
vii. Koko Port
viii. Calabar Port

CHAPTER SIX

OBSERVATIONS AND FINDINGS

This Chapter embodies the Committee's specific findings of facts in. respect of the entire subsidy regime. While Section A focuses on findings in respect of government agencies that were the managers or regulators of the process, Section B relates to Marketers/ while Section C relates to Marine forensics which relied heavily on findings by Lloyds List Intelligence of London and other maritime experts engaged by the Committee, while Section D relates to forensics on issue of finances.

Government Agencies.

SECTION A:

Government Agencies

PETROLEUM PRODUCTS PRICING REGULATORY AUTHORITY (PPPRA)

Findings:

1. **Making Payment to is Itself:** The PSF account was registered in the with the name of PPPRA. After ail verifications and final authorisation given to it, CBN effected

payment to beneficiary marketers from the account. However, we discovered that some payments were made to PPPRA: as ultimate beneficiary. These payments were higher than what should have accrued to the Agency as administrative fee, when weighed against any figure of total volume of products discharged within a given period. Thus, in 2009 the Agency approved payment to itself a total sum of N158.470 Billion and N157.894 Billion in 2010.

2, **Failure of Monitoring and** Verifications Pursuant to its statutory mandate as well as its responsibilities under the PSF Scheme, PPPRA deployed its staff to monitor and verify data on petroleum products reception and distribution at jetties and depots. However, we observed that there was massive collusion between PPPRA staff and some oil marketers as to defeat the envisaged purpose of the monitoring and verification.

The Agency is statutorily mandated to "prevent collusion" in the industry, per Section 5 (vi) of the PPPRA mandate under the PSF Guidelines. The Agency witnessed and confirmed all purported discharges of imported cargo and went ahead to process all the documents to the Federal Ministry of Finance (FMF), yet false claims were rampant.

Apparently, the Agency never believed in the Regulations it set or, at best, pursued it with nonchalance. Failure of the Agency to achieve the objective of verification resulted in certain marketers taking maximum advantage of the situation. Section B of this Chapter attests to this failure.

2. **Proliferation of Marketers** The PPPRA Board Chairman (2009 -

2011) Senator Dr. Ahmadu All, GCON, fss, admitted before the Committee that the Board under his Chairmanship decided to proliferate petroleum product

importers to allegedly break the stranglehold which major marketers had on the system. He also explained that the increase in number was meant to flood the market with the products as a result of the scarcity at that time. This was done without setting a target volume, leading to supply glut in the quarter and throughout the year. The figure then became a baseline Which was increased at every successive year.

This carte blanche for entrants was the singular most devastating decision of the Agency. The PSF guidelines on prequalification and monitoring completely broke down and the Scheme became an avenue for all forms of patronage. The number of importers increased from an initial figure of 6 in 2006, 36 in 2007, 49 in 2009, and 140 in 2011.

A representative example was that of two promoters who allegedly received an e-mail and came in from the USA with a proposal of waste management with NNPC Instead, the two promoters came together and incorporated Eco-Regen Ltd. on 3rd August 2010 with corporate address as 3rd Floor, UAC Building, Central Business District Wuse Abuja, applied for PPPRA registration on lith September, got its first allocation of 15,000 mt on 20th January,2011 and was paid One Billion, Nine hundred and eighty-eight million ,one hundred and forty-one thousand, ninety-one naira, ten kobo (Nl,988,141,091.10) as subsidy for products NOT supplied.

4. The Committee established that the Executive Secretaries that served between 2009- October 2011 created room for the

violation of the
processes, abuse of the procedure, and fraudulent increase in the number of importers.

5. **Deliberate Non-reversal of devastating policy of** Marketer **Proliferation:**

Despite the noticeable non-viability of the policy of proliferation of oii marketers and the unbearable pressure of the ensuing corrupt practices on the economy, the PPPRA never deemed it fit to modify or reconsider its decision for the betterment of the system.

6. Poor record keeping;

We observed that the Agency failed to maintain a reliable databank on the activities of the PSF-scheme and the industry in general, as required by law. Despite its statutory duty to keep reliabie data, there was no single transaction on_ production, distribution or consumption of petroleum products that was backed up by consistent recorded figures or statistics from any other agency in the industry.

7. **Non** compliance with guidelines

These relate to-

- *qualification of importers*[3]*.* It is believed that some aspects of the revised guidelines (relaxing the requirement of ownership of depot, and retail outlets, with through-put agreements) were inserted to cover anomalies. Even then, the Agency failed to adhere to its set

guidelines as those that were not oil marketing/trading companies, or those who were yet to register or get allocation, did actually import products and collected subsidy payments. o *Importation beyond margin of error of (+/- 10%) on approved quantity:* Despite the high percentage of this margin, the Agency still accepted and recommended for payment importation of products over and above the acceptable margin.

- *Abuse of discretion in allocating product quantity:* During the period (2009 - October 2011), companies without facilities for storage or distribution sometimes got substantially more allocation than most major oil marketers and other independent marketers with impressive facilities.

- *Importation without permit* Worse still, some companies without permit in a given quarter imported products and were paid subsidy, in clear violation of the guidelines.

- *Discharges into un-approved tank farms:* We observed 192 occurrences between 2008 and 2011 of marketers discharging PMS to tank farms other than those with whom they had throughput agreement. This makes verification cumbersome and makes nonsense of the pre-qualification requirement that such agreement be entered into and registered with the Agency.

  - However, there were recorded cases where waivers were given by the Agency due to unforeseen logistic issues. Even though these waivers were not to be permitted, they were exceptions and not the rule.

- o **Payment based on discharge:** The Committee established that payments were made on imported products based on discharge into shore tanks rather than truck-outs and this facilitated volume manipulation.

The Committee noted the effort of the new PPPRA Executive Secretary, Mr, Reginald Stanley in initiating reforms to the PSF Scheme especially the sanity introduced in QI 2012 reflected in the reduction of participants.

- The Agency has not provided details of the payments it made to itself, but it was suspected that it kept another undisclosed subsidy account.
- The figures of N158.470 billion and N157.894 billion have to be fully accounted for by the Office of Accountant-Genera I of the Federation and the PPPRA.
- Compromise of the entire PSF Scheme to the extent that round tripping, back loading and other fraudulent practices became the order of the day,
- Given the multitude of checks enshrined in the PSF scheme as at date, requiring the witnessing and confirmation of every discharge by PPPRA staff, FMF (as represented by Akintola Williams Deloitte and Olusola Adekanola and Co,), DPR, the independent surveyors, and the Nigerian Navy, collusion was still very rampant leading to severe abuses. An example of such collusion was the case of a vessel which was said to have brought products for NNPC and was recorded in the

documentation of NAVY, NPA, PPPRA, FMF etc but was found out through Llyods List Intelligence (LLI) that the vessel was in South Africa and not in the Nigerian waters as at the date recorded.

- The PSF Scheme became a free for all manner of companies engaged in every conceivable business and not necessarily "oil marketing/trading company", as required by the PSF Guidelines. Before this period, a potential importer must have a history of oil marketing or investment in the industry (such as storage facility of minimum of 5000 MT. and 5 retail outlets).
- The instinctive increase in importers (and in the products) did not take into consideration the country's consumption level and failed to consider that any excess product that was not used attracted subsidy payment, thereby altering the objective of the Scheme to become a limitless drain on the economy.

- PPPRA became overwhelmed by the sheer number of marketers (from 6 to 140). Monitoring and evaluating this number of importers was virtually impossible for an inefficient Agency such as PPPRA.

- From the Eco-Regen transaction, it was obvious that the reason why it got the allocation in January, 2011 was because the last quarter of 2010 had been concluded before their registration with PPPRA. Professionalism and competence was obviously not included in the criteria for qualification by this Board. This was confirmed by the then Executive Secretary Mr. Abiodun Ibikunle who informed the Committee that there was no process, and, in his words: "You walk in and indicate interest and you are considered".
- The Board and successive management and Executive Secretaries

of PPPRA during this period (2009 - October, 2011) failed to "maintain constant surveillance over key indices relevant to pricing policy", as required by the law establishing it, and showed lack of vigilance to the advantage of marketers and possibly themselves, and to the detriment of the nation.

- Absence of reliable and readily available information contributed in no small measure to the current quandary in the industry. Pressurising for information produced conflicting figures on the same transaction or omission of vital details. All these either prepared fertile ground or provided adequate cover for perpetrating fraud. A prima facie case of criminal negligence may well be established.
- The inability to provide coherent answer for the question on how much litres of fuel were consumed daily attests to this poor record keeping.

10. RECOMMEDATIOMS

1. Ail the payments PPPRA made to itself from the PSF in excess of approved administrative charges (as per the Template), for the sum of NGN N156.455Billion in 2009, and for the sum of *UGH* 155.824Biliion in 2010, should be further investigated and officials found culpable prosecuted by the Relevant Anti- Corruption Agencies

2. All staff of PPPRA involved in the

a. Processing of Applications by importers, and

b. verification, confirmation and payment of imported products by Importers

and NNPC should be investigated/prosecuted by the Relevant Anti-Corruption

Agencies for-criminal negligence, collusion and fraud.

3. The Executive Secretaries, who were the accounting officers, and under
whose watch these abuses were perpetrated that led to the Government losing
-billions of naira, should be held liable. We strongly recommend that the Executive Secretaries who served from January 2009 - October 2011 should be investigated and prosecuted by the relevant Anti - Corruption Agencies. This should also include the GM Field Services, ACDO/Supervisor-Ullage Team 1, and ACDO/Supervisor-Ullage Team 2 the same period for their role in the subsidy scheme through the management of the ullaging task.

4. The Chairman of the Board of PPPRA from 2009 - 2011, and the entire Members of the board during the period should be reprimanded for their roles individually/collectively in the absurdities that happened in the management of the subsidy regime.

5. The PPPRA margin of error should not be more than +/-5%.

6.Any importation without permit or where the difference is above approved quota should not be entitled to any amount on the template.

7. Marketers without storage facilities and retail outlets must be excluded from participating in the Scheme.

8. Henceforth payments for imported products under the PSF Scheme should be based on products truck-outs.

9. All approved shore tanks and storage facilities must have non-return-valves and metering devices installed.

10. It is strongly recommended that PPPRA should publish the PSF accounts on

a quarterly basis to ensure transparency and openness of the Scheme.

FEDERAL MINISTRY OF FINANCE (FMR

FINDINGS:

1. Acquiescence to direct deductions by *MUPCi* The Ministry was fully aware of NNPC's practice of making subsidy payments as a first-line charge before revenue was shared among the three tiers of government. Successive Appropriation Acts have always made provisions specifically to defray the costs associated with cash calls on joint ventures as a first line charge- Thus, direct deductions by NNPC relating to joint venture cash calls are provided for in the budget. This is because Section 7(4)(b) of *NNPC* Act Cap N123 LFN 2004 provides for defraying of expenses incurred in making money for the country.

However, under-recovery (payment of subsidy) cannot be said to be "making money for the country" and so is not covered by this Act.

Given the effect of direct deductions on all levels of government, none of the Honourable Ministers of Finance or Petroleum Resources or heads of parastatals under them sought authoritative interpretation from the Honourable Attorney-General of the Federation, who denied receiving any such request from any quarters.

The direct deductions by the NNPC are a clear breach of Section 162 of the Constitution of the Federal Republic of Nigeria (as amended).

2. Troubled Budget Management; A core role of the FMF is to

manage the budget of the Federal Government and to manage, control and monitor federal revenues and expenditures. With regard to the subsidy scheme that had provision for M245.96 Billion in year 2011, the sum of N.2/ 587.087 Trillion (as at December 2011, and excluding possible out standings payable in 2012) was actually expended, including the double deductions by NNPC. This is certainly a record that can hardly be rivalled in the history of a warped budget management of any nation anywhere in the world.

The explanation of budgetary under-provision "based on an expectation that deregulation would be done in late 2010" as explained by the Director-General

Budget Office, or "based on assurances that deregulation would take effect in first quarter of 2011" as explained by the Hon.. Minister of Petroleum Resources, was not only contradictory but also an after-thought The time limitation was not expressed or implied in the Appropriation Act of 2011. Furthermore, the Appropriation Act of 2011 was amended in May *of* the *same* year and there was no request from the Executive for increase in the subsidy figures.

3. **Outsourcing the Ministry's Responsibilities:** Apparently due to deficit of faith in ability or integrity of its staff, the FMF outsourced its responsibility of witnessing and confirming imported products to the accounting and audit firms of Akintoia Williams Deloitte in 2006, and Olusola Adekanola and Co. in 2011. Staff of the firms appended their signatures on every document submitted by marketers to process their claims. PPPRA testified that the reliance it placed on the

signatures was weighty, as it normally forwarded marketers' claims for payment to FMF once certified by the firms. Reliance on statements of the two firms was foundational, as all other agencies, including the Ministry of Finance, Office of the Accountant-General of the Federation and the CBN, all relied on PPPRA's certification. Obviously, the FMF also treated confirmation by the two firms as unassailable as it never queried its quarterly audit reports even in the face of rapid and meteoric escalation of subsidy claims.

However, we observed that the firms contributed little value to the veracity of the exercise. Indeed during interaction with the Committee, it became obvious that the firms had neither adequate knowledge of procedure of measuring products in a vessel before and after discharge nor did they demonstrate professional care expected of their standing in auditing marketers' claims based on quantity, exchange rate and crude price. This care-free attitude could hardly be explained beyond an interest of participating in a bazaar and collecting N275,000.00 per vessel. Surprisingly, the loophole of non-avaiiability of reliable data on quantity of imported products or any other relevant information could not be salvaged by these firms.

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There was no evidence that due process was followed in the process of their appointment as Consultants.

IMPLICATIONS

a. Blanket approval for NNPC to deduct subsidy payments to itself as a first line charge is illegal as there was neither appropriation before the deductions nor supervision on the expenditure.

b. The practice of direct deduction without an Act of the National Assembly, however long it has been practised, has no legal foundation. This resulted in various ministries and agencies associated with the payments (FMF, FMPNR, Budget Office, Office of Accountant General of the Federation, CBN, NNPPC, PPPRA) providing conflicting figures on the amount deducted.

Depletion of shares of states and local governments due to reduction in distributable pool after uncontrolled deduction by NNPC.

c. An estimated N2,587.087 Trillion inclusive of N847.942 that was withdrawn by NNPC from the domestic crude account was spent on subsidy in 2011 compared to 245Billion approved in the Appropriation Act of the same year; an increase of well over 900%

d. This 900% extra-budgetary expenditure was unconstitutional and was a clear breach of Section 162 of the 1999 Constitution (as amended); and the Federal Ministry of Finance, Director-General Budget Office and Accountant-Genera l of the Federation should be held responsible.

RECOMMENDATIONS:

1. The services of the accounting firm of Akintola Williams, Deloitte and Olusola Adekanola & Partners should be discontinued with immediate effect for professional incompetence.
2. In view of the above recommendation the two firms should be blacklisted from being engaged by any Federal Ministry, Department or Agency (MDA's) for a period of three years.
3. All those involved in the Federal Ministry of Finance, Director-General

Budget Office, and the Office of the Accountant General of the Federation in the extra budgetary expenditure under the PSF Scheme (2009-2011) should be sanctioned in accordance with the Civil Service Rules and the Code of Conduct Bureau.

4. The National Assembly should enact an Act to criminalise extra budgetary expenditure,

5. The Federal Ministry of Finance should allow the Nigerian Customs

Service to carry out its statutory functions (as efficiently as possible) on imports of petroleum products.

Central Bank of Nigeria CBN

FINDINGS

1. **Financial Reporting:** CBN discharged its responsibility well under the Scheme and it is evident that its financial reporting was highly commendable. But since it was not directly in charge of deduction at source by NNPC, CBN was unable to offer much reliable assistance on those deductions.

2a *£BH* Import **Documentation** Requirements: CBN aiso raised some alarm publicly on the escalation of the subsidy claim to the consternation of agencies in the petroleum industry. For instance, following one of such alarms raised by the CBN Governor Mallam Sanusi Lamido Sanusi at the National Assembly, the then PPPRA Executive Secretary, Abiodun Ibikunie, in a letter to the CBN Governor referenced A.3/9/125/C. 10/1/201, dated December 16, 2010, protested that PPPRA activities "were sadly misrepresented and given so much negative publicity by the media, thereby casting serious doubts on our transparency as a sensitive organ of government/' However, the scale and enormity of the abuses that have become clear in the management of the subsidy scheme justified the CBN Governor's concerns.

But what could not be confirmed was whether CBN was aware of the gaping loophole created by one of its requirement on FOREX. The issue here was the role of the CBN in the PSF Scheme relating to import documentation requirements. One of such was that to qualify for FOREX transaction, the applicant or marketer must be an "importer" of petroleum products. This was only possible when the port of loading was outside Nigerian territorial waters. This rational and innocuous rule worked perfectly in every other sector except under the PSF Scheme.

To qualify for FOREX payment, Nigerian marketers developed the attitude of instructing their sellers to berth a few nautical miles outside Nigerian territorial waters where ship-to-ship transfers between the seller's mother vessels and the Nigerian marketer's shuttle vessels (daughter vessels) were carried out. These STS operations often occurred off-shore Cotonou or Lome, illegally. The operations were illegal because STS could only be carried out in areas so. designated by the concerned country. These STS locations were not known to any country, and we established that no port duties or other legal levies were paid to any country. It was a massive illegal international commercial activity, and we were unable to establish the existence of such practice anywhere else in the world.

This practice encouraged round tripping as some vessels were making two (impossible) trips in three days between offshore Cotonou/Lome and Lagos.

In the Committee's interaction with the real foreign importers or sellers, they

initially claimed that they anchored their vessels offshore Cotonou/Lome due to such flimsy excuses as draught level of Nigerian waters or categorising Nigeria as a war zone due to piracy. When it was discovered that these same foreign importers do lift crude oil in Nigeria, we then learnt what appeared to be collusion with Nigerian importers. They then revealed that they were really ready and prepared to berth their vessels in Nigerian territorial waters but, being business people, they played smart to abide by the instructions of their Nigerian buyers. Vitol SA and Trafigura, the two leading foreign importers, said this much. "No responsible seller will flout these regulations", stated Vitol SA, an importer that made over 250 separate voyages of PMS to 34 different marketers in 2011.

However, the same foreign importers, including Vitol SA and Trafigura, discharged ail PMS belonging to NNPC/PPMC in Nigerian territorial waters. The machination here is clear: while, for example, Vitol SA and Trafigura discharged their products belonging to NNPC/PPMC inside Nigerian territorial waters, the two companies would only discharge the products off shore Cotonou or Lome for other marketers. This is because NNPC was not affected by the CBN regulation as they deducted their claims of FOREX directly from source, while the other marketers would decline to accept those products off-shore Lagos because they needed to conform, on paper, to the so-called CBN requirement. This unmonitored CBN requirement for oil marketers, manifesting in STS transfers, wrought a great havoc on the PSF Scheme.

IMPLICATIONS

1. CBN provided more reliable data that assisted the Committee
2. CBN created through its forex policy, avenue for easy falsification of records of quantity of petroleum products discharged.
3. With annual average ship traffic of 4,000 vessels, Nigeria accounts for over 65% in volume and value of the total maritime traffic in West and Central Africa. Thus, the country suffered significant loss of employment and revenue which would otherwise have accrued to agencies of Government such as NPA, NIMASA and businesses in the maritime sector
4. Other relevant agencies that had a role in monitoring and verification of products were denied that opportunity and the associated revenues because those agencies did not have authority beyond Nigerian shores or legally designated areas.
5. This encouraged round tripping as some vessels were making, as it were, two trips in three days between off shore Cotonou/Lome and Lagos.
6. The falsification of Form M and letters of Credit could have been avoided if this policy were not in existence.

7. RECOMMENDATION:

CBN should critically examine its policy especially with regards to the PSF scheme in the light of these abuses and review the policy guiding payment for importation of petroleum products.

NIGERIA NATIONAL PETROLEUM CORPORATION (NNPC)

FINDINGS 1. Inapplicability of Guidelines to NNPC: NNPC is saddled with vital responsibilities in the oil industry. But within the PSF Scheme, it was supposed to be another importer, even though in a class of its own. This was understandably so because the Corporation used to be the sole importer of petroleum products before the PSF Scheme was introduced in 2006 and other private marketers permitted to take part in the importation. For this reason, no one expected NNPC to be subjected to eligibility criteria or those meant for pre-qualiflcation of importers.

Apart from eligibility criteria and certain minor privileges, it was thought that the Corporation should be subjected to the same rules and processes, meant to achieve transparency and accountability, as other importers. However, we found that there was a tradition of exemption for NNPC from application of the PSF Guidelines. In most instances, all other regulatory, approving or paying agencies accepted whatever figure the Corporation reported back after conclusion of transactions. Vessels

carrying its cargos were not subjected to the apparently stringent (even though unviable) inter-agency verification exercise. Then, without auditing or verification of quantity claimed by NNPC, the Corporation paid itself by deducting at source, whatever amount it claimed the import amounted to (from the general funds it made for the Nation from other activities in the sector), before remitting the remainder to the Federation Account.

Thus, NNPC acted as importer, marketer, claimant, payer and payee. Simply, NNPC was not accountable to anybody or authority.

2. Payment of Subsidy on Kerosene Contrary t© Presidential pirectsve:

In June 2009, there was a Presidential Directive by late President Umaru Musa Yar'adua removing kerosene from the subsidy regime, connoting that government would no longer pay subsidy on the product. This directive was echoed in several official documents, including a letter signed by the Principal Secretary to the President, Mr. David Edevbie, with reference number SH/PSP/24/A/819 and dated 17th June, 2009 and addressed to the Honourable Minister of Petroleum Resources. It conveyed the Presidential Directive and required the Honourable Minister to "Eliminate existing subsidy on the consumption of kerosene, taking into account that subsidy payments by Government on Kerosene do not reach the intended beneficiaries."

Despite the clear Directive, we established that NNPC continued to pressurise officials of other agencies, especially the PPPRA, to process and pay subsidy on the product which, unlike PMS, was hardly available at the assumed controlled price in the open market. In a series of communications to NNPC, the then Executive Secretary of PPPRA, Mr. Abiodun Ibikunle, stood his ground against authorising the payment. One of such was a letter referenced: A.4/4/229/C.33/V/864, dated 30th September, 2009 and sent to GED Finance and Administration of NNPC. The letter, signed by Mr. Ibikunle and acknowledged by NNPC, stated in part:

"2. We wish to inform the GED (F & A) that there is a Presidential directive that there will be no more subsidy applicable to HHK for both imports and domestic production effective July, 2009. Consequently, the Agency henceforth is no longer in a position to approve the claims in respect of HHK.

"3. Please note that though the directive says no more subsidy application for HHK, it is expected that you will continue to send all the white products (domestic production and imports) data for our records."

Mr. Ibikunle was able to comply with the Presidential directive and no payment was made until he was removed from office in February, 2011. In the final analysis, after the departure of Mr. Ibikunle, NNPC paid itself as arrears of subsidy for kerosene from August 2009 to December 2011, the sum of **N310, 413,** 963, 613.00 (Three Hundred and Ten

Billion, Four Hundred and Thirteen **Million,** Nine Hundred and **Sixty Three Thousand, Six Hundred** and Thirteen Naira).

During interaction with the Committee, Mr. Austin Oniwon, NNPC GMD sought to justify the payment by reference to a task force that was set up in the same year. However, there was no evidence of vacation of the Presidential order.

As further justification, Mr. Oniwon also alluded to what he termed a "directive" to him by the Honourable Speaker of the House of Representatives, Right Honourable Aminu Waziri Tambuwal, CFR, not to sell kerosene above N50.00. Mr. Oniwon was summoned along with the Honourable Minister of Petroleum Resources on 6th July, 2011, to the floor of the House of Representatives to explain to the nation the reason for the virtual non-availability of kerosene at affordable price in the open market.

A review of the entire Verbatim Record as well as its summary contained in the Votes and Proceedings of the House of Representatives, did not disclose any such directive by Mr. Speaker. What transpired was that after leading the House to believe that kerosene still enjoyed subsidy payment by Government in order to cap the price of the product at N50.00 by the GMD, the Speaker extracted a commitment from Mr. Oniwon to ensure that as from that day Kerosene was widely available and no longer sold

beyond the N50.00 mark. The Verbatim Record of the National Assembly dated 7th July, 2011,vol. 1 No. 8 at page 24 quoted Mr. Oniwon as saying:

"Your Excellency, Mr. Speaker, Your Excellency the Deputy Speaker and Hon. Members, with the efforts that we have put in place, the various meetings that we are holding and considering the volume of the products that we know is within our inland depots and within the Nigerian coastal waters, we do pledge before this honourable House that within three weeks sanity will return to the distribution of household kerosene and kerosene will be a commodity that is taken for granted the same way that PMS is being taken for granted in Nigeria today. The official price of kerosene is N50.00 per litre and I guarantee that every NNPC mega station will never sell beyond N50.00 per litre. I believe our colleagues, the marketers, will also sale at N50.00 per litre."

The day's Votes and Proceedings dated 7th July, 2011 No. 9 at page 52 captured Mr. Speaker's Concluding Remarks:

"The Hon. Speaker in his concluding remarks urged the Ministry of Petroleum Resources and the NNPC to put in place more effective tracking system to ascertain effective delivery and distribution of products. He further urged IPMAN to demonstrate more patriotic concern for the plights of kerosene consumers in the country. The Hon. Speaker also advised the Nigeria Customs and Excise to

strengthen patrol and other security measures at the nation's boarders (sic), with a view to eliminating the smuggling of petroleum products outside the country/'

Although this assurance given by Mr. Oniwon to Nigerians was not carried out, the request by Mr. Speaker to ensure compliance with a supposed government policy was within the legislative competence as envisaged in the Constitution. Even if it was a directive, subsidy payment on kerosene was made in April 2011, several months before the so-called directive.

The Committee believed that, when it discovered that the removal of subsidy on kerosene was not expedient, the Ministry of Petroleum Resources should have gone back to the President for the vacation of the

Directive. Having failed to do that and with the evidence that the product was never sold at N50.00 (apart from the 36 mega stations) since 2009, there was no basis for seeking any vacation of the order in 201L But it is bad enough that vacating of the order was never sought, worse is the fact that NNPC and its Ministry merely arrogated to themselves the power to override the Presidential Directive. Moreover, the inefficiency of the NNPC, PPMC and Ministry of Petroleum Resources reflected in the failure to supply the products to Nigerian at affordable pricing, underscores the very concerns that led to the Presidential action i.e. "subsidy payment by Government on Kerosene do not reach the intended beneficiaries".

To further underscore their inefficiency, various agencies gave conflicting retail price of the product in the open market, where the selling price was close to the unsubsidised cost. During the period under review, kerosene was sold at the subsidised price only at the 36 NNPC mega stations out of over 24,000 retail outlets across the country,

Nothing was also done to the appreciation of the Committee by any Agency to positively resolve the widely-held view that kerosene was being diverted,

The Committee confirmed that the daily average consumption of Kerosene in Nigeria is between 9 to 10 million Litres, which can be comfortably accommodated if the output from the 445,000 bpd of Crude allocated to NNPC for local consumption is effectively and efficiently managed.

The Kero-direct system even though populist and laudable if not efficiently managed could lead to abuses as a result of poor mechanism for tracking and verification.

3. Direct Deductions;

The Committee established that NNPC deducted directly the sum of NGN408.255Biilion (in addition to the payment of NGN81.648Billion by CBN) in 2009, the sum of NGN 407.801Biliion (in addition of the payment of NGN402.423Billion by CBN) in 2010, and the sum of NGN847.942Billion (in addition to the payment of NGN 844.944BilUon by CBN) for 2011 contrary to Section 162 of the 1999 Constitution (as amended).

4, Over-deductions:

It was further established that NNPC deducted the total sum of NGN844.944Billion as against the sum of NGN 540.419 Billion recommended by the, PPPRA in 2011 thereby over-deducting the sum of NGN285.098Billion.

5,Pemurrage:

NNPC operated a very inefficient system of importation of petroleum products that led to piling up of demurrage payments. Requests by this Committee to the GMD to establish the exact figures yielded no results, typical of the opaque system of non-disclosure that reigned in the Corporation.

6, Sale of *UUPC* Petroleum Predocts by Capital Oil **Limited.** The Committee observed that NNPC entered into a Storage Agreement of Products with a Tank Farm Owner, Capital Oil Limited, and subsequently stored a total volume of 94,330,030 Litres in the tank farms of the company. However, due to alleged non-payment of the storage fees for a period of Nine (9) months, the Company sold the entire products belonging to NNPC ostensibly to recover the debt owed it by NNPC.

The Committee noted that the Agreement did not give the company the right of off-set. Despite this lack of provision in the Agreement, NNPC bent the rules to accommodate the sale, in consideration of the Company's undertaking to allow the Corporation to recover the value of the sold

products and accruing interest on incurred sums, amortized over a period of time.

IMPLICATIONS

- This further underscores the abuse of processes and lack of regard for legal and ethical standards by NNPC as this whole transaction raises serious moral and ethical questions.
- NNPC funded the repayment of the debt by continuing to patronize the company and by deducting 75% of the company's storage charges to offset the debts which arose from the illegal sale,

7. Lack of transparency in its operations,

It became very apparent to the Committee that the operations of the NNPC were opaque and not transparent. The implication on this is that it created room for abuses, inefficiencies and manifest lack of accountability.

IMPLICATIONS

- The total exemption of NNPC from the PPPRA guideline requirements had the consequence of making the Corporation to operate beyond the contemplation of laws and the Constitution of the Federal Republic.
- It encouraged teaming and lading (inapplicability of checks and balances).
- It distorted financial transparency and negated international accounting

standards and practice.

- It contributed to the practice of under-supply and/or diversion of products.
- Treating with levity and impunity a clear Presidential Directive on withdrawal of subsidy on kerosene.
- Whereas NNPC denied Nigerians utilisation of over N300 Billion for the benefit of other developmental programmes as subsidy illegally paid to itself on kerosene, the product involved was still not available in the market.

NNPC/PPMC deliberately carried out a system of distribution using depot owners that had limited or no retail outlets, instead of product marketers who had retail outlets in *eyery* nook or cranny of the country, with a view to perpetrating fraud. This practice created artificial scarcity thereby imposing hardship on ordinary Nigerians by compelling them to buy the product at very high prices.

8. The 445,000 Barrels of Crude allocated to *HHPC* for local consumption.

Out of the 445,000 barrels of domestic crude taken daily by NNPC, the Corporation refines 235,000 barrels locally and allocates the balance of 210,000 barrels to swap/off-shore processing arrangements.

Although NNPC confirmed that it makes some savings of about

=N= 11.00 per litre refining locally than import, it could not be established the Corporation reflects this cost differential in its claims to subsidy.

IMPLICATION:

The implication of this is that NNPC may have been collecting excess subsidy on locally refined products as the corporation appears to collect the same amount of subsidy on both locally refined and imported products.

9, NNPC GRANTS ITSELF DISCOUNT ON THE 445,000 BARRELS OF DOMESTIC CRUDE TAKEN EVERYDAY-

Contrary to NNPC's claim of taking the 445,000 barrels of crude daily at international market price, the committee established that NNPC was actually taking domestic crude at prices below the international market prices: A comparison between the prices at which equity crude was sold and the price at which NNPC took domestic crude in 2009, 2010 and 2011 confirmed total discounts of =N= 65.217 Billion, =N=24.321Billion and =N= 18.055 Billion respectively.

In 2009, the following are examples;

	Discount	Domestic Crude	(Equity Crude	
	Mth	Price per Barrel	Price per Barrel	**per Barrel**
		($)	($)	
2009				
	Feb	43.8488	45.495	1.6462
	Mar	47.5893	50.455	2.8657
	Aug	70.1192	71.768	1.588
2010				
	Jan	73.933	75.860	1.927
	May	72.970	75.618	2,648
	Jun	74.142	75.001	0.859
2011				
	Feb	103.817	104.837	1.020

April	121.347	123.004	1,657
Nay	115.780	117.866	2.086

RECOMMENDATIONS

1. NNPC should stop direct deductions and subject its transactions to the operational guidelines of the subsidy scheme.

2. The NNPC should refund to the Nigerian treasury, the sum of N310,414,963,613 (Three hundred and ten billion, four hundred and fourteen million, nine hundred and sixty three thousand, six hundred and thirteen naira only) paid to it illegally as subsidy for kerosene contrary to Presidential Directive.

   The NNPC should also refund to the Nigerian Treasury the sum of NGN285.098Billion being over-deductions as against PPPRA approvals for 2011. The Relevant Anti-Corruption Agencies should further investigate the Corporation for deductions for the years 2009 and 2010.

3. NNPC should conform to all guidelines applicable to importation under the PSF Scheme.
4. The relevant Anti-Corruption Agencies should carry out a due-diligence investigation to determine the total demurrage payments outstanding within the period under review.

5. The Committee recommends that NNPC be unbundled to make its operations more efficient and transparent and this we believe can be achieved through the passage of a well drafted and comprehensive PIB Bill.

7. The Committee also recommends that the accounts of the Corporation be

audited to determine its accounts profits and solvency.

8. NNPCs petroleum products processing of the 445,000 barrels of domestic crude should be subjected to further inquiry by the Committee during its monitoring exercise.

9. On the issue of the refining of the 445,000 barrels of crude per day the NNPC should refund the discounts it granted to itself illegally between 2009 to 2011 amounting to =^N= 108.648 Billion.

10 All those in the Management and Board of the NNPC directly involved in ail the infractions identified for the years 2009-2011 should be investigated and prosecuted for abuse of office by the Code of Conduct Bureau.

PIPELINES AND PRODUCTS MARKETING CQMPANY LIMITED (PPMC).

FINDINGS

1. PPMC Ltd. was incorporated in 1988 as a wholly owned limited liability company by NNPC to engage, among others, in efficient and effective evacuation of refined products from the refineries and the subsequent supply and distribution of petroleum products to every part of the country. PPMC's transactions are limited to bulk products supply and

transportation.

2. With regards to the PSF Scheme and subsidy claims, it had no direct relationship with PPPRA. PPMC received petroleum products from NNPC for distribution using its storage facilities and pipelines. However, out of a total 250 storage tanks (with total capacity for white products for 2,526,630mt), only about 100 were put to minimal utilization, due to what PPMC ascribed to pipeline vandalism. Even as a limited liability company, it was impossible to reconcile all PPMC's statistics of petroleum products importation that were reconcilable with the records of other agencies.

3. The Committee recognised that pipeline vandalism was a major threat to effective product distribution across the country.

4. The Committee established that the PPMC played a direct role in encouraging a very inefficient system of distribution and supply of kerosene products which led to products scarcity and high cost to the consumer.
5. Contrary to PPMC claims the Committee found out that even the NNPC affiliate retail stations were not supplied with kerosene products by the PPMC despite deposits paid for the product.

6. The management of PPMC appeared not to be alive to its responsibilities and on-top of its duties, A case in point is the embarrassing failure of the Managing Director to provide the Committee with the retail market price of Kerosene, even though the Nation solely depends on the company for the supply and distribution of the product.

IMPLICATIONS

- Non utilisation of its huge storage tanks increased the cost of subsidy claims as it paid N3 per litre to other tank farm owners.
- Even as a bulk distributor of kerosene, PPMC failed to provide record of volume of the product consumed daily not to talk of the average price per litre across the country.
- The system of product allocation by PPMC is not transparent
- Even though NNPC deducted subsidy payments illegally and against Presidential Directive, the action by PPMC resulted in ordinary Nigerians paying exorbitant prices of between N130.00k to 170.00k per litre for the Kerosene products.

RECOMMENDATIONS:

1. The Committee recommends that the PPMC Management be overhauled.
2. Distribution of products, especially kerosene, should be done through NNPC Retail, Independent Petroleum Marketers Association of Nigeria (IPMAN) and Major Oil Marketers Association of Nigeria (MOMAN) to ensure availability and affordability of the products to Nigerians.

   In furtherance to the above recommendations, institutional mechanisms be urgently developed to ensure the monitoring of actual delivery of kerosene to the Nigerian masses,

3. The PPMC should deploy modern state-of-the-art devices to protect its facilities and pipelines to eliminate wastages arising from vandalism. In the short-term however, PPMC should establish a surveillance system which should incorporate Community-protection and using part of the

bridging funds on the PSF Template to finance this.

INDEPENDENT INSPECTORS

FINDINGS

1. The PPPRA is expected to assign Independent Inspectors interchangeably referred to as Independent Monitors and/or Industry Consultant to measure and certify the quantity of products imported and supplied by the importer-companies. They are also required to analyse the quality specifications of the products and ascertain the quantity of Bunker Fund in the Vessel to avoid adulteration and volume distortions.
2. The Committee could not confirm the presence or the identity or even, the existence of this category of participants under the PSF Scheme.

3. It appears to the Committee unlikely that this category of stakeholders exist especially in the light of the following:

(a) the widely reported many cases across the Country of domestic fire incidents as a result of adulterated HHK and the vehicle engine knocks attributed to the availability of adulterated fuel in Nigeria, and

(b) the inability of any of the Government Agencies to produce incontrovertible evidence of or even present any consistent data on the quantity of products imported into Nigeria provides a firm basis to conclude that these Independent Inspectors are non-existent

IMPLICATIONS

It appears that the implementation Guidelines of the PSF Scheme was circumvented to the extent that this vital platform of Independent Inspectors, Independent Monitors or Industry Consultants was deliberately supplanted or side lined.

DEPARTMENT OF PETROLEUM RESOURCES (DPR)

1. Failure In Quantity **Certification:** With regards to the PSF, DPR was saddled with the responsibility to verify the quality and quantity of

petroleum products imported and supplied by marketers. It was also to monitor products supply and distribution chain, and to enforce prices set by the Guidelines. Surprisingly, DPR could not provide verifiable information on the quantity of products supplied, especially between 2009 and 2011.

2. **Product Quality Grade Supervision:** It is common industry knowledge that there is more than one quality type of PMS specification, (leaded and unleaded etc). But the PMS imported included leaded and unleaded, and sold at the same price to unsuspecting Nigerians.

3„ Non Imposition of Sanctions for Selling Kerosene Above Subsidy **Price:** The DPR did not gear itself up for the enforcement of price _ on kerosene. It also failed to sanction violators of the price regime on kerosene.

4. **Providing** PPPRA with information: Contrary to one of the core functions under the PSF, DPR failed to furnish the PPPRA with data relating to products supply and distribution for both imports and local productions and collaborate on intelligence monitoring to check

malpractices.

5. Diversion of Products:

Lack of monitoring of trucked out products, distribution/sales of petroleum products as well as poor supervision of retail outlets by DPR led to diversion and smuggling of petroleum products.

IMPLICATIONS

- This abdication of statutory responsibility resulted in huge gap in planning and budgeting process of the country.
- This failure of DPR to classify petroleum products into the two different grades led to unsuspecting Nigerians to possibly buy the lower-grade products at a higher price.
- All sorts of violators continued their activity with reckless abandon.
- The confirmation before the Committee of lack of the capacity to monitor the retail outlets across the country is quite worrisome.
- As a result of the inability of DPR to monitor the importation, distribution and sale of petroleum products nationwide, they have no records to establish daily consumption and product stock levels across the country.
- Nigerians are subsidizing the products consumed by other countries, as huge volume of the product finds its way into neighbouring countries through diversion and smuggling.

RECOMMENDATION:

All staff involved in the verification and confirmation of product importation should be transferred out and sanctioned for incompetence, collusion and possibly investigated and prosecuted for fraud by the Relevant Anti- Corruption Agencies

PETROLEUM EQUALISATION FUND MANAGEMENT BOARD (PEFMB)

FINDINGS

1. The PEFMB under the PSF Guidelines is assigned to provide the PPPRA with regular data on local products distribution including bridging indices.

   It is also expected to ensure that the bridged products are received at invoiced destinations, and report defaulting operators to PPPRA for appropriate action, and collaborate with DPR and PPPRA on intelligence monitoring.
2. The Honourable Minister of Petroleum Resources in her testimony before the Committee gave as one of the reasons for the removal of subsidy, the fact that PMS was being diverted to neighbouring countries.
3. There was clear evidence that the PEF (MB) did not carry out the functions required of it by the PSF Guidelines, especially as the Agency relied more on data from other agencies whose data leaves much to be desired.
4. During the appearance before the Committee, the Executive Secretary failed to provide either the requested data on products distribution nor information or report on any form of malpractices it

observed, noticed or investigated and reported to PPPRA under the Scheme. PEF lacked the capacity to track the movement of products from point of loading to point of discharge (retail outlets).

IMPLICATIONS

The PEF(MB) as presently constituted does not have the capacity to carry out its very vital role under the PSF.
The failure in providing PPPRA with vital data on products distribution and bridging indicates that this data did not in fact exist within its operations.
Despite having its operations funded from the PSF, the PEF (MB) failed in most of the responsibilities assigned under the Guidelines, Moreover, in the face of damning evidence of malpractice and corruption in the products distribution and bridging regime, the PEF (MB) made not a single report of a defaulting operator to the PPPRA/DPR.

RE€OMNEMDATIIONS:

1. The present Management of PEF (MB) should be overhauled and the Board when reconstituted should comprise of persons of impeccable integrity who must be knowledgeable in aspects of their mandate.

2. PEF should establish a tracking system on all trucks from point of loading to point of discharge (retail outlets) and make regulations for all trucks involved with transportation of

products to install approved tracking devices on them.

3, This Ad-Hoc Committee shall in its monitoring stage conduct extensive and thorough investigation into the operations of the PEF(MB) in order to ascertain the management of the bridging funds under the subsidy regime.

MINISTRY OF PETROLEUM RESOURCES

"FINDINGS

1. DIRECT DEDUCTIONS AT SOURCE BY NNPC:

The Ministry played a supervisory role over its agencies and carried out its functions through NNPC and other agencies under its ambit. Although it was supposed to be an oil marketer as far as the PSF Scheme was concerned, NNPC deducted what it considered its own share of subsidy claims at source before making returns to the Federation Account. The Committee confirmed that the Ministry was well aware and even approved this practice. Even though the practice predated the period under investigation (2009 - 2011) efforts should have been made to discourage it.

The Ministry sought to defend the practice by placing reliance on Section 162 (on maintaining a Federation Account) of the Constitution and claiming authorization from the 2011 Appropriation Act. As mentioned above, these justifications were an afterthought and unfounded as the practice clearly run counter to these provisions. Owing to this practice, the nation lost huge sums of money over several years, the exact sum of which may never be determined.

IMPLICATIONS:

- The Ministry, kept a watchful eye while an agency under its direction illegally depleted amount of distributable pool available to the three tiers of government.
- It resulted in escalation of "subsidy" claim.
- The Ministry in condoning this practice over the years encouraged NNPC to treat the laws of the land with levity. This practice led to abuse of office.
- Affront against the clear provisions of the Constitution of the Federal Republic of Nigeria, especially Section 80 thereof.

2. **DEDUCTIONS BY NNPC ABOVE *PPPRA* RECOMMENDED FIGURES**

As stated earlier, it was established that NNPC deducted figures above what was recommended by the PPPRA as subsidy payments due to it. Curiously and disturbingly this abuse was done without any action by the Ministry to call the Corporation to order, confirming the suspicion that NNPC acted with the permission of its Supervisory Ministry, especially since the Honourable Minister of Petroleum Resources is the Chairman of the NNPC Board.

3. **LACK OF GRASP OF THE PSF SCHEME:**

The PSF was a Government Policy in the downstream sector and the Ministry's core responsibility here was to monitor the Policy so as to render maximum value and secure best services to the nation. We established that the expectation that the Ministry should have the most comprehensive overview of the Scheme was not met. It failed to exercise the measured grip on the PSF Scheme expected of an apex authority. Various schedules to this report show that contravention of Regulations set by officials themselves was deliberate, and fraud was systemic. At best, the Ministry could be said to be unaware of the malfeasance and its scale, but several happenings pointed to more than willful ignorance and bordered on collaboration or connivance. For example, there was no record that the Ministry investigated a grievous allegation by major marketers of the generally held view of diversion of kerosene to service the aviation industry at a period millions of ordinary citizens could not obtain the household product. And there was outright denial by all the agencies that they received any such ministerial directive, or took their own initiative to investigate that or other such allegations. Incidentally, the Federal Ministry of Justice received one such petition on product misappropriation and distortion of quantity of delivery records and, commendably, caused it to be investigated by the security agencies. Essentially, external events and players continued to dictate the pace of response in the Ministry.

REFORMS IN THE SECTOR

It is worthy to note that the Ministry initiated some level of reforms commencing from August of 2011 to improve on the process. This is evident in the appointment of new heads of some of the dysfunctional agencies. In particular the Committee notes that the current Executive Secretaries of PPPRA and DPR have focused on ensuring that the running of the two agencies is done in a more transparent and open manner. It is also to the credit of the Ministry that of recent several task forces have been set up to look into various operations of the sector, an action that acknowledges the deep rot in the oil and gas industry, and that appears to be in response to the public outrage over the deep malaise in the sector.

This action equally underscores the lack of institutional capacity of the Ministry to provide effective supervision of the sector.

IMPLICATIONS:

- The Ministry flouted express presidential directive on kerosene
- Although the Honourable Minister acknowledged sharp practices and manipulation in the industry, which have become quite evident from this investigation, the Ministry of Petroleum Resources failed to act in time to stem the corrupt practices.

4. LACK OF STATISTICS:

Section 7 (1) of the NNPC Act provides: "The Corporation shall keep proper accounts and proper records in relation thereto in a form which shall conform with the best commercial standards". All the parastatais under the Ministry have similar statutory obligations to maintain reliable information data bank. This is not surprising given the value of credible information in planning in the industry and for national economy. Our experience during the course of the investigation confirmed the generally held view that any information from the agencies was to be treated with utmost caution. We found that the Ministry was aware of this unacceptable lacuna but all it could do was lament. The Honourable Minister said in this regard; "As we all know, getting the right statistics has been a challenge in our country. And it was even tougher getting actual PMS consumption figures from PPPRA when I took over the agency last year".

IMPLICATIONS:

The Bureaucracy in the ministry appear to be weak and dearly lacks the
capacity to provide the necessary administrative support to a ministry
that is so strategic to the economy.

- Poor statistics hinders effective planning, research and development.
- Lack of transparency, contrary to our laws, including the NEITI Act, mandating observance of transparency and accountability in the extractive industry.
- 5, **REASONS FOR THE RISE IN SUBSIDY CLAMS:**
- We established that subversion of the PSF Guidelines propelled by unashamed urge to swindle and defraud government were the real reasons the subsidy claims rose dramatically. However, the Ministry consistently advocated different reasons for the escalation. Other members of the Executive arm of Government merely chorused the Ministry's justification. The Honourable Minister's written testimony to the Committee encapsulated this fact, thus:
- "Mr. Chairman, our evaluation of the situation indicates that subsidy payments have increased tremendously over the past two (2) years. The underlining reason for the dramatic change is not far-fetched. In recent times, we have seen national demand rise to forty-two (42) million litres for PMS and eleven (11) million for DPK. The growth is supported by a corresponding increase in PEF payments, resulting from increased bridging. In addition, crude

prices which have a direct impact on international product pricing have been firm in the last two (2) years. It is the combination of these factors of increased demand, petroleum product prices and the increasing requirement and cost incurred to bridge products across the country that have resulted in the increases that have been observed in subsidy claims and payment."

- Various facts and figures established by this Committee belie this assertion. The graph showing international price of crude between 2009 and 2011, and that on rate of foreign exchange (one of the false reasons mentioned by officials then but here omitted by the Honourable Minister),

as well as tales showing consumption pattern are referred. But the Committee's suspicion of a cover-up was strengthened by the fact that some of the reasons ascribed for the rise in subsidy claims have been articulated by informed citizens but those reasons were vehemently denied by the Ministry and its officials.

For instance, a former Executive Secretary of PPRPA, Mr. A. Ibikunle (August 2009 to February 2011), castigated Mailam Sanusi Lamido Sanusi, the CBN Governor, for raising alarm on the rise of subsidy claims. In a letter referenced A.3/9/125/C.10/1/201, and dated December 16, 2010, he informed the Governor that the Agency took exception to the Governor's stand for daring to voice out a concern that, as we all know now, merely scratched the problem on the surface. Another Executive Secretary of the Agency, Mr. Goddy Egbuji (February to August 2011), as late as 2012, still defended their action and maintained during interaction with the Committee that escalation of cost of subsidy claims was "a normal growth".

IMPLICATION:

- The Ministry failed to provide reliable information to Government and the people on reasons for the rise of subsidy figures.

6. FLOUTING PRESIDENTIAL DIRECTIVE ON KEROSENE:

It has been noted that NNPC processed payment in 2011 allegedly for kerosene consumed in 2009 and 2010. This payment was made in spite

of a Presidential Directive specifically addressed to the Honourable Minister of Petroleum Resources. Incidentally, the Honourable Minister was also Chairman of the Board of Directors of NNPC. The Committee could not find any reason why the Minister, if convinced on the need to reinstate subsidy on kerosene did not take any action on that, instead of condoning the illegal payments.

7. POOR SUPERVISORY ROLE OVER THE AGENCIES UNDER THE MINISTRY:

Given the wide-spread nature of abuses, fraud, sharp-practices, manipulations, massive corruption and inefficiencies that held sway in the management of the various agencies under the Ministry, it is very clear that the Ministry failed in its supervisory responsibilities. The Committee could not establish any punitive measures taken by the Ministry to stem the massive corruption or to bring perpetrators to book. Instances of the turning of importation by PPPRA into a bazaar, illegal payments to itself by PPPRA, extra-budgetary expenditures, illegal deductions for kerosene subsidy, and payment above PPPRA recommended figures by NNPC, inefficient and fraudulent system of kerosene distribution by PPMC and several other acts of malfeasance attest to this.

RECOMMENDATIONS;

1. It is hereby recommended that Mr. President should reorganize the Ministry of Petroleum Resources to make it more effective in carrying out the much needed reforms in the oil and gas sector.

2. The Committee recommends that two Ministers should be appointed to take charge of upstream and downstream sector.

NIGERIA CUSTOMS SERVICE f NCS)

FINDINGS

1. Under the PSF Guidelines, the issuance of clearance by the Nigeria Customs Service is a mandatory component of the PPPRA import documents checklist,
2. The Nigeria Custom service is constitutionally mandated to supervise all goods imported into or exported out of Nigeria. With specific reference to the importations of petroleum products under the PSF scheme, the Customs are required to issue clearance to discharge or unload products and indicate the quantity to be so discharged or unloaded on the clearance document.
3. The Nigeria Customs Service had no access to the Mother vessels because they did not anchor in Nigerian waters and this led to losses of revenue to Nigeria from port charges etc,
4. Both the Central Bank of Nigeria and the Federal Ministry of Finance instructed the Customs Service not to ask for documents on PMS imported by the NNPC as in the case of the other importers. Customs was restricted to collecting Single Goods Declaration Forms subsequent to the importation cycle.
5. The Committee established through the testimony of Nigeria Customs Service that NNPC owes the Service the sum of NGN46Billion.

IMPLICATIONS

1, That the Central Bank of Nigeria and Federal Ministry of Finance have prevented the Nigeria Custom Service from carrying out its statutory function.
2. Customs could not provide information regarding imports of petroleum products.

RECOMMENDATIONS:

1. All the extant circulars preventing the Nigeria Customs Service from carrying out its statutory functions be immediately withdrawn by the Central Bank of Nigeria and the Federal Ministry of Finance.
2. The role of the Customs Service must be restored and all imports of Petroleum Products must be liable to expedited clearance by the Nigeria Customs Service even if these products are duty free under the existing excise and duty regime.
3. The Committee recommends that NNPC must take appropriate steps to settle this debt of N46biilion owed the Nigeria Customs Service.

NIGERIAN PORTS AUTHORITY (NPA)

FINDINGS

1. The Nigerian Ports Authority is charged with the responsibility of issuing clearance to allow vessels to berth at the Jetty after payment of Port

dues based on the size of the ships and volume of products as stated in the Bills of Lading. It also scheduled the vessels for berthing. 2. NPA also collects Port Charges as revenue accruing to Government.

IMPLICATIONS

1. Available evidence have controverted the assertion that it was because of the shallow draught of Nigerian waters that made it necessary for Mother Vessels to anchor at offshore Lome or Cotonou. This is because the waters in Lome and Cotonou do not have deeper or better draught than Nigeria.

2. The Non-submission to Government by the NPA of any programme to improve the draught of Nigerian waters, especially as we are an oil producing country with expected heavy traffic of Mother vessels and tankers, raises a lot of questions as to the authenticity of the low-draught excuse.

RECOHNENDATIQN:

1. The failure of NPA to provide this Committee the vital vessel data particularly the IMO numbers which would have assisted the Committee in establishing cases of round-tripping is an indication that either NPA has a very poor record keeping system or that it was a deliberate ploy to cover up the collusion between its officials and importers.

2. The National Assembly through its Committees having oversight over the NPA and the Ministry of Transport should engage with relevant

stakeholders and develop a milestone plan to achieve the development of draught capacity into and around Nigerian ports.

3. The port operations of the Nigerian Ports Authority be investigated with a view to determining the extent to which its officials are complicit in the classification of maritime areas for reception of Nigerian bound petroleum products as "offshore Cotonou" and "offshore Lome" in the face of evidence that these Vessels never did lighter at those Ports.

NIGERIAN NAVY *(NN)*

FINDINGS

1. Under the PSF Guidelines, specifically the checklist for import documents, it is evident that the Nigerian Navy is assigned the role of issuing clearance certificate for the vessels entering Nigeria with imported petroleum products.
2. The statement by the Navy that it had data only on vessels and importer-companies that came forward to the Navy offices seeking its clearance showed that like the case with the Nigerian Customs, impediments were placed limiting the participation of the Navy in the PSF process.

3. NIMASA claimed to have arrested some vessels that were engaged in round-tripping of petroleum products and handed them over to the Navy but claimed that the Navy released them without further recourse to NIMASA.

IMPLICATIONS

1. Every importer is mandated to provide the PPPRA at least 3 days' notice of arrival of the vessel bearing its imported petroleum products. The PPPRA failed to provide the Navy of this notification to enable them track the vessels and ensure that no ship which entered Nigerian waters under the PSF scheme, was able to avoid Naval oversight.

2. No effort was made to make the Navy a strategic partner in the PSF Scheme by vesting it with major Maritime responsibilities.

3. The Navy was very ineffective in the confirmation of the actual volume it gave clearance to, at the point of discharge.

RECONHENDATIONS

1. The PPPRA must provide the Nigerian Navy advance copies of allocation and vessel arrival notifications documents to enable the Navy monitor, track and interdict vessels seeking to avoid naval certification.

2. Further investigation on the NIMASA report on MT Sea Phantom and MT Torm Esbjerg vessels arrested for violating maritime laws which was handed over to the Navy but was released immediately without recourse to NIMASA should be conducted by the Relevant Anti- Corruption Agencies, and all those found culpable punished accordingly,

SECTION B:

Marketers

FACILITY/DEPOT OWNERS

FINDINGS

1. Under the PSF Guidelines the facility and depot owners were expected to ascertain the volume of products discharged into their respective storage tanks and monitor their distribution through the opening and closing inventory stocks as well as through an appropriate means of ullaging.

2. The absence of modern facilities like tamper proof meters at these facilities and depots compounded the challenge of securing an accurate recording of products movements and statistical data needed for monitoring, planning and development.

3. During their testimonies at the Committee hearing, the level of confusion exhibited in outlining the methods adopted in ascertaining volumes offloaded into their storage and the manner of keeping track of the products during truck- outs was quite revealing. It was evident that there were platforms of collusion established between some facility/depot owners, staff of DPR, PPPRA and Consultants which clearly undermined the accurate reporting of movement of petroleum products in and out of the facilities/depots.

4. It was established that facilities/Depots owners and the NNPC/PPMC were the worst culprits in this regard.

IMPLICATIONS

1. By failing to perform the tasks assigned to them under the Scheme, facility and depot owners, including the NNPC/PPMC, deprived Nigerians the opportunity of optimizing the volumes of PMS imported under the scheme and provided the foundation for widespread corruption and waste through collusion and a self-imposed inability to provide reliable data upon which accurate volumes of subsidy due could be ascertained.

2. The NNPC/PPMC being the largest importer of PMS under the scheme was the worst culprit in this regard. The results was also that, since the NNPC was the sole keeper of the records of the volume of its imports, the non-availability of alternative sources of data from an efficient depot records system, enabled the NNPC to fix the volume

   claimed to have been actually imported and offloaded, and thereafter determine its due subsidy and illegally deduct same at source.

RECOMMENDATION:

1. The DPR must take immediate steps to bring all facilities and depot owners into compliance with international best practices by ensuring the installation of modern metering gadgets and sealable and nonreturn valves.

2. The DPR must brace up to its role of regulation and compel the NIMPC/PPMC to comply with all the regulations issued to ensure

. transparency and accountability.

3. This Ad-Hoc Committee shall carry out a forensic investigation to

determine the capacity of the facilities/Depots vis-a-vis the claims for volumes offloaded, even based on the non-credible records being paraded by some of the owners/operators.

OIL MARKETING /TRADING COMPANIES

FINDINGS

1. As core participants in the PSP Scheme, Oil Marketing/Trading Companies were required by the Guidelines to, among other things:

(a) Import, supply and distribute products nationwide.

(b) Comply with Rules and Regulations set by the PPPRA concerning products scheduling, shipment to Jetties, products transportation through the pipeline network/Trucks/rail to storage depots and evacuation to retail outlets.

(c) Submit on a monthly basis, data on products supply and distribution.

(d) Allow PPPRA operatives to monitor products movement from Jetties to the depots and from depots to retail outlets.

(e) Furnish PPPRA with three (3) Spiral bound copies of the import documents sequentially arranged as prescribed in the checklist in Appendix II of the Guidelines.

2. It was clear during the public hearing of the Committee that most of the Oi! Marketing/Trading Companies involved in the products importation under the Scheme were unaware _ of these responsibilities and did not therefore make any efforts to comply

with them, except, of course, for the first item "import, supply and distribute products nationwide".

3. It was obvious at the hearing that whilst throwing open the doors for all comers to participate in the PSF and watering down the eligibility criteria, the Management of PPPRA (2009 - 2011) failed to exact or procure compliance by the Oil Marketing/Trading Companies with their core responsibilities under the Scheme.

IMPLICATIONS

1. The non-compliance of Oil Marketing/Trading Companies with their responsibilities in the Guidelines also contributed to the challenges and inefficiencies discovered with the . implementation of the PSF Scheme.

RECOMMENDATIONS

1. Oil Marketers/Trading Companies must be compelled to adhere strictly to the Guidelines and carryout the responsibilities imposed on them to the letter.

2. Penalties must also be indicated for non-compliance and promptly imposed to ensure the smooth operation of the Scheme.

4. In the specific instance of Venro Energy Limited with falsified Form M No. MF475241 BA No. 03320104910009 purportedly dated 24/9/10 which was used in the subsidy scheme by the company; the Committee recommends that the matter should be further investigated by the relevant anti-

Corruption Agencies.

5. With regards to VITOL SA evidence against MOBIL Nig. Ltd on the issue of products brought in through MT Mileura, the Committee recommends that Mobil Nig. Ltd be further investigated and if found culpable prosecuted by relevant anti- Corruption Agencies.

6. The Committee also recommends that only Marketers with Tank Farms of a minimum of 5,000MT should henceforth qualify for participation under the Scheme.

NIGERIAN FLAGGED VESSELS

FINDINGS

1. A Nigerian Flagged Vessel is a ship registered in Nigeria and which flies the Nigerian Flag. Most Nigerian Flagged vessels are owned by Nigerians.

2. The Cabottage Act, 2003 was, inter alia, to ensure the development of local content in the growth of the maritime sector through provisions which seek to ensure the participation *of Nigerian owned* vessels in the maritime sector.

3. During the hearing of the Committee there was evidence that despite the existence of serviceable Nigerian owned vessels, the NNPC, which has the largest import volume under the PSF, deliberately excluded these vessels from deriving revenue by engaging foreign vessels to render the same service.

IMPLICATIONS

1. NNPC acted in a manner to frustrate Nigeria's national objectives in the Maritime Sector.

2. The NNPC by the action of depriving Nigerian owned/Flagged vessels of some patronage, failed to utilize the opportunity to not only develop the indigenous maritime sector, but also to enhance our maritime security and create more jobs.

RECOMMENDATION

1. Under the PSF Scheme, importers especially NNPC, be encouraged to patronize Nigerian Flagged vessels provided they produce the standard safety and sea-worthiness certificates in tune with international best practices.

SECTION C:

Marine Forensics

INVESTIGATION OF ILLEGAL ACTIVITIES LIKE ROUNDTRIPPING, NON-DELIVERY, SHORT-DELIVERY, ETC BY OM/TC'S

RESULTS FROM SPECIAL FORENSIC MARITIME INVESTIGATION IN COLLABORATION WITH LLOYDS OF LONDON IN UNIT, (SAMPLE OF FINDINGS):

NNPC IMPORTS:

S/N	PROD	COMP	VESSEL	NOR	B/L DATE	QTY (MT)	COMM DISC	DATE COMP	NACJ	SPM	APAPA	FOLAWIYO	CALABAR	CAPITAL DEP	OKRIKA	TRANS.	DAUGHTER VSL	SHORE OUTTURN
1	PMS-01	NNPCINIGERMED	SANMAR STANZA	28-Dec	14-Dec	31,343,802	7-Jan	13-Jan		31,343,802								
2	PMS-02	NNPC	FREJA DANIA	9-Jan	26-Dec	31,444,764		19-Jan		31,444,764								
3	PMS-09	NNPC/NIGERMED	TORM GERTRUDE	15-Feb	31-Jan	34,854.62	10-Mar	27-Mar		34,854.62								
4	PMS-14	NNPC/DUKE OIL (ONTARIO	GAMMA TANK	22-Apr	4-Apr	53,996.31	30-Apr	23-May								9,915.76	CAPT.GREGORY	
5	PMS-15	NNPC	TRISTAR DUBAI	23-Apr	7-Apr	32,921.21	6-May	23-May	17,001.11		15,920.09							
6	PMS-17	PERFORMING	MOSKALVO	10-May	28-Apr	32,804.98	10-Jun	28-Jun		17.726.30	15,078.69							
7	PMS-21	ADDAX	SEA PHANTOM	28-Jul	7-May	6,170.33	29-Jul	2-Aug					6,170.33					
8	PMS-22	PRACTOIL	ISOLACORALLO	18-Jun	1-Jun	36,771.95	8-Aug	14-Aug		36,771.95								
9	PMS-23	PRACTOIL	BLUE ROSE	18-Jun	15-May	28,543.03	13-Aug	21-Aug	14,684.06		13,956.52							
10	PMS-26	NNPC/DUKEE(TALLE	TRISTAR DUBAI ex-PINK STAR	23-Jul	10-Jul	31,604.91	6-Sep	25-Sep	15,089.43		16,515.48							
11	PMS-27	NNPC/SIR	TORNN ASLAUG	15-Aug	10-Aug	32,336.49	15-Sep	11-Oct	16,451.15	-	16,026.11							
12	PMS-28	NNPC/TRAFIGURA	NORD ORGANISER	8-Aug	20-Jul	37,331.85	14-Oct	27-Oct			17,367.04					19,964.81	CAPT. GREGORY	19,964

Analysis of samples from NNPC direct controlled importation of PMS in 2011.

1. NNPC/NIGERMED imported 31,343.802MT PMS on board MT Sanmar Stanza to Offshore Lagos SPM (Single Point Mooring) platform. NNPC document submitted to the Ad-Hoc Committee did not state where this cargo was discharged to between 07 Jan - 13 Jan 2011 as stated. NPA document capture Sanmar Stanza as being offshore Lagos at the period and discharged for 6 days, but again did not say where the 31,343.80 MT was discharged into. NNPC may be invited to account for the where about of this cargo. Lloyd's Agency Nig 2011 captured the vessel between 16/1/11 to 23/1/11 and 24/1/11 and 2.8/1/11 but still failed to state where the cargo of 31/343.802MT of PMS was discharged into.

2. NNPC imported 31,444.764 of PMS on board MT Freja Dania to Offshore Lagos SPM. The PMS cargo was discharged on 19 Jan 2011 (one day) according to NNPC submitted document. It did not state to where the cargo was discharge into. NPA document confirm MT Freja Dania arrived offshore Lagos and discharged for 5day as against 1 day but failed to indicate where the cargo had been discharged to. MT Freja was also found on Lloyd's Agency Nigeria and matched, however, NNPC to be invited to account for the where about of the 31,444.764MT of PMS cargo.

3. NNPC/NIGERMED imported 32,070.501MT of PMS from Abidjan on board Handy Tankers Miracle between 16/1/lland 18/1/11, their document stated that cargo was discharged at Atlas Cove Jetty facility. NPA document confirmed

vessel arrived from Abidjan but did not state where cargo was discharged. Lloyd's Intelligence listed vessel as having been around Apapa Lagos same period. However, since NPA failed to say where they took this vessel to discharge, the onus is on NNPC/NIGERMED to say where they put the cargo of 32,070.501MTof PMS.

4. NNPC/NIGERMED imported 38.413.412MT between 05/1/11 and 19/1/11 on
board UNIQUE EXPLORER from Amsterdam to SPM offshore and discharged 9
days from 17/2/11 to 26/2/11. NPA recorded Unique Explorer as having brought same quantity of products for 4days, between 5/2/11 and 8/2/11. These two accounts contradict each other except for the quantity. Navy document did not capture the vessel. Since NNPC document said that vessel
was at SPM and no indication of trans-shipment took place, they should be invited to shed more light on where this cargo of 38,413.412MT of PMS is.

5. NNPC/NIGERMED imported 34,854.623MT of PMS on board MT TORM GERTRUDE between 15/2/11 and 31/1/11 and moored at SPM Apapa-Lagos. There was no indication of trans shipment on any vessei(s) and/or where the whole cargo was discharged into. NPA document showed that MT Tom Gertrude arrived with cargo from Amsterdam and discharged her cargo for 18days (10/3/11 - 27/3/11) which corresponded with discharge dates in NNPC
documents. However, neither NPA nor NNPC stated where the cargo was discharged into since SPM is an offshore mooring platform and not storage facility. Therefore NNPC/NIGERMED should be called upon to account for this 34,854.623MT of PMS.

7. NNPC/Duke etc imported 32,892.207 MT of PMS on board MT Tristar Kuwait. Mt Tristar berthed at the Apapa SPM which has no receiving facility. No
further details given either on transfer or receipt of the product. Tristar listed

in

NPA, AIS Nigeria. Discharge at the SPM was said to be between 5/5 and 9/5 (5days). But discharge to where? NNPC may have to account for the whole cargo of 32,892.207 MT or say where it was discharged to.

8. NNPC/Duke/Ontario through MT Gamma Tank/brought in 53,006.309 MT PMS. By NNPC account the cargo was discharged for 23days (30/04-23/05 2011). Out of the whole parcel, MT Capt. Gregory trans-shipped 9,915.702mT, co-loading with MT Emmanuel Tomasos. Apart from the above, no information on where the balance of the cargo went was not available. This particular cargo link could not be followed. In our view, NNPC/Duke may have to account for the entire cargo of 53,006.309 MT instead of part thereof.

9. NNPC through Tristar Dubai brought a cargo of 32,921.207MT from Cotonou. The discharge according to NNPC document would be from 06/05 -: 13/05. ie 8days was as follows: 17,001.113 MT would be discharged to NOJ while 15,920.094 would go into Apapa. NPA document showed that vessel brought 33,064MT from Cotonou, Lloyds AIS and LLI Agencies Nigeria did not list the vessel as having visited Apapa-Lagos at the time. Navy Excel document listed MT Tristar as having arrived PHRC Okirika between 17/03 and 16/04 with 28,102MT of PMS and with 15,036MT of PMS at NACJ about 27/04 and 26/05 2011. All the dates are so close that it would be near impossible to carry out all
the voyages. In our view, NNPC may be required to give clear details on the 32,92L207MT.

10. PERFORMING- MT Moskalvo brought 32,804.984 MT and according to NNPC document discharged 17,726.298mt at SPM and 15,078.686 into

Apapa. NPA document confirm ship call between 10/06 and 17/07 2011. However, the Lloyds AIS and LLI Agencies did not capture the vessel. Since SPM is a mooring facility, NNPC may be requested to account for the part of the 17,726.298MT cargo claimed to have been discharged into it.

11. NNPC/Duke - MT Nord Innovation BROUGHT IN 36,633.642 MT and discharged between 21/07/11 - 26/07/11 aii 36,633.642mt in Apapa (PWA) Nord Innovation IMO No- 9555292, has DWT of 47,400 said to have arrived Apapa-Lagos on 19/07/11 - 26/7/11 to discharge. LLI Agency Nigeria list confirm arrival of ship at these dates so did AIS list. NPA recorded same quantity about same date but no indication of where this import was discharged. However, NAVY listed vessel as arriving SPM and PWA between 12/07-11/08 2011 with zero quantity of cargo. NNPC to reconcile please.

13. Addax - MT Sea Phantom brought 6,170.328MT and discharge 29/7-2/08 at Addax Calabar. Navy List showed vessel went to NNPC jetty in Calabar with 6,500mT of imported product. Sea Phantom with IMO No 9326653 and DWT of 13,072mT was offshore Cotonou between 24/7 and 26 /07 2011. NPA may be asked to confirm if 13,072mT DWT vessel can deliver 6500mT safely at NNPC jetty in Calabar without draft constraints.

14. PRACTTOL - MT ISOLACORALLO brought 36,771.952ml cargo to Apapa SPM. She discharged between 8/08 - 14/08 (7days). The Ship is not in NAVY List, not in AIS Nigeria 2011, and not in LLI Agency Nigeria 2011. However, ship is in NPA List as having come from Cotonou. Besides, SPM is a mooring facility, so NNPC is to say where this 36,771.952 cargo was put or what happened to it. What facility received the trans shipment?

15. PRACTIOL - MT BLUE ROSE brought 28,543.025mT between 13/08 - 21/08. 14,684.058 went into NACJ and 13,956.520mt into Apapa (PWA). Ship and cargo quantity are contained in the NAVY documents and approvals. The cargo is however to be discharged into NACJ only from 29/07 - 27/08 2011. The NPA List contains vessel's name and cargo of 14,500mT in September 2011. These are conflicting information and only NNPC is in a position to confirm or straighten it out. The movement of MT Blue Rose was not however listed in AIS Nigeria 2011 or LLI Agency Nigeria 2011.

16. NNPC/Duke/- MT Tristar Dubai Ex Pink Star brought in 31,604.912mT. She discharged NACJ 15,089.431Mt between 6/09-25/09 and 6,515.481MT into PWA (Apapa). NPA document showed vessel loaded cargo from offshore Cotonou 31,602mT, arrived 6/09/11 and sailed 12/09/11. No indication of where product was delivered or discharged. Under the circumstances, the NNPC will have to confirm the cargo movement really.

18. NNPC/Duke - MT Marios G, Ext Pink Star loaded 34,156.029Mt, discharged between 8/11-19/11; 16,860.255 to NACJ and 17,295.774 to Apapa. NPA document showed that Marios G took 34,281mT off Lome and discharged between 08/11-10/11. Marios G is also listed in LLI Agency data 2011 for about same date. Marios has IMO No 9418121 and a DWT of 50746. It is also in the Navy Excel document.

19. NNPC/NIGERMED imported 34,854.623MT of PMS on board MT TORM GERTRUDE between 15/2/11 and 31/1/11 and moored at SPM Apapa-lagos,

There was no indication of trans shipment on any vessei(s) and/or where the whole cargo was discharged into. NPA document showed that MT Tom Gertrude arrived with cargo from Amsterdam and discharged her cargo for 18days (10/3/11 - 27/3/11) which corresponded with discharge dates in NNPC documents. However, neither NPA nor NNPC stated where the cargo was discharged into since SPM is an offshore mooiing platform and not storage facility. Therefore NNPC/NIGERMED should be called upon to account for this 34,854.623HT of PNS.

Recommendations:

- To avoid further continuation of these macabre, competent consultants should be engaged by the NNPC, PPPRA, DPR and PPMC to monitor imports of products henceforth.

- Competent consultants who can use arrival drafts and ballast details to calculate product quantity even before taken- tank sounding may be engaged to checkmate any intentional fraudulent activities.
- Bills of Lading must not only originate from point of shipment, but must be made available to appointed consultants, the ports authority, safety administration and relevant agencies.

- When sending SEN on vessels arrivals, the crew list and IMO numbers of vessel must accompany requested documents

- Any appointed consultant(s) must use own verified ullaging tapes rather that the oil trader's or marketer's as most of them are compromised and therefore do not give correct readings.

- Trading on oil offshore the coast of none refining of exporting country is illegal and contravenes maritime security. Therefore, the widely acclaimed offshore Cotonou and Lome for oil trade to Nigeria should be discouraged in its entirety.

OTHER MARKETERS:

Samples of some Possible Anomalies In the deployment of Vessels Offshore Gulf of Guinea with PMS and HHK and their transhipment to Marine Terminals In Nigeria

Possible Anomalies were detected in the follow ng ns.

^ TOT DATE OF ■ DISCHARGE	MV BL DATE	PORT OF ORIGIN	COUNT RY OF ORIGIN	MARKE TER	MOTHER VESSEL	DAUGTHER VESSEL	PORT OF TRANSHIPM ENT	DV BL DATE	DISCHARGE JETTY	DEPOT	SHOR E TANK QTY	START PERIO D	ENDPE
■ =~E ' I3f2/09	28/12/10	AMUA SAY	VENEZUE LA	A-Z PET	MT ALPINE MAGNOLIA	MT OKHOTSK SEA	OFFSHORE LAGOS	6/2/11	INTEGRATED OIL JETTY APAPA	EVER OIL	9,601,9 15.00	14/12/. 10	15/1/11

HHK	25/4/09	17/3/09	AMUA BAY	VENEZUE LA	A-Z PET	MT FAITHFUL	MT POKATFINN	OFFSHORE COTONOU	4/4/09	WAZIRI JETTY APAPA	A-Z DEPOT	6,064,6 25.00	1/3/09	31/3/09
HHK	26/4/09	17/3/09	AMUA BAY	VENEZUE LA	A-Z PET	MT FAITHFUL	MT ARCTURUS	OFFSHORE COTONOU	10/4/0 9	WAZIRI JETTY APAPA	A-Z DEPOT	6,163,5 78.00	1/3/09	31/3/09
HHK	7/5//09	17/3/09	AMUA BAY	VENEZUE LA	A-Z PET	MT FAITHFUL	MT TREASURE	OFFSHORE COTONOU	10/4/0 9	WAZIRI JETTY APAPA	A-Z DEPOT	6,163,5 78.00	1/3/09	31/3/09
PMS	3/8/10	29/6/10	AMSTERDAM	NETHER LANDS	A-Z PET	MT BALTIC FAITH	MT VALOR	OFFSHORE LAGOS	27/7/1 0	IBRU JETTY IBAFON	INTEG RATED	11,081, 131.00	14/7/1 0	15/8/10
PMS	18/8/10	29/6/10	AMSTERDAM	NETHER LANDS	A-Z PET	MT BALTIC FAITH	MT VALOR	OFFSHORE LAGOS	22/7/1 0	IBRU JETTY IBAFON	INTEG RATED	15,980, 418.00	14/7/1 0	15/8/10
PMS	26/8/10	29/6/10	AMSTERDAM	NETHER LANDS	A-Z PET	MT BALTIC FAITH	MT VALOR	OFFSHORE LAGOS	5/8/10	IBRU JETTY IBAFON	INTEG RATED	9,319,9 20.00	14/7/1 0	15/8/10
PMS	28/8/10	29/6/10	AMSTERDAM	NETHER LANDS	A-Z PET	MT BALTIC FAITH	MT VALOR	OFFSHORE LAGOS	22/8/1 0	IBRU JETTY IBAFON	INTEG RATED	3,815,2 55.00	14/8/1 0	15/9/10
PMS	21/1/11	28/12/10	AMSTERDAM	NETHER LANDS	A P	MT CITRON	MT CRETE	OFFSHORE LAGOS	16/1/1 1	IBRU JETTY IBAFON	ZENON	21,733, 518.10	14/12/ 10	15/1/11
PMS	4/2/11	28/12/10			AP	MT CITRON	MT OCEAN PEARL	OFFSHORE LAGOS	13/1/1 1	IBRU JETTY IBAFON	ZENON	16,360, 806.77	14/12/ 10	15/1/11
PMS	15/11/10	23/10/10	GHENT	BELGIUM	AP	MT TRISTAR DUBAI	MT NICOS TOMASOS	OFFSHORE LAGOS	11/11/ 10	IBRU JETTY IBAFON	ZENON	21,526, 983.50	14/10/ 10	15/11/1
PMS	23/11/10	23/10/10	GHENT	BELGIUM	AP	MT TRISTAR DUBAI	MT CRETE	OFFSHORE LAGOS	13/11/ 10	IBRU JETTY IBAFON	ZENON	20,996, 835.00	14/10/ 10	15/11/1
PMS	10/1/10	18/11/09	PALDISKI	ESTONIA	AP	MT CHANCE	MT VERA CRUZ	OFFSHORE COTONOU	27/12/ 09	IBRU JETTY IBAFON	ZENON	21,434, 243.00	15/10/ 10	18/10/1
PMS	10/1/10	18/120/9/	PALDISKI	ESTONIA	AP	MT CHANCE	N A	OFFSHORE COTONOU	27/12/ 09	IBRU JETTY IBAFON	ZENON	17,081 990.00	15/10/ 10	18/10/1
PMS	23/10/11	111/09	SIKKA	INDIA	FOLAWIY O ENERGY	MT NS ASIA	MT MANUELA BOTTIGLIER I	OFFSHORE LOME	20/10/ 11	YINKA FOLAWIYO JETTY	FOLAW IYO	41,974, 360.00	16/9/1 1	22/9/11
PMS	23/10/11	111/09	SIKKA	INDIA	FOLAWIY O ENERGY	MT NS ASIA	MT KRONBORG	OFFSHORE LOME	25/10/ 11	YINKA FOLAWIYO JETTY	FOLAW IYO	41,654, 436.58	16/9/1 1	22/9/11
PMS	14/5/11	23/4/11	AMSTERDAM	NETHER LANDS	FOLAWIY O ENERGY	MT SILVAPLANA	MT HIGH PROSPERIT Y	OFFSHORE COTONOU	8/5/11	YINKA FOLAWIYO JETTY	FOLAW IYO	41,414, 254.00	20/4/1 1	28/4/11
PMS	18/5/11	23/4/11	AMSTERDAM	NETHER LANDS	FOLAWIY O ENERGY	MT SILVAPLANA	MT HIGH ENTERPRISE	OFFSHORE COTONOU	11/5/1 1	YINKA FOLAWIYO JETTY	FOLAW IYO	41,166, 192.00	20/4/1 1	28/4/11
PMS	22/5/11	23/4/11	AMSTERDAM	NETHER LANDS	FOLAWIY O	MT SILVAPLANA	MT HIGH PROSPERIT	OFFSHORE COTONOU	16/5/1 1	YINKA FOLAWIYO	FOLAW IYO	41,220, 354.00	20/4/1 1	28/4/11

Nigeria 2010 List, Lloyd's Agency Nigeria 2010 List so it may not have been offshore Lagos as noted in the PPPRA List. The mother vessel did not also call at Calabar as she was not listed in the NPA List for vessels that called at Calabar in December 2010 and January 2011.

MT Okhotsk Sea, Ex MT Ermar, Ex MT Sea Progress was listed in the Lloyd's AIS Nigeria 2011 List, Lloyd's Agency Nigeria 2011 List as calling at Apapa but was not in NPA List for Calabar. There is need to check the records at Ever Oil Depot in Calabar to ascertain if such parcel was discharged at the depot. Moreover given the draft (9.9 metres) of the daughter vessel, it would have difficulty calling at Calabar Port with a draft restriction of 8.5 metres and channel draft of between 6.3 metres and 6.4 metres.

African Petroleum Pic imported 38,516,233 litres of PMS of which 21,434,243 litres was transshipped from MT Chance into MT Vera Cruz between 1/11/09 and 30/11/09 for discharge into Zenon Oil Depot through Ibru Jetty, Ibafon, Apapa, Lagos. MT Chance discharged the remaining parcel on board into Zenon Oil Depot through Ibru Jetty, Ibafon, Apapa, Lagos,

There is no evidence that the daughter vessel MT Vera Cruz called at any Nigerian port within the period under review as there is no evidence in the NPA List for the period. The lightening operation took one month to complete and the mother vessel is smaller than the vessel that one

begins to ponder on the rationale of using such vessel which will attract more charges for that transaction.

IMPLICATIONS:

What the above sample transactions indicate is that a lot of the shipments were characterized by anomalies, inconsistencies, and irregularities leading to the conclusion of wide-spread sharp practices, round-tripping and diversion of products.

RECOMMENDATIONS:

Given the need to do a more thorough work to establish the veracity or otherwise of the various shipments of products, the data obtained from Lloyds Intelligence List would be forwarded to the Relevant Anti-Corruption Agencies who should conduct forensic verifications of all vessel movements. This would ensure that those marketers suspected to have engaged in round tripping, diversion of products and other sharppractices are identified and brought to book.

SECTION D:

Financial Forensics

INVESTIGATION OF THE FINANCIAL TRANSACTION DOCUMENTS OF THE SUBSIDY SCHEME

INTRODUCTION

1. Government had informed of its inability to continue to dole out as much as N1..3 Trillion to sustain the subsidy regime. The Nigerian people were given the impression that annual subsidy on PMS was NI;3 Trillion. Immediately the Committee hearings commenced, the N1.3 Trillion was no longer sustainable as the Accountant-General of the Federation put forward a figure of **N1.6** Trillion and the CBN put its own figure at N1.7 Trillion.

However, in the course of analysing the total amount paid as subsidy in the period under review, 2009-2011, the Committee came across 2 (two) separate subsidy payments to NNPC for each of these years, one from NNPC records of deductions, while the second was payment by CBN for the same years. NNPC's direct deductions for 2009 were the sum of N408.255 Billion, for 2010 was N407.801 and N847.942 for 2011. The CBN payments to NNPC for these same years were the sum of N81.648 for 2009, N402.423 for 2010, and N844.944 for 2011. NNPC appears to have been collecting subsidy simultaneously from 2 (two) separate sources. If this 2011 NNPC subsidy payment figure is added, the total

subsidy for 2011 would amount to N2, 587.087 Trillion. The Committee however recommends that the Relevant Anti Corruption Agencies be invited to further investigate, verify and ascertain the direct deductions and actual payments to/by NNPC.

2. In addition to the two bank accounts for the management of the subsidy regime, namely Petroleum Support Fund (PSF) Account and Domestic Excess Crude (Naira) Account, NNPC devised its own variant of direct deductions from the receipts on the 445,000 barrels daily Domestic Crude taken by it. NNPC was found to have been drawing from Federation Account since October, 2009.

3. While NNPC feasted on the Federation Account to bloat the subsidy payable, some of the Marketers took the option of claiming subsidy on products not supplied. PPPRA laid this foundation by allocating volumes of products each year to the marketers which it knows are not in conformity with its own guidelines for participation.

4. Apart from the proliferation and non-designation of bank Accounts for subsidy payment, PPPRA and the OAGF were unable to manage the disclosed two accounts transparently. There were indications that PPPRA paid N158 Billion to itself in 2009 and N157 Billion in 2010. The OAGF was

unable to submit details of the bulk payments arrogated to PPPRA and the account from which the bulk sums were disbursed to the supposed beneficiaries.

5. The nation did not need to have paid a subsidy of more than N894 Billion in 2011, which should have made available 11.5 Billion litres of PMS for the year or a daily consumption rate of 31.4 million litres. PPPRA's average daily consumption of 59 million litres as per its presentation on 18/1/2012 was merely a projection to justify the figure on subsidy put forward by the OAGF. Even the bogus discharge figure disclosed by PPPRA shows a daily rate of 40.8 million litres per day as against the 59 million litres per day in PPPRA's presentation.

6. Based on CBN subsidy figure of N 1.739 Trillion and PPPRA's subsidy rate per litre of N77.90 in 2011, volume of PMS that received subsidy in 2011 was 22.3 billion litres. However, PPPRA's confirmed discharges were only N14.7 billion litres. This means that 7,6 billion litres got unmerited subsidy of N592 billion in 2011. What was actually paid was N2,587.G87 Trillion and not even N1.7 Trillion. This huge difference of W900 Billion is to be found in NNPCs subsidy drawing from both the Federation Account as confirmed by CBN and direct deductions from the Domestic Excess Crude (Naira) Account as confirmed by NNPC itself.

FINANCIAL INFRACTIONS:

1.01 *Marketers That Obtained Forex But Not Found To Have Utilized Same For Petroleum Products Importation* Some marketers were found to have obtained forex for petroleum products importation in the relevant years of 2009, 2010 and 2011, but could not be found to have utilized same for the purposes they were meant. This was established by comparing CBN submissions on Forex and PPPRA details of products supplies under the subsidy regime, The Table hereunder is intended to expose those who may have exploited the subsidy regime to engage in money laundering activities.

RECOMMENDATIONS:

The marketers identified under this category should be referred to Rel< Anti- Corruption Agencies for further investigation with a view to establishing what they utilized the Forex obtained for. The Marketers are:

THOSE WHO OBTAINED FOREX BUT DID NOT *IMPORT* PETROLEUM PRODUCTS

S/N	NAMES OF MARKETERS	2010	2011
		$	$
1	BUSINESS VENTURES NIG LTD	22,927,339.96	
2	EAST HORIZON GAS CO/LTD	20,735,910.81	
3	EMADEB ENERGY	6,606,094.30	
4	POKAT NIG. LTD.	3,147,956.19	
5	SYNOPSIS ENTERPRISES LTD	51,449,977.47	
6	ZENON PET & GAS LTD,	232,975,385.13	
7	CARNIVAL ENERGY OIL LTD	-	51,089.57
8	CROWN LINES	-	4,756,274.94
9	ICE ENERGY PETROLEUM TRADING LTD	-	2,131,166.32
10	INDEX PETROLEUM AFRICA	-	6,438,849.64
11	RONAD OIL & GAS W/A	-	4,813,272.00
12	SERENE GREENFIELD LTD	-	4,813,360.75
13	SUPREME & MITCHELLES	-	16,947,000.00
14	TRIDAX ENERGY LTD	-	15,900,000.00
15	ZAMSON GLOBAL RES.	-	8,916,750.00
TOTAL		**337,842,663.86**	**64,767,763.22**

1.02 *Marketers That Did Not Obtain Forex But Were Found To have supplied and collected subsidy on petroleum products.*

Some other marketers who did not obtain Forex were found to have supplied petroleum products and collected subsidy thereon. The implication of this finding is that some persons may hide under the cover of the subsidy regime to launder illicit funds into the country. The Committee, however recognized the fact that some marketers may have utilized their offshore funds to import petroleum products without purchasing Forex from CBN even though by procedure, they were supposed to have obtained Form "M".

Recommendations

To separate the wheat from the chaff, the Committee recommends that relevant Anti - Corruption Agencies further investigate the transactions of this category of marketers listed below with a view to establishing their source of funds used for the importation of petroleum products in the years 2010 and 2011.

MARKETERS THAT DID NOT OBTAIN FOREX, BUT CLAIMED TO HAVE IMPORTED PETROLEUM PRODUCTS BASED ON WHICH THEY HAVE COLLECTED SUBSIDY

S/N	NAMES OF MARKETERS	2010 SUBSIDY AS PER ACCOUNTANT GENERAL	2011 SUBSIDY AS PER ACCOUNTANT GENERAL	
		H	*H*	
1	BOVAS & COMPANY	-	10,992,583,784.50	
2	BRILA ENERGY LTD	-	963,796,199.85	
3	CEOTI LTD	-	2,944,681,700.17	
4	ECO - REGEN LTD	-	1,988,141,091.10	
5	EURAFIC OIL & COASTAL SERVICES LTD	-	3,189,069,707.43	
6	FIRST DEEP WATER DISCOVERY	257,396,183.68	4,061,148,533.35	
7	KNIGHT BRIDGE	1,685,869,439.29	2,706,273,858.82	
8	MOBIL OIL NIG. PLC	3,991,754,441.53	3,060,232,335.26	
9	NADABO ENERGY LTD	247,184,147.50	2,660,902,801.58	
10	OCEAN ENERGY TRADING & SERVICES LTD	-	1,778,180,051.20	
11	ORIGIN OIL & GAS LTD	-	2,703,454,122.11	
12	SOMERSET ENERGY SERVICES	959,012,939.72	2,056,208,548.22	
13	SULPHUR-STREAM LTD	-	4,758,693,052.00	
14	SWIFT OIL	-	5,062,403,548.18	
15	FRAPRO INTERNATIONAL LTD	-	1,486,837,448.90	
16	FRADRO INTERNATIONAL LTD	-	1,148,792,391.50	
17	VIVENDI ENERGY NIG LTD	-	1,095,790,255.02	
	TOTAL	**7,141,217,151.72**	**55,019,978,401.14**	

1.03 ***Marketers That Were Not Registered*** *With PPPRA Before* ***They Got Their First Allocation For Product*** *Supplies*

Some marketers were not registered with PPPRA before they got their first allocation for products supplies. This was ascertained from a schedule produced by PPPRA, which has been identified as PPPRA "Master Data **on Marketers".**

Registration with PPPRA is a condition precedent and the only process that could enable PPPRA document and appraise a marketer's legal status with respect to incorporation and compliance with the provisions of Companies and Allied Matters Act of 1990, amongst others. This breach of this important process by PPPRA could have meant award of contract to legally non-existent companies. The marketers are:

MARKETERS NOT REGISTERED WITH PPPRA BEFORE THEY GOT FIRST ALLOCATION FOR PRODUCT SUPPLIES

S/N	NAMES OF MARKETERS	DATE OF REGISTRATION WITH PPPRA	DATE OF 1ST ALLOCATION
1	ANOSYKE GROUP OF COMPANIES	24™ JAN. 2011	18TH JAN. 2011
2	BRILA ENERGY LTD	15TH OCT. 2010	8th OCT. 2010
3	CADEESOILANDGASLTD	8™ APRIL 2011	9TH FEB. 2011
4	CEOTI LTD	26™ JAN. 2011	18TH JAN. 2011
5	DOWNSTREAM ENERGY SOURCE	15™ OCT. 2010	8TH OCT. 2010
6	DUPORT MARINE	5™ NOV. 2010	8TH OCT. 2010
7	ECO-REGEN LTD	20™ JAN. 2011	18TH JAN. 2010

8	FRADRO	20TH JAN. 2011	18™ JAN. 2011
9	FRESH ENERGY LTD	5™ AUG. 2011	2ND AUG. 2011
10	LINETRALE OIL	1ST FEB. 2011	30TH DEC. 2010
11.	LINGO OIL AND GAS COMPANY	15TH OCT. 2010	8TH OCT. 2010
12	LOTTOJ OIL AND GAS LTD	12™ AUG. 2011	18TH DEC, 2009
13	MENOLOILANDGASLTD	28TH JAN. 2011	18TH DEC. 2009
14	NATTCEL PETROLEUM LTD	10™ DEC. 2010	10TH AUG. 2010
15	OAKFIELD SYNERGY NETWORK LTD	5TH AUG. 2011	2m AUG. 2011
16	OILBATH NIG LIMITED	4TH AUG. 2011.	2m AUG. 2011
17	ROCKY ENERGY LTD	27TH JAN. 2011	1ST JAN. 2011
18	PRUDENT ENERGY AND SERVICE LTD	12TH AUG. 2011	2ND AUG. 2011
19	SPOG PETROCHEMICALS LTD	23RD JUNE 2010	4TH JUNE 2010
20	YANATY PETROCHEMICALS NIG LTD	15TH OCT. 2010	8TH OCT. 2010

RECOMMENDATION:

The Management is hereby reprimanded for awarding contracts to companies not registered with it at the time of award in contravention" of its guidelines.

04 *Marketers That Never Applied To PPPRA for Product Supplies Before They Got Their First Allocation*

Some marketers were found not to have made any application to PPPRA for supplies of petroleum products before they got their first allocation. For a valid contract, there must be an offer and acceptance. Marketers who were found not to have applied for supplies contract with PPPRA are deemed not to have made any offer to PPPRA, based on which PPPRA may have accepted by allocating quantities of petroleum products to be supplied by the Marketers. This category of marketers may have rectified this anomaly in subsequent dealings with PPPRA but the initial action negated the guidelines. The companies are:

MARKETERS THAT DID NOT MAKE FIRST APPLICATION TO PPPRA FOR SUPPLIES BEFORE THEY GOT THEIR 1ST ALLOCATION

NO	NAMES OF MARKETERS	DATE OF 1ST ALLOCATION	DATE OF FIRST APPLICATION TO PPPRA	QUANTITY ALLOCATED
1	CADEES OIL & GAS LTD	9TH FEBRUARY 2011	13TH JUNE 2011	15,000MT
2	LOTTOJ OIL & GAS LTD	18TH DECEMBER 2009	11TH MAY 2011	1Q,000MT
3	MOB INTEGRATED SERVICES LTD	8TH OCTOBER 2008	20TH APRIL 2010	15,OO0MT

1.05 *Marketers That* *Never Applied To PPPRA* ***at*** *AH But Were*

Some other Marketers never applied at all to PPPRA but were allocations to supply products. These categories of marketer identified, based on information provided by PPPRA. Under the basic rules of contract, PPPRA and the Marketers are in blatant breach of the Guidelines. The marketers

	Qty Litres	Amount ₦
a. Nasaman Oil Services Ltd	49,691,912	3,411,253,193
b. Sifax Oil & Gas Co. Ltd	42,928,602	3,589,063,041
c. Conoil	46,664,121	3,027,526,589
d. AX Energy Ltd	20,048,627	1,471,969,643

RECOMMENDATIONS:

This infraction would not have occurred if the PPPRA staff had not compromised the system. The relevant officials of PPPRA are recommended to be sanctioned according to Civil Service Rules.

1.06 *Marketers With Mo* ***Tank-Farms,*** **#o** ***Through-Put*** *Agreement*

W/ith Any Depot But Claimed To Have Discharged Products Some Marketers were identified as owning no Tank-Farms, had no Through-Put Agreements with any Depots, but claimed to have supplied petroleum products. Under the PPPRA guidelines, no marketer is allowed to participate in the PSF regime except the marketer either has a Tank-Farm (storage facility) or has agreement with other Depot owners, to ensure the imported products are discharged into an identifiable storage facility before truck-out. Any importer/marketer that did not satisfy this condition cannot be said to have brought in products that can legally qualify for subsidy. These marketers are as follows:-

1.

a.	Lingo oil 8c Gas Company Ltd	13,939,286	1,201,297,922
b.	Nadabo Energy Ltd	40,608,289	2,660,902,801
c.	Nasaman Oil Services Ltd	49,691,912	3,441,253,193
d.	Prudent Energy & Services Ltd	18,318,267	1,360,898,638

All subsidy payments to the above-listed marketers identified are hereby recommended to be refunded. This is based on the fact that they did not only infringe the guidelines but the transactions claimed could not be confirmed from further inquests into the Depot reports by PPPRA anc

Some Marketers had no Tank-Farms, had Through-Put Agreements could not be confirmed to have utilized same yet claimed to discharged their products elsewhere. Reliance has been placed on PPPRA's representations to the Committee to confirm that the said marketers did not utilize the facilities they had Thru-Put Agreement with within the period under consideration. It is absolutely difficult to confirm that the marketers listed in the Table below were genuinely involved in

the importation of quantity of petroleum products claimed under the PSF scheme.

All supplies claimed to have been made by the marketers identified under this category were adjudged irregular and unsustainable. The relevant subsidy payments received, having not been legally earned, should be refunded. These categories of marketers are as follows:-

RS - NO TANK-FARMS, HAD THRU-PUT AGREEMENT, NEVER USED SAME BUT CLAIMED TO HAVE IMPORTED PRODUCTS UNDER PSF

S/N	NAMES OF MARKETERS	SUPPLIES CLAIMED BUT UNCONFIRMED 2010 & 2011	DATE OF FIRST THRU-PUT	SUBSIDY CLAIMED
		LITRES		N
1	DOWNSTREAM ENERGY SOURCES	39,341,145	N/A	2,947,780,261
2	DUPORT MARINE	47,374,819	N/A	3,555,127,358
3	ECO-REGEN LTD	38,060,916	N/A	3,339,101,218
4	IMAD OIL AND GAS	40,621,597	N/A	2,701,002,852
5	SETANA ENERGY LTD	44,833,464	N/A	2,791,264,070
6	RYDEN OIL TRADING COM	6,033,043	N/A	451,150,983
7	SOMERSET ENERGY	39,649,669	N/A	2,172,206,037
8	SULPHUR STREAMS LTD	55,281,456	N/A	4,758,693,054
9	SWIFT OIL	66,649,190	N/A	5,062,403,555
10	TECHNO OIL LTD	6,137,738	N/A	547,179,342
11	TONIQUE OIL SERVICES LTD	65,055,054	N/A	3,827,112,622
12	VALCORE ENERGY LTD	59,270,240	N/A	5,177,393,607
	TOTAL E	»©8,3G8ƒ331	37,33C	»,414,9S9

To be able to establish whether or not there were any payments made for voiumes of products not brought-in, the Committee made reference to the following reports and representations by PPPRA, Central Bank of

Nigeria (CBN) and Office of the Accountant-General of the Federation (OAGF):

(i) PMS Volume &. Associated Subsidy for 2009 by the Marketers sourced from PPPRA's presentation.

(ii) PMS Volume & Associated Subsidy for 2010 by the Marketers sourced from PPPRA's presentation. (iii) PMS Volume &

Associated Subsidy for 2011 by the Marketers

sourced from PPPRA's presentation. (iv) Statement of Account on Petroleum Support Fund (PSF) (v) Statement of Account on Domestic Excess Crude (Naira) Account (vi) Schedule of Payments by CBN under the Sovereign Debt Regime (vii) Schedule, of Direct Deductions made by NNPC. (viii) PPPRA's submission to the Ad-hoc Committee on the monitoring of

the Subsidy Regime, (ix) PPPRA's document Titled *"The Role of Petroleum Products*

2.02 The above documents were subjected to in-depth scrutiny, putting side by side PPPRA's claims to volumes discharged by the Marketers and NNPC against the actual payments made from the PSF Account, Domestic Excess Crude (Naira) Account as well as the direct

2.3 The following were the findings under Marketers and NNPC respectively:

2.4 THE MARKETERS

i. By PPPRA's representation the Marketers received a subsidy of N680.982 Billion as subsidy for supplying 9,317,145,275 litres of PMS in 2011.

ii. Curiously, PPPRA made another presentation that the Marketers were paid N975.896 Billion for supplying 12,488,789,611 litres of PMS in 2011.

- Between (i) and (ii) above, PPPRA has confirmed that the sum of N294,914 Billion was paid on 3,171,644,336 litres of PMS that might not
have been supplied to the Nigerian market.

RECOMMENDATIONS:

This anomaly is hereby referred to the Relevant Anti - Corruption Agencies for further investigation.

CONFLICTING FIGURES:

Hi. Analysis of subsidy paid to the Marketers in 2011 by CBN under the Sovereign Debt Note regime shows that the Marketers received the sum of N894.201 Billion as subsidy and not N975.896 Billion as reported by PPPRA.

- Between (ii) and (Hi), PPPRA appears to have paid an excess of N81.695 Billion over and above CBN's figure of N894.201 Billion from a yet-to-be identified source. The situation in 2010 and 2009 were a converse of the
situation in 2011 as the bank accounts (CBN/SDN) indicated to have
made payments higher than what PPPRA claimed to have made.
This is graphically represented in Table 1 below.

COMPARISON OF SUBSIDY PAID TO MARKETERS
PPPRA V S BANK (CBN[1]

YEAR	PPPRA DETAILS OF PAYMENTS TO MARKETERS	ACTUAL PAYMENT BY PSF A/C & DEC A/C	PAYMENTS TO BE EXPLAINED BYAGF	OVER-RECOVERY BY PPPRA NOT REFLECTED	TOTAL REFUNDABLE

	NB	NB	NB	INBANKA/C (PSF) NB	NB
2009	129.536	297.921	168.385	2.766	171.151
2010	344.393	386.920	42.527		42.527
2011	975.896	894.201	(81.695)		(81.695)

in 2011, wherein it was higher than what the bank reflected, Is a pointer to the fact that the official bank accounts disclosed by CBN may not be the only ones used by during the subsidy regime, PPPRA was identified to have received from PSF account in 2009 and

OVER-RECOVERES NOT CREDITED TO THE PSF ACCOUNT:

j. Part of the funding sources of the PSF Account is over-recovery marketers. This accrues when product landing Depot price. In 2009, there was an over-recovery expected to have been credited to the PSF Account but was not traceable to the official PSF Account disclosed.

ii. Furthermore, in the presentation made by Akintola Williams Deloitte it was claimed that the sum of NGN5.27Billion was established as over-recovery in 2009, however, there was no evidence that this money was credited to the PSF Account.

RECOMMENDATIONS:

1. The office of the Accountant-General of the Federation (OAGF) should account for the sum of N213.678 Billion, being total of excess payments made by it over and above what PPPRA identified as paid in 2009 and 2010. The OAGF is not only responsible for the accounts of the

Federation including the PSF and Domestic Crude Account but refused to provide further details on the account when requested to do so during the Public Hearing.

2. Relevant Anti - Corruption Agencies should ensure that the OAGF accounts for the over-recovery figures of NGN 2.766Billion and NGN5.27Bil!ion respectively.

2.05 Conflicting Figures for Nigeria National Petroleum Corporation (NNPC)

NNPC had two sources of recovery of its subsidy viz: (i) Direct Deductions from Domestic Crude receipts accruable to the Federation.

(ii) Payment by CBN through deduction from Distributable revenues as per the Federation Account Component Statement,

NNPC's in its submission claimed to have earned N586 Billion as subsidy from the supply of 7,576,726,157 litres of PMS in 2011.

However, by PPPRA's presentation, NNPC was paid a subsidy of N667.533 Billion for supplying 5,470,007,111 litres of PMS

By CBN's presentation, NNPC was paid the sum of N844.944 Billion as subsidy in 2011.

In addition to CBN's payment of N844.944 Billion as represented on the **Federation Account Component** Statement, NNPC made a direct deduction of N847.942 Billion as subsidy in 2011, bringing all claims by NNPC on subsidy in 2011 to NI,692.886 Billion (N1.692 Trillion). The above is captured graphically in Table below.

Summary of NNPC Subsidy Receipts 2©Q9 - 2011

YEAR	PPPRA PRESENTATION ***m***	BANK-S-DIRECT DEDUCTION *UB*	OVER *PAYMENT* TO BE EXPLAINED BY OAGF *MB*
2009	261.509	408.255	146.746
2010	389.027	810.224	421.197
2011	667.533	1,692.886	1,025.353

2.06. FURTHER CONFIRMATION THAT NNPC'S SUBSIDY CLAIM AS REPORTED BY CBN IS DIFFERENT FROM DIRECT DEDUCTIONS BY NNPC

From information available to the Committee, the illegal practice of NNPC's direct deductions from the Domestic Crude receipts started as far back as 2004. CBN claims that for disclosure purposes, it started reflecting NNPC's subsidy claims on the Federation Account Component Statement from October 2009. A comparison between what CBN claimed was subsidy to NNPC and what NNPC deducted directly, shows huge differences. This confirms that the two figures could not have emanated from the same source. CBN had no business reporting what NNPC deducted internally. Therefore, CBN's reported figures cannot be no other than what it paid. The following examples suffice;

(a) In October 2009, PPPRA confirmed it approved a subsidy of N22.269 Billion. While CBN confirmed it'paid NNPC the sum of N21.649 Billion in October 2009 as subsidy, NNPC's direct deduction was N81.326 Billion in the same month.

(b) In November, 2009, PPPRA approved a total of N27.666 Billion vide Ref. Nos. A./4/4/229/C.33/1V/1026 of 12th February 2010 for N21,289,621,388.04 and A./4/4/229/C.33/VII/1241 of 31st January 2011 forN6,377,055,615.88.

While CBN confirmed paying a subsidy of N25.0 Billion to NNPC in November, 2009, NNPC's direct deduction was N64.246 Billion.

YEAR	PAYMENTS OF SUBSIDY TO MARKETERS	INDEPENDENT MARKETERS	NNPC	TOTAL	GRAND TOTAL SUBSIDY PAID

(c)In December, 2009, although CBN's figure of N35.0 Billion tallied with the direct deduction of N35.0 Biliion by NNPC, what PPPRA approved in that month as subsidy was N20.964 Billion.

2.07. PPPRA in its presentation to the House of Representatives had hinted that the noticeable upsurge in subsidy payment in 2011 was due not only to increase in subsidy per litre but also to the computed arrears due NNPC for HHK discharges. This was established from NNPCs submission to be N284.580 Billion. This payment of subsidy arrears on HHK was an illegality, having been proscribed by a presidential directive in 2009. NNPC was stopped from further collecting subsidy on HHK. The Corporation abided by the Presidential directive but unilaterally reversed the situation without any counter directive or

	PSF A/C	DOMESTIC EXCESS CRUDE NAIRA A/C KB	TOTAL	DIRECT DEDUCTIONS *m*	CBN PAYMENT	NB	NB
2009	297.921	-	297.921	408.255	81.648	489.903	787.824
2010	160.047 (Jan-Apr)	221.880 (May-Dec)	381.927	407.801	402.423	810.224	1,192.151
2011	—	894.201	894.201	847.942	844.944	1,692.886	2,587.087

order from the

President.

Table below summarizes the payments between 2009 to 2011

ACTUAL SUBSIDY PAYMENTS BY THE FEDERATION TO THE MARKETERS AND NNPC: 2009-2011

' (i) In 2009, only the Petroleum Support Fund (PSF) Account was operational under the subsidy regime and the marketers were paid a total of N297.921 Billion as subsidy. PPPRA confirmed the payments as N129.536 Billion and by implication an over payment by N168.385 Billion. While NNPC made direct deductions of N408.255 Billion, CBN indicated that it paid NNPC the sum of N81.648 Billion as subsidy. This brings total payment in 2009 to NNPC to N787.824 Billion.

(ii) In 2010, the PSF Account was used to pay subsidy of N160.047 Billion. Between Jan - April 2010. From May 2010, subsidy payment was made from Domestic excess Crude (Naira) Account (DEC A/C). Between May 2010 to Dec 2010, the sum of N221.880 Billion was indicated as subsidy paid by the CBN to the Marketers. NNPC made direct deduction of N407.801 Billion and received as payment the sum of N402.423 Billion from CBN, This brings total payment in 2010 to Nl.192.151 Billion.

(iii) In 2011, PSF Account had ceased to pay subsidy. CBN paid the sum of N894.201 Billion to the Marketers and N844.944 Billion to NNPC in addition to its direct deduction of N847.942 Billion. This brings total subsidy payment in 2011 to N2.587 Trillion.

(iv) Although the N2.587 Trillion excludes u subsidy as at 31st of December, 2011, it includes payment in at 31st unpaid subsidy as December 2010 and the arrears on which were paid in 2011.

Based on the subsidy payments to the Billion in 2011, with the demurrage and a inclusive, at an average subsidy rate per litre < have received 11,478,831,835 litres of PMS si supply of 31,448,854 litres. This simply means marketers in 2011 i.e N894.201 Billion was nation's PIMS needs.

i) PPPRA's representation to subsidy paid in 2011 was

alone of items on the template N77.9, the nation or a dai! was enough to satisl

(ii) CBN in its presentation to the Committee however confirmed total subsidy payment of N 1.739 Trillion, (iii) The Accountant-General of the Federation informed the Committee that total subsidy paid in 2011 was N1.697 Trillion However, investigations have revealed that total payments and direct deductions in 2011 in respect of subsidy by the marketers and NNPC, amounted to N2,587.087 **Trillion** as captured below;

	m
Payments to Marketers	894.201
Payments by CBN to NNPC	844.944
Direct Deductions by NNPC	847.942

(iii)In 2010, total payments for subsidy were N 1.192 Trillion while that of 2009 was N787.824 Billion.

3.00 DISCREPANCIES IN THE SUPPLIES/DISCHARGES OF PETROIEUH PRODUCTS *AND* SUBSIDY

3.1 The Committee tasked itself to specifically identify marketers and the transactions that gave rise to claims to subsidy on products that may not have been brought in. This searchlight on the marketers was informed by the following:

3.2 The Committee identified that the marketers were often awarded superfluous quantities of products to supply but often did not meet the target. This is captured vividly in Table below.

COMPARISON OF APPROVED QUANTITY BY PPPRA AND DISCHARGES BY MARKETERS

MARKETERS	APPROVED QTY (LITRES)	DISCHARGE/ DELIVERY (LITRES)	UNDER (OVER) DISCHARGE (LITRES)	% Under-Discharge
2009	11,341,507,500	5,085,206,983	6,256,300,517	55.16%
2010	12,410,955,000	6,226,586,543	6,184,368,457	49.8%
2011	13,589,510,000	9,317,145,231	4,272,364,769	31.40%

Table

The information on the above table was extracted from PPPRA's submission to the House of Representatives.

In 2009, PPPRA approved a supply of 11,341,507,500 litres of PMS for the marketers. However, PPPRA confirmed the marketers discharged only 5,085,206,983 litres or 55.16% under-discharge. Despite being aware of the under-performance by the Marketers in 2009 or the defect in its procurement process and management, PPPRA increased the 2010 Approved Deliverables to 12,410,955,000 litres. The Marketers delivered on!y 6,226,586,543 i.e 49.8%. under performance. In spite of the underperformance, there were no crises of product availability throughout 2011.

The same ugly trend was maintained by PPPRA in 2011 during which it increased its Approved Quantity to 13,589,510,000 litres but however confirmed a delivery of 9,317,145,231 litres, an under performance by 31.4%a

It is clear that PPPRA had no good understanding of effective procurement procedures and management and may have adopted incremental budgeting

process in determining Approved Quantity without recourse to the performance in preceding periods.

RECOMMENDATIONS:

The PPPRA staff in charge of procurement between 2009 to 2011 should be reprimanded and punished according to Civil Service rules.

3.03 *HHPG* AND PPPRA APPROVALS

While the marketers were provided with significant slack between Quantity Allocated and Discharged and consistently under-supplied, PPPRA however represented that *NHPC* continually over-discharged. This is represented in Table below.

Comparison of Approved Quantity by PPPRA and Discharges by ***NNPC***

YEAR	APPROVED QTY (LITRES)	DISCHARGES/DELIVERY (LITRES)	UNDER(OVER) DISCHARGES (LITRES)
2009	8,021,862,000	8,351,227,182	(329,365,182)
	8,897,535,000	9,507,712,032	(610,177,032)
	4,559,400,000	5,470,007,109	(910,607,109)

Table

NNPC has access to the Federation Account and was at liberty to collect whatever subsidy it desires while the marketers could only re!y on over bloating of volume supplied or not supplied at all to earn subsidy, hence the searchlight on marketers 'transactions.

3.04 Ascertainment of Unverifiable Claims to Subsidy:

Before the commencement of the public hearing, the Committee through

Newspaper and TV advertorials, requested all Marketers who partook in the subsidy regime to submit details of their transactions with PPPRA between 2006 to 2011. Formal letters of invitation to the marketers and PPPRA included a format of the information required. Submissions by some of the companies were explicit and clear as they conformed to the format provided. Others simply supplied a maze of uncoordinated returns that failed to provide the specific details required. The information sought from the marketers include a schedule of all imports made and subsidy received between 2006 to 2011 with copies of the following documents attached:

- Schedule of Transactions
- Form M
- Letters of Credit
- Bill of Lading
- Certificate of discharge

  ETC.

3.05 The PPPRA obliged the Committee with its request. To be able to appraise the submissions of the marketers as to the veracity of their claims, PPPRA's submission titled "SUMMARY OF IMPORTS BY MARKETERS AND PAYMENTS UNDER THE PETROLEUM SUPPORT FUND (PSF) SCHEME" was sorted to (i) Company Profile of Supplies and (ii) Depot Report, respectively.

3.6 The Committee further requested and obtained Reports on Imports between 2006 and 2011 from Nigeria Ports Authority (NPA) as a third layer of check on the claims to importation of petroleum products.

3.7 Based on the above platform, all claims to importation of petroleum products and subsidy thereon, by the Independent marketers were subjected to painstaking scrutiny and the findings are as follows;

FINDINGS:

3.8 Some claims to importation of petroleum products could not be verified as the Depots into which they purportedly discharged the products could not confirm receipt.

3.9 In some instances, there were wide gap between the dates the importer claimed to have discharged its products and the date a receipt was confirmed from the Depot.

3.10 Some claim to volumes discharged differed significantly from the volume received at Depots, For example a marketer claims to have discharged a higher quantity in a particular Depot than what the Depot confirmed it received. The reverse was the case in some other instances where Marketers claimed lower volume of discharge than what the Depot acknowledged receiving,

3.11 Some Marketers claimed to have discharged unspecified volumes of products at two to four different Depots from one consignment.

3.12 Some refused and/or ignored to disclose the date on which they discharged their products or the Tank-Farms they discharged into,

3.13 Some companies refused to disclose the names of the vessels that discharged the petroleum products purportedly imported by them.

3.14 Some claims to importation of petroleum products could not be confirmed from NPA's schedule of imports.

3.15 Some companies imported DPK ostensibly under a supply arrangement with NNPC, but declared same as PMS based on which they were paid subsidy.

3.16 All the claims to product supply and subsidy thereon were critically analyzed and reviewed.

RECOMMENDATIONS:

- Discharges that suffered one or more of the above infractions were adjudged not sustainable and therefore not good enough to attract any subsidy. The disqualified claims to subsidy amount to a sum of **N230.184BlJjjon.** The associated *PMS* volumes ©f **3,262,960,225 litres** are therefore deductible from the annual mass volume, with a view to determining the appropriate volume of consumption.

These defective transactions should be further investigated by the Relevant Anti- Corruption Agencies to ensure that all those who collected unmerited subsidy are made to refund the amounts collected.

SCHEDULE OF DISALLOWED CLAIMS TO DISCHARGES AND SUBSIDY 2010-2011

S/NO	NAME OF MARKETERS	VOLUME DEDUCTIBLE LITRES	SUBSIDY REFUNDABLE N

1	**NNPC**		
2	ACORN PLC	140,894,149.00	8,514,900,513.00
3	ALMINNUR RESOURCES LTD	46,918,888.00	2,543,800,931.00
4	ANOSYKE GROUP OF COMPANIES LTD .	15,769,795.00	1,318,443,535.00
5	ASCON OIL & GAS COMPANY	64,745,352.00	4,451,932,090.00
6	AVANT GARDE ENERGY	19,470,988.00	1,154,824,298.00
7 ·	A - Z PETROLEUM	130,721,532.00	8,065,557,648.00
8	CAH RESOURCES ASSOCIATION LTD	323,005.00	24,206,727.00
9	CHANNEL OIL & PETROLEUM LTD	28,966,976	622,518,071
■ 10	CRUST ENERGY LTD	13,301,936.00	1,192,651,581.00
11	DOWNSTREAM ENERGY SOURCE LTD	39,341,145.00	2,947,780,261.00
12	DOZZYOILANDGASLTD	19,081,051.00	1,587,298,801.00
13	DUPORT MARINE LTD	47,374,819.00	3,555,127,358.00
14	ECO-REGEN LTD	38,060,916.00	3,339,101,218.00
15	EURAFIC OIL AND COASTAL SERVICES LTD	42,442,180.00	3,868,147,024.00
16	FIRST DEEP WATER DISCOVERY LTD	12,244,946.00	932,207,739.00
17	FRADRO INTERNATIONAL LTD	45,808,707,00	3,661,643,268.00
18	FRESH SYNERGY LTD	19,350,390.00	1,417,029,059.00
19	HEYDEN PETROLEUM	40,441,260.00	3,345,455,733.00
20	IBAFON OIL LTD	20,134,910.00	1,474,479,459.00
21	IMAD OIL & GAS LTD	40,621,597.00	2,701,002,852.00
22	INTEGRATED OIL & GAS	190,846,561.00	13,252,055,429.00
23	INTEGRATED RESOURCES LTD	13,395,101.00	1,166,486,995.00
24	IPMAN INVESTMENT LTD	113,252,677.00	7,538,589,178.00
25	KNIGHTSBRIDGE	62,705,372.00	1,685,869,439.00
26	LINETRALE OIL SUPPLY AND TRADING COMPANY	18,015,790.00	1,213,903,930.00
27	LINGO OIL & GAS COMPANY LTD	13,939,286.00	1,201,297,922.00
28	LLOYDS ENERGY LTD	62,144,967.00	. 4,370,512,172.00
29	LOTTOJ OIL & GAS LTD	19,019,719.00	1,427,429,910.00

30	MAIZUBE PETROLEUM LTD	63,474,066.00	5,509,407,903.00
31	MATRIX ENERGY OIL & GAS LTD	150,999,206.00	11,211,040,786,00
32	MENOL OIL & GAS LTD	65,226,359.00	4,333,348,489.00
33	MOB INTEGRATED SERVICES	71,716,695.00	5,066,786,851.00
34	MOBIL OIL NIGERIA PLC	47,223,884.00	2,660,968,597.00
35	MUT-HASS	12,895,905.00	1,102,084,041.00
36	NADABO ENERGY LTD	40,608,289.00	2,660,902,801.00
37	NASAMAN OIL SERVICES LTD	49,691,912.00	3,441,253,193.00
38	NATICEL PETROLEUM LTD	66,768,117.00	5,276,169,320,00
39	NEPAL OIL & GAS SERV. LTD	30,975,102.00	2,353,911,978.00
40	NIPCO PLC	126,161,617.00	7,838,353,057.00
41	OAKFIELD SYNERGY NETWORK LTD	13,798,245.00	988,920,219.00
42	OBAT OIL & PETROLEUM LTD	16,707,541.00	1,321,256,085
43	OCEAN ENERGY	18,999,680.00	1,778,180,051.00
44	OILBATH NIGERIA LTD	13,414,605.00	1,019,644,138.00
45	ONTARIO NIGERIA LTD	61,927,588.00	4,248,727,148.00
46	ORIGIN OIL a GAS LTD	39,368,193.00	4,141,367,099.00
47	PETROTRADE ENERGY LTD	12,088,200.00	908,805,371.00
48	P.O.N SPECIALISED SERVICES	17,985,850.00	1,413,501,932
49	PHOENIX OIL COMPANY LIMITED	24,201,544.00	1,827,838,204.00
50	PRUDENT ENERGY & SERVICES LTD	18,318,267.00	1,360,898,638.00
51	ROCKY ENERGY LTD	19,837,274.00	1,620,110,167.00
52	RYDEN OIL LTD	6,033,043.00	451,150,983.00
53	SEA PETROLEUM & GAS CO. LTD	59,841,476.00	1,019,571,609.00
54	SEDEC ENERGY LTD	19,915,805.00	845,226,771.00
55	SETANA ENERGY LTD	44,833,464.00	2,791,264,070.00
56	SHORELINK & GAS SERVICES LTD	63,767,177	5,056,009,002
57	SHIELD PETROLEUM COMPANY NIGERIA LTD	26,409,962.00	1,502,198,610.00
58	SIFAX OIL AND GAS COMPANY LTD	42,928,602.00	3,589,063,041.00
59	SIRUS ENERGY RESOURCES LTD	21,505,864	5,056,009,002.00

60	SOMERSET ENERGY SERVICES LTD	39,649,669.00	2,172,206,037.00
61	STONEBRIDGE OIL LTD	20,187,353.00	1,784,158,258.00
62	SULPHUR STREAMS LTD	55,281,456.00	4,758,693,054.00
63	SWIFT OIL LTD	66,649,190.00	5,062,403,555.00
64	TAURUS OIL & GAS LTD	84,028,035.00	6,472,821,001.00
65	TECHNO OIL LTD	6,137,738.00	547,179,342.00
66	' TONIQUE OIL SERVICES LTD	65,055,054.00	3,827,112,622.00
67	TOP OIL AND GAS DEVELOPMENT COMPANY LTD	98,806,004.00.	7,367,662,306.00
- 68	TOTAL NIGERIA PLC	38,269,427.00	1,931,075,306.00
69	VALCORE ENERGY LTD	113,176,522.00	8,709,548,082.00
70	VIVENDI ENERGY LTD	13,279,490.00	1,127,773,642.00
71	YANATY PETROCHEMICALS NIGERIA LTD	75,482,740.00	4,682,342,275.00
	TOTAL	3,262,960,225	230,184,605,691.00

4J

4.01 The biggest draw back on the Subsidy Regime was the inability of the to designate a bank account exclusively for the Payment of

account was as such accounts. These two accounts were used

to make all of payments including payments to FGN, States, Local

4.02 Another issue is the Account Names assigned to the two accounts.

Although PSF is in the Name of PPPRA, some payments were indicated to have been made to PPPRA itself, We had earlier provided a schedule showing such payments totalling N158.470 Billion in 2009 and N157.894 Billion in 2010 as examples only. PPPRA has not provided details of such payments which may provide lead to the existence of another Subsidy Account.

PAYMENTS PPPRA MADE TO ITSELF FROM PETROLEUM SUPPORT FUND ACCOUNT NO. 0020196441019 BETWEEN 1ST JANUARY 2009 TO 31ST DECEMBER 2010

2009

S/NO	DATE	REFERENCE MANDATE LETTER	AMOUNT
1	17/4/09	A3/7/408/C28/VOL1/02/09	17,032,079,380.44
2	17/4/09	A3/7/408/C28/VOL1/01/09	31400,560,536,47
3	28/5/09	DD 25/05	3,609,717,832.00
4	28/5/09	DD 25/05	12,855,314,944.59
5	18/6/09	A3/7/408/C.28/VOL.1/05/09	2,808,534,935,91
6	14/8/09	A3/7/408/C28/VOL1/06/09	12,452,344,556.45
7	8/9/09	LT DD 7/8/9 A3/7/408/C.28/VOL.1/09/09	1,439,748,235.91
8	8/9/09	LT DD 7/9/9 A3/7/408/C28/VOL. 1/07/09	2,760,497,832.69
9	8/9/09	A3/7/408/C.28/VOL. 1/08/09	5,434,130,891.13
10	25/9/09	A3/7/408/C.28/VOL. 1/09/09	21,941,919,119.72
11	10/11/09	A3/7/408/C28/VOL1/10/09	21,164,880,263.60
12	3/12/09	A3/7/408/C.28/VOL.1/11/09	3,402,271,618.65
13	4/12/09	A3/7/408/C.28/VOL1/13/09	2,391,303,515.25
14	4/12/09	A3/7/408/C.28/VOL, 1/12/09	18,835,734,436.71
15	/12/09	A3/7/408/C.28/VOL1/14/09	173,508,297.55

16	4/12/09	A3/7/408/C.28/VOL1/15/09	1,068,339,778.73
		TOTAL	**158,470,886,175.80**

2010

S/NO	DATE	REFERENCE MANDATE LETTER	AMOUNT
1	7/1/10	A3/7/408/C.28/VOL1/19/09	1,474,668,024.16
2	7/1/10	A3/7/408/C28/VOL1/18/09	16,730,892,239.37
3 '	13/1/10	A3/7/408/C28/VOL1/17/09	11,927,943,973.09
4	21/1/10	A3/7/408/C.28/VOL.1/20/10	37,100,750,229.17
5	26/1/10	A3/7/408/C.28/VOL1/21/10	908,949,361.41
6	9/2/10	A3/7/408/C.28/VOL.1/21/10	26,565,449.85
7	9/2/10	A3/7/408/C.28/VOL1/22/10	1,738,498,374.44
8	15/2/10	A3/7/408/C28/VOL1/26/10	114,099,550.05
9	15/2/10	A3/7/408/C28/VOL1/25/10	2,845,952,244.05
10	15/2/10	A3/7/408/C.28/VOL1/24/10	24,536,024,428.77
11	17/3/10	A3/7/408/C.28/VOL1/29/10	47,874,228.90
12	17/3/10	A3/7/408/C.28/VOL1/28/10	1,260,688,027.70
13	17/3/10	A3/7/408/C.28/VOL1/27/10	11,116,461,519.67
14	25/3/10	A3/7/408/C.28/ VOL. 1/32/10	5,729,189.40
15	25/3/10	A3/7/408/C.28/VOL 1/30/10	2,732,441,384.98
16	25/3/10	A3/7/408/C28/VOL.1/31/10	150,868,654.20
17	7/4/10	A3/7/408/C.28/VOL.1/32/10	5,295,665,694.74
18	7/4/10	A3/7/408/C.28/VOL1/34/10	21,449,191.05
19	8/4/10	A3/7/408/C.28/VOL.1/35/10	2,813,701,728.67
20	8/4/10	A3/7/408/C.28/VOL.1/37/10	4,882,015,763.71

21	8/4/10	A3/7/408/C.28/VOL1/36/10	3,496,162,718.06

22	21/5/10	A3/7/408/C28/VOL1/33/10	564,828,697.65
23	28/5/10	A3/7/408/C.28/VOL.1/38/10	6,146,266,172.64
24	28/5/10	A3/7/408/C.28/VOL 1/38/10	7,192,301,488.86
25	10/6/10	A3/7/408/C.28/VOL1/40/10	12,658,210,203:81
26	14/6/10	A3/7/408/C.28/VOL.1/41/10	2,105,309,295.62
		TOTAL	**157,894,317,834.02**

Source: PSF A/C as submitted by CBN to the Ad-hoc Committee

4.3 The Excess Domestic Crude Naira Account is in the Name of Nigeria **National Petroleum Corporation** (NNPC) as the account holder. The OAGF should explain who authorized payments from this account that had accommodated varied and unrelated payments and has disbursed over N2.5 Trillion between 2007 and Jan. 2012.

4.4 The PPPRA was established to administer and monitor the subsidy regime from 2006. It was expected that NNPC should come under the supervision of PPPRA that should vet and authorize NIMPC's claims to subsidy. It was therefore an aberration that the Excess Domestic Crude Naira Account was established or opened in 2007 in the name of NNPC for the payment of subsidy and other payments. This account should be in the name of FGN/OAGF for purposes of subsidy.

4.5 The Accountant General of the Federation who had the statutory responsibility to manage and reconcile the account to ensure probity and accountability did not appear to have carried out these duties and responsibilities.

4.06 A comparison between what the CBN accounts registered as payment of subsidy between 2009 and 2010 and what the OAGF registered as payment in the respective years showed very wide margins. See Table below:

SUMMARY OF SUBSIDY PAID IN 2009, 2010 & 2011 ASREPRESENTED BY CBN, PPPRA & AGF

	2009 ₦B	2010 ₦B	2011 ₦B	TOTAL ₦B
Actual Subsidy Per CBN (A)	706,176	794.721	1,739.702	3,241.062
Subsidy as per PPPRA (B)	463.576	673.006	1,348.515	2,485.097
Subsidy as per AGF (C)	383.544	744.773	1,697.592	2,825.913
(A - C)	323.095	49.944	42.110	415.149
(A – B)	243.063	121.715	391.187	755.965

Table

NOTE:

i. It is obvious from the above disparities and different figures, especially between actual payments by CBN and what the OAGF presented, that the subsidy account was not properly managed and coordinated.

ii. The actual subsidy would be higher if the Discount NNPC granted itself were taken into account. These were; 2009: N65 Billion; 2010: N24 Billion and 2011: N18 Billion.

iii. As at 31st December 2011, the total unpaid subsidy to marketers was estimated at about **N120 Billion** out of this, a total of N84.3 Billion has been paid to the Marketers between 18th January and 3rd February 2012, while NNPC claims to have outstanding payments for PMS of about N150 billion.

RECOMMENDATIONS:

1. The Accountant-Genera! of the Federation should identify the accounts into which PPPRA transferred a total of N158.470 Billion in 2009 and N157.894 Billion in 2010.

2. He should identify the persons who benefited from the payments.

3.0. SUSPICIOUS PAYMENTS FROM PSF ACCOUNT:

1. It was observed that 128 payments of equal amounts of NGN999, 000,000million totalling NGN127.872Biliion was made between 12th and 13th January, 2009. This manner of payments raises very serious suspicion as to likelihood of fraud and financial malpractices.

2. These payments could not have been to marketers as at that time there were not up to 127 marketers and it was inconceivable that the same marketer would have brought in the same volume, on the same day and be entitled to equal and the same payments.

RECOMMENDATION:

1. The OAGF should be further investigated/prosecuted on the one hundred and twenty-eight payments (128) of equal amount of N999, 000,000 totalling N127.872 Billion between 12th January 2009 and 13th January, 2009.

6.00 **CONSUMPTION** LEVEL

6.01 To establish the consumption level, various volumes of consumption put forward by PPPRA were considered. These included

6.2 Actual volumes on which PPPRA paid subsidy in 2009 to 2011. This was found to have been corrupted with discharges that could not be substantiated.

6.3 Volumes derivable from Forex sold by CBN for the importation of petroleum products in the respective years 2009 to 2011. This option although excluded the defects of over bloating of supplies but suffered some defects of some marketers who obtained Forex but did not import petroleum products while some imported products without obtaining Forex from CBN.

6.4 The volume provided by PPPRA, considered reasonable basis for the establishment of Consumption level without ignoring the position

ascertained in (5.02) above. Lower figures between actual basis of subsidy payment were preferred. These form the basis for the establishment of consumption levels hereunder presented as Table

DETERMINATION OF DAILY CONSUMPTION

		2009 CLITRES)	2010 fLITRES)	2011 (LITRES)
PPPRA Actual Basis For Subsidy Payment To Marketers	1	5,085,206,983	6,226,586,543	9,317,145,231
PPPRA Confirmed Discharge of PMS By NIMPC	2	8,351,227,184	7,576,926,157	5,470,007,109
Annual Consumption	3	13,436,434,167	13,803,512,700	14,787,152,340
Average Daily Consumption (3 -r 365)	4	36,812,148	37,817,843	40,512,746

Table

1. Availability of Products:

The Committee examined different options of ensuring the availability of the product to Nigerian markets and hereby presents the following available options, namely: ***Allowance of445,000*** *barrels per day for local consumption**

The Country is allowed a total of 445,GG0bpd for local consumption. This type of allowance is given to ail OPEC member countries and their respective governments sell it to its citizens at international price like Nigeria, or at various levels of subsidy. The following is an analysis of the effect of a proper application of the allowance should have on the Nigerian products availability and supply.

i, <u>Supply of Products by NNPC from the 445,QQ0barrels of crude per</u>

day for local consumption at international market price:

A YIELD ANALYSIS OF 445.000 BARRELS PER DAY CRUDE OIL ALLOCATION TO NNPC TO REFINE FOR LOCAL CONSUMPTION

AYIELD ANALYSIS AT CURRENT53%REFINING CAPACITY OF LOCAL REFINERIES OPERATED BY NNPC

SN	PRODUCT	LITRE PER BARREL	%IN A BARREL	OPEN MARKET PRICE	TOTAL LITRES OUTPUT FROM 235,00 Obpd (A)	DAILY CONSU M-PTION LITRES (B)	DIfFERENCE (A-B)	CONVERSION OF OTHER PRODUCTS TOPMS (Product Price X Quantify / PMS price)	CUMMUL. A TIVE QTY OF PMS MLPD
1-	DPK	23.85	1S%	151	5.A1 ML	IOOO ML	(4-39) ML	*LOCAL* PRODUCTION 5.61 ML MPORT 4.39 ML	5.61 AIL , 10-00 ML
2.	PMS	58.83	37%	141	13.83 ML	40.00 ML	(26.17 ML)	LOCAL PRODUCTION 13.33 ML IMPORT 26.17 ML	13.88 ML 40.00 ML
3.	AGO	38.16	24%	165	8.97 ML	12.00 ML	(3.03) ML	NH5x 8.97ML = N1.48BN	
4.	LPG	9.54	6%	141	2.24 ML	0.62 ML	1.62 ML	N141 x 2.24ML = N316M	
5.	FO	20.67	13%	107	4.86 ML	2.31 ML	2.55 ML	N107x 4.86ML = N520M	
6	OTHERS	7.95	5%		1.87 ML				
7.	IMPORTS							210,000bpdX NI 8,400 = N= 3.864BN (NH0/5) (3115XN160 = N18,400),	

TOTAL	159 L	100%		37,3 8 ML				

NB: 47% of the allocation, 210,000bpd could be swapped or sold at international rate (currently @ $115/ barrel) to source tie required PMS and DPK for consumption and reserve

A YIELD ANALYSIS OF 445,000 BARRELS PER DAY CRUDE OIL ALLOCATION TO NNPC TO REFINE FOR LOCAL CONSUMPTION

TABLE B:

A YIELD ANALYSIS AT53%REF1NING CAPACITY OF LOCAL REFINERIES OPERATED BY NNPC

S/N0	PRODUCT	LITRE PER BARREL	PRODUCT %	OPEN MARKET PRICE (=N=)	TOTAL LITRES OUTPUT FROM 235,000 bpd	DAILY CONSUMPTiON LITRES	DIFFERENCE (E-F)	CONVERSION OF OTHER PRODUCTS TO PMS (Product Price x Quantity/ PMS Price)	CUMMULATIVE QTY OFPMS
A	B	C		D	E	F	G	H	,
					Cx 235,000		E-F	{{D3xE2)/D2}	
1	DPK/KERO	23.85	15%	151	5,604,750	10,000,000	(4,395,250)		
2	PMS	58.83	37%	141	13,825,05 0	40,000,000	(26,174,950)		
3	AGO/DIESEL	38.16	24%	165	8,967,600	12,000,000	(3,032,400)		
4	LPG	9.54	6%	141	2,241,900	620,000	1,621,900		
5	FO	20.67	13%	107	4,857,450	2,310,000	2,547,450		
6	OTHERS	7.95	5%		1,868,250		1,868,250		
7	IMPORT S							210,000bpd@$115=$24 ,150,000 @N160/$ = N3,864,000,000	
	TOTAL	159.00 LITRES PER	100%		37,365,00 0 LITRES PER				

		BARREL			BARREL				

***PPPRA
YIELD
CHART

ANALYSIS OF YIELD AT 53% REFINING CAPACITY OF NNPC REFINERIES IN NIGERIA

1. NNPC refines 445,000 bpd at 53% that is 235,000 bpd and, SWAP or SALE or process OFFSHORE the 210,000 bpd i.e. 47% of 445,000 bpd in import products.
2. Based on 235,000 bpd NNPC produces locaiiy the following quantities ;

S/No.	Product	Production	Consumption	Difference
1	DPK	5,61 MLPD	10 MLPD	4.39 MLPD
2	PMS	13.83	40	26.17
3	AGO	8.97	12	3.03
4	*LPG*	*224*	*0.62*	*1.62*
5	FO	4.86	2.31	2.55

3.In the circumstance, NNPC has to source additional DPK and PMS with the balance of 210,000 bpd using the following arrangements;-

a. Swap

b. Offshore Processing

c. Outright sale of crude oil

4. If NNPC sells the 210,000 bpd at international rate, currently $115 / barrel or N18,600 / barrel @ M160/$ and the surplus of the other product NNPC would realize :-

210,000 bpd @ N18,400/barrel = 3.864 billion

LPG 1.62ML @ N141/litre = 228 million

FO 2.55 ML @ N107/litre = 273 million

Total Proceeds N4.365 billion

5. NNPC has to import additional DPK and PMS to achieve 10 MLPD and 40 MLPD respectively. The cost for that is :-

DPK 4.39 ML @ N151/Litre = N663 million

PMS 26.17 ML @ N141/Litre = N3.670 billion

Total Cost N4.353 billion

6, Therefore, from the proceeds of sales of 210,000 bpd, surplus of LPG and FO in (4) above NNPC can import the additional DPK and PMS in (5) above and have some surplus:-

N4.365 bn - N4.353 bn = N12 million

1. TAX ISSUES:

i. The Committee discovered in the course of its investigations that tax compliance was not made a major aspect of the prequaiification of Companies that participated in the PSF Scheme.

ii. At the behest of the Committee, the Federal Inland Revenue Service (FIRS) provided the names of companies that participated in the PSF Scheme and which were classified as tax defaulters.

S/NO	COMPANY NAME
1	A - Z PETRO PRODUCTS
2	ACORN PLC
3	ALMINNUR RESOURCES LTD
4	AMG PETRO ENERGY LTD
5	ANOSKE GROUP OF CO. LTD
6	ASB INVESTMENT COY
7	ASCON OIL COY
8	AVANT GARDE ENERGY LTD
9	AX ENERGY LTD
10.	CAPITAL OIL AND GAS (UNDER FIRS INVESTIGATION)
11	BRILA ENERGY LTD
12	CEOTI LTD
13	CRUST ENERGY LTD
14	DOWNSTREAM ENERGY SOURCES LTD
15	ETERNA OIL
16	FRADRO INTERNATIONAL LTD
17	HONEYWELL OIL AND GAS LTD
18	IMAD OIL AND GAS LTD
19	INTEGRATED OIL AND GAS LTD
20	INTEGRATED OIL RESOURCES LTD
21	KNIGHTSBRIDGE
22	LINGO OIL AND GAS
23	LLOYDS NIG LTD
24	LUBCON LTD

25	LUMEN SKIES LTD
26	MAIZUBE PETROLEUM LTD
27	MENOLOILANDGASLTD
28	MOB INTEGRATED SERVICES
29	MUT HASS PETROLEUM LTD
30	NADABO ENERGY LTD
31	NATICEL PETROLEUM LTD
32	OBAT OIL AND PETROLEUM LTD
33	OCEAN ENERGY TRADING & SERVICES
34	OWA OIL AND GAS
35	PETRO TRADE ENERGY LTD
36	PRUDENT ENERGY & RESOURCES LTD
37	RYDEN OIL COY LTD
38	SHIELD PETROLEUM OIL NIG LTD
39	SIFAX OIL AND GAS COY
40	STONEBRIDGE OIL LTD
41	SWIFT OIL LTD
42	TAURUS OIL AND GAS
43	TRIQUEST ENERGY LTD
44	VIVENOI ENERGY NIG LTD
45	YANATY PETROCHEMICAL LTD

iv. The PSF Guidelines must be revised to make Tax compliance a mandatory pre-qualification requirement for all participants under the Scheme.

CHAPTER 7

GENERAL RECOMMENDATIONS

Based on the facts, issues and investigative interactions, the Committee hereby makes the following recommendations for the consideration and approval of the House.

1. From the findings of this Committee the consumption level for 2011 is estimated at 31.5 million litres per day. However, in 2012 marginal increment of 1.5 million litres a day is recommended in order to take care of unforeseen circumstances, bringing it to 33 million litres per day. And to maintain a strategic reserve, an additional average of seven (7) million litres per day (or 630million litres per Quarter) for the first quarter of 2012 only is recommended. Thus, PPPRA is to use 40 million litres of PMS in the first quarter as its maximum ordering quantity per day. In subsequent quarters PMS daily ordering quantity should be 33 million litres per day. For Kerosene, the Committee recommends a daily ordering quantity of 9 million litres.

2. With regards to the 445,000bpd allocation to NNPC to refine for local consumption, the Committee established that the allocation is sufficient to provide the nation with forty million litres per day for PMS and Ten million litres of HHK.

The above can be achieved conveniently through;

- SWAP arrangement,
- Offshore processing,
- Outright sale of the 445,000bpd and or partial sale of the excess from the local refining capacity of 53%.

Therefore there is no reason for government to grant subsidy importation to any other marketer.

Even though we have quoted 40 million litres as a liberal figure, in the course of monitoring the implementation of the subsidy regime the actual daily consumption will then be determined.

3. The NNPC should refund to the Federation Account, the sum of N310,414,963,613 (Three hundred and ten billion, four hundred and fourteen million, nine hundred and sixty three thousand, six hundred and thirteen naira only) paid to it illegally as subsidy for kerosene contrary to the Presidential Directive of July 29th, 2009 withdrawing subsidy on the product.

4. The Committee recommends that the NNPC should be unbundled to make its operations more efficient and transparent, and this we believe can also be achieved through the passage of a well drafted and comprehensive Petroleum Industry Bill. The Committee

therefore urges the speedy drafting and submission of the bill to the National Assembly.

5. The Committee wishes to recommend that the House do direct for the auditing of the NNPC to determine its solvency. This was as a result of plethora of claims of indebtedness and demands for payments by NNPC's debtors which, if not well handled, will not only affect the entire economy of Nigeria, but also the supply and distribution of petroleum products.

Examples: Nigeria Customs Service	=	N46 billion
Nigeria Ports Authority	=	N6 billion
Trafigura et al	=	$3.5 billion

6. The House should direct the NNPC to stop any form of deduction not captured in the Appropriation Act before remittance to the Federation Accounts, and the Corporation should submit its transactions to the operational Guidelines of the Subsidy Scheme.

7. NNPC Retail, Independent Petroleum Marketers Association of Nigeria (IPMAN) and Major Oil Marketers Association of Nigeria (MOMAN) should be the outlets for the distribution of Kerosene to ensure availability and affordability of the product to Nigerians.

8. The NNPC should also refund to the Federation Account the sum of NGN285.098Billion being over-deductions as against PPPRA approvals for 2011. The Relevant Anti- Corruption Agencies should further investigate the Corporation for deductions for the years 2009 and 2010.

9. As postulated earlier in this report, data provided by NNPC and CBN tends to suggest that for 2009, 2010, and 2011, NNPC deducted subsidy payments from two different accounts. It is the recommendation of this Committee that Relevant Anti- Corruption Agencies conduct thorough investigations into this matter and where it is established that double withdrawals were made, the extra amounts should be paid back to the Treasury and those involved prosecuted.

10. The Management and Board of the NNPC should be completely overhauled and all those involved in the following infractions be further investigated and prosecuted by the Relevant Anti -Corruption Agencies:

a. *Payment of N285.098 Billion in excess of the PPPRA recommended figure for 2011*
b. *Subsidy deductions of N310,414,963,613 for kerosene against a Presidential Directive*
c. *Direct deductions from funds meant for the Federation Account in contravention of Section 162 of the Nigerian Constitution*

d. Illegal granting of price differential (discounts) of crude oil price per barrel to NNPC to the tune of N108.648Billion from 2009-2011.

11. The relevant Anti- Corruption Agencies should carry out a due-diligence investigation to determine the total demurrage payments and outstanding incurred by NNPC for the period 2009 -2011.

12. Under the PSF Scheme, importers especially NNPC should be mandated to patronize Nigerian Flagged vessels provided they produce the standard safety and sea-worthiness certificates in tune with international best practices.

13. All the payments which the PPPRA made to itself from the PSF account in excess of the approved administrative charges which were due to it under the Template should be recovered and paid back into the Fund. The officials involved in this infraction should be further investigated/prosecuted by the relevant Anti- Corruption Agencies. These confirmed illegal payments were the sum of NGN156.455Biilion in 2009, and the sum of NGN155.824Billion in 2010, a total sum of NGN312,279Billion.

14. All staff of PPPRA and DPR involved in the a. processing of Applications by importers, and

b. verification, confirmation and payment for imported products by Importers and NNPC should be investigated/prosecuted by Anti- Corruption Agencies for negligence, collusion and fraud.

15. The Executive Secretaries of the PPPRA who were the accounting officers, and under whose watch these abuses were perpetrated that led to the Government losing billions of naira, should be held liable. Therefore, we strongly recommend that those who served as Executive Secretaries of PPPRA from January 2009 to October 2011 should be further investigated/prosecuted by relevant Anti- Corruption Agencies. This should also include GM Field Services, ACDO/Supervisor-Ullage Team 1, and ACDO/Supervisor-Ullage Team 2 within the same period, for their roles in the management of the ullaging under the subsidy scheme.

16. The Chairman of the Board of PPPRA from 2009 - 2011, and the entire Members of the board during the period are hereby reprimanded and their decision which opened the floodgate for the Bazaar is condemned in the strongest terms.

17. It is hereby recommended that Mr President should reorganize the Ministry of Petroleum Resources to make it more effective in carrying out the much needed reforms in the oil and gas sector.

18. Given the large and complex nature of the Ministry of Petroleum Resources, the Committee recommends that two ministers should be appointed to take charge of the upstream and downstream.

19. The current template being used by PPPRA in computing and paying PSF is full of in-built prices for wastages and inefficiencies (eg. Lightering exercise, demurrage) that could be plugged to save the Nation's scarce resources. We therefore recommend the revision of the template.

20. Henceforth the PPPRA margin of error on the payment Template for ascertaining allowable volumes on imported products should not be more than +/-5% as against the current +/-10%

21. The PPPRA should provide the Nigerian Navy and NIMASA advance copies of allocation and vessel arrival notification documents to enable the Navy monitor, track and interdict vessels seeking to avoid Naval certification.

22. The Executive Secretary of PPPRA 2009 - February, 2011 should be investigated and punished for the official recklessness he exhibited in the implementation of the Board decision to reverse the qualification for participation in the scheme. The allocation/approvals to import products given to thirty-five (35)

Companies before their formal registration with PPPRA testify to this. Companies that lack the required competence and expertise to import petroleum products and even those who did not meet up with the agreed standards were also awarded large chunks of the allocation, an act that culminated in huge loss of resources to the nation. Many Companies under his watch who had neither depots nor through-put agreement were allowed to participate in the Scheme contrary to the revised eligibility guidelines.

23. The practice whereby PPPRA as a regulator in the petroleum downstream sector being supervised by the Ministry of Petroleum Resources whose Minister is the Chairman of the Board of NNPC (a major importer/participant in the PSF scheme) negates the principles of checks and balances and international best practices. The Committee therefore recommends that the regulatory capacity of PPPRA be strengthened and the National Assembly should commence the process of amending the Act to make the Agency autonomous.

24. The PPPRA should, within two weeks of the adoption of this Report, conduct a performance assessment of ALL Companies involved in the PSF scheme and publish such reports.

25. The Committee is firm in its view that if any petroleum product is deserving of subsidy, HHK should enjoy a pride of place.

It therefore recommends the immediate reinstatement of subsidy for Kerosene not later than second quarter, 2012 at pump price of N50 per Litre.

26. The Committee recommends that the sum of NGN557.70Billion should be provided for as Subsidy in the 2012 Appropriation Act, while the sum of N249.006B should be provided

as subsidy for HHK (Kerosene).

Evidently, 445,000 bpd allocation to NNPC is sufficient to provide the nation with 40 MLPD PMS, 10 MLPD HHK, 8.97 MLPD AGO, 0.62 MLPD LPG and 2.31 MLPD of FO at the current NNPC refining capacity of 53%. It is only AGO that daily consumption in full could not be achieved. Since AGO has been deregulated, other marketers can make up for the 3.03 MLPD shortfalls.

27. The Committee recommends that FIRS should follow up on the companies listed earlier to pay their taxes with due penalties in line with the provisions of the Companies Income Tax Act.

28. The PSF Guidelines should be revised to make Tax compliance a mandatory pre-qualification requirement for all participants under the Scheme.

29. Marketers who obtained FOREX but did not import petroleum products should be referred to the relevant Anti- Corruption Agencies with a view to verifying what they used the FOREX for:

THOSE WHO OBTAINED FOREX BUT DID NOT IMPORT PETROLEUM PRODUCTS

S/N	NAMES OF MARKETERS	2010	2011
		$	$

1	BUSINESS VENTURES NIG LTD	22,927,339.96	
2	EAST HORIZON GAS CO. LTD	20,735,910.81	
3	EMADEB ENERGY	6,606,094.30	
4	POKAT NIG. LTD.	3,147,956.19	
5	SYNOPSIS ENTERPRISES LTD	51,449,977.47	
6	ZENON PET & GAS LTD.	232,975,385.13	
7	CARNIVAL ENERGY OIL LTD	-	51,089.57
8	CROWNLINES	-	4,756,274.94
9	ICE ENERGY PETROLEUM TRADING LTD	-	2,131,166.32
10	INDEX PETROLEUM AFRICA	-	6,438,849.64
11	RONADOIL&GASW/A	-	4,813,272.00
12	SERENE GREENFIELD LTD	-	4,813,360.75
13	SUPREME & MITCHELLES	-	16,947,000.00
14	TRIDAX ENERGY LTD	-	15,900,000.00
15	ZAMSON GLOBAL RES.	-	8,916,750.00
	TOTAL	**337,842,663.86**	**64,767,763.22**

30. The following Companies that participated in the Scheme and refused to appear before the Committee and never submitted the required documents as was repeatedly announced during the hearing are to refund the various sums against their names. It is believed that these companies deliberately refused to appear because they had something to hide. The relevant Anti- Corruption Agencies should ensure full recovery:

S/N	NAME OF COMPANY	AMOUNT ₦
1.	Mut-Hass Petroleum Ltd	1,102,084,041.30
2.	Nepal Oil and Gas Service	2,353,911,979.10
3.	Oilbath Nigeria	1,019,644,138.97
4.	Techno Oil Ltd	1,036,514,387.08
5.	Somerset Energy Services	3,015,221,487.94
6.	Stonebridge Oil Limited	1,784,158,258.14
7.	Mobil Oil Nigeria	14,934,371,661.76
8.	AX Energy Limited	1,471,969,643.31
9.	CAH Resources Association Limited	1,052,466,415.28
10.	Crust Energy Limited	1,192,651,581.76
11.	Fresh Synergy Limited	1,417,029,059.70
12.	Ibafon Oil Limited	4,687,730,540.46
13.	Lottoj Oil and Gas Limited	1,427,429,910.95
14.	Oakfield Synergy Network Limited	988,920,219.15
15.	Petro Trade Energy Limited	1,471,027,874.73
16.	Prudent Energy & Service Limited	1,360,898,638.10
18.	Rocky Energy Limited	1,620,110,167.58
	TOTAL	**41,936,140,005.31**

31. Payments for PMS with effect from the second quarter of 2012 should be based on certified truck outs at depots confirmed at the retail outlets and no longer on discharges from vessels into tank farms. Consumption should be defined in a way to exclude what is imported but only what is put in the tank.

32. The markets of opportunity situated within Nigerian territorial waters which are designated "offshore Cotonou" or "offshore Lome" to qualify for FOREX payment and to evade payment of appropriate levies, dues and taxes to the Nigerian government should be discontinued forthwith.

33. A Marine Transportation System should be put in place that is safe,

secure, reliable, cost effective and efficient to reduce the present high cost of doing business in Nigeria.

34. Any importation without permit or where the difference is above approved quota should not be entitled to any amount on the Template.

35. It is strongly recommended that Marketers without storage facilities and retail outlets should be excluded from participating in the PFS Scheme as this will end the bazaar that constituted a serious drain on the nation's economy and created room for abuses.

36. The services of the accounting firm of Akintola Williams, Deloitte and Olusola Adekanola & Partners should be discontinued with immediate effect for professional incompetence on this particular assignment.

37. In view of the above the 2 firms should be blacklisted from being engaged by any Federal Ministry, Department or Agency (MDA's) for a period of three years.

38. This Ad-Hoc Committee shall in its monitoring stage conduct extensive and thorough investigation into the operations of the PEF(MB) in order to ascertain the management of the bridging funds under the subsidy regime.

39. Penalties should also be indicated for non-compliance and promptly imposed to ensure the smooth operation of the Scheme.

40. The Nigerian Ports Authority (NPA) should be encouraged within a time frame to improve on the draught level of the Nigerian waters to encourage the berthing of ALL types of vessels so as to eliminate the present ship-to-ship (STS) transfers by importers of petroleum products.

41. All those in the Federal Ministry of Finance, Office of the Director-General Budget, and the Office of the Accountant General of the Federation involved in the extra budgetary expenditure under the PSF Scheme (2009-2011) should be sanctioned in accordance with the Civil Service Rules and the Code of Conduct Bureau.

42. The payment of N999,000,000 in 128times within 24hrs (12th& 13th January, 2009) by the Office of the Accountant -General

of the Federation should be further investigated by relevant Anti-Corruption Agencies.

43. The National Assembly should enact an Act to criminalise extra budgetary expenditure.

44. CBN and the Federal Ministry of Finance should critically examine and review the policy guiding payment for importation of petroleum

products to avoid the current fraudulent system that allows importers to bring in products from off-shore "Lome" or "Cotonou" to qualify for forex payments.

45. The Committee notes that several alarms were raised by the CBN on the escalation of subsidy figures but these early warning signals were ignored by relevant agencies. The Committee wishes to encourage whistle -blowing by regulatory agencies on threats to the economy with the hope that proactive measures could be taken.

46. The Committee recommends that the PPMC Management be overhauled. In furtherance to above recommendations of the committee, institutional mechanisms be urgently developed to ensure the monitoring of actual delivery of kerosene to the Nigerian masses.

47. The PPMC should deploy modern state-of-the-art devices to protect its facilities and pipelines to eliminate wastages arising from

vandalism. In the short-term however, PPMC should establish a surveillance system which should incorporate Community-protection and using part of the bridging funds on the PSF Template to finance this.

48. All the extant circulars preventing the Nigeria Customs Service from carrying out its statutory functions be immediately withdrawn by the Central Bank of Nigeria and the Federal Ministry of Finance.

49. The Committee recommends that NNPC takes immediate action to pay the N46billion owed the Nigeria Customs Service and the N6biIlion

owed to the Nigeria Ports Authority

50. The failure of NPA to provide this Committee the vital vessel data particularly the IMO numbers is an indication that either NPA has a very poor record keeping system or that it was a deliberate ploy to cover up the collusion between its officials and importers. We recommend an investigation into the operations and activities of this Authority.

51. The port operations of the Nigerian Ports Authority be investigated with a view to determining the extent to which its officials are complicit in the classification of maritime areas for reception of Nigerian bound petroleum products as "offshore Cotonou" and "offshore Lome" in the face of evidence that these Vessels never did lighter at those Ports.

52. In the course of this investigation, a lot of efforts were made to establish cases of round tripping and diversion of products, including the use of the data from Llyods List Intelligence resulting in the cases so far reported. However given the scale of connivance and collusion by government officials involved in the certification process, the Committee believes that further investigation will reveal more cases. It is therefore recommended that all the data obtained in the course of this investigation, especially from the Llyods List Intelligence be forwarded to the relevant anti-corruption agencies for a more detailed investigation.

53. The present Management of PEF (M)B should be overhauled and the Board when constituted should comprise of persons of impeccable integrity who should be knowledgeable in aspects of its mandate. This is without

prejudice to the coming into force of the Petroleum Industry Act.

54. PEF(M)B should establish a tracking system on all trucks from point of loading to point of discharge (retail outlets) and direct that all trucks involved with transportation of products should install approved tracking devices on them.

55. It is hereby recommended that the regulatory capacity of the DPR be strengthened. The National Assembly should commence the process of amending the Act to make the Agency autonomous.

56. The DPR should take immediate steps to bring all facilities and depot owners into compliance with international best practices by ensuring the installation of modern metering gadgets and sealable and non-return valves, to eliminate the rampant cases of round-tripping.

57. The DPR should brace up to its role of Regulation and compel the NNPC/PPMC to comply with all the regulations issued to ensure transparency and accountability.

58. In order to reduce and gradually eliminate lightering, associated inefficiency and cost, Government should invest in the provision of Single Point Mooring (SPM's). This provision should be followed up by instituting Regulations to compel Owners of Jetties, depots and storage facility owners to develop pipeline throughput availability to facilitate direct delivery of

imported products by heavy vessels, in-shore Nigeria.

59. There should be a deliberate policy by Government to encourage the utilization of gas in automobile, domestic (cooking), and industrial facilities.

60. As a matter of urgency and in furtherance of our national security requirements, a national strategic reserve should be immediately enhanced so to accommodate 90days stop gap strategic reserve.

61. We strongly recommend that relevant Standing Committees of the National Assembly should be more proactive in their oversight responsibilities to forestall future occurrences.

CONCLUSION

The Committee wishes to thank the Leadership of the House of Representatives for the confidence and support while the assignment lasted. Also, worth thanking are all Nigerians, Companies, Unions etc. who either openly or privately offered their services/support to the Committee.

We also express our gratitude to the media for their very intensive and consistent support especially Channels Television for bringing the proceedings of the Public Hearings of the Committee live to Nigerian homes.

The Committee can affirm that almost all the critical questions/issues raised at the beginning of this investigation have been answered conclusively. However, those not conclusively answered as a result of time and technicalities involved, are being recommended for further inquiry/action. For instance, it is safe to say that the daily consumption of PMS by Nigerians is 31 million litres while that of Kerosene is 10 million as against other incoherent figures being branded by relevant officers.

The cost of importation per litre is determined more by the Platts price. However, the over padding and wastage imbedded on the template hitherto being used by PPPRA encourages higher landing cost. This is why the Committee recommendation on urgent review of the constituents of the template should be implemented without delay.

The sum of N2, 657.087 trillion was paid as subsidy as at December, 31st in 2011 and the process of approvals (pre-qualification, allocation, verification, certification and payment) are all but flawless.

The difference between N2, 657.087 trillion paid as at December 2011 and N245 billion Appropriated (900%) is the extra-budgetary approvals and payment by the operators of the PSF Scheme and which tantamount to gross Constitutional breach.

The state of our refineries is nothing to write home about as it appears that greed, corruption etc among operators in the downstream sector colluded to strangulate the refineries despite their total installed refining capacities of 446,000 BPD.

The daily allocation of 445,000 bpd to NNPC for domestic consumption if wel! managed and harnessed has the potentials of satisfying the daily PMS and DPK needs of Nigerians, (see the Committee recommendations).

We also express our profound gratitude and appreciation to the Leadership and Honourable Members of the House of Representatives for giving us maximum support without hindrance or Interference throughout the course of this assignment.

Finally, the Committee wishes to acknowledge the support and encouragement of all Nigerians which provided the needed impetus to accomplish this task.

Thank you.

Signed:

1. Rep. Farouk M. Lawan, OFR - Chairman
2. Rep. Ali Babatunde Ahmad - Member
3. Rep. James Abiodun Faleke - "
4. Rep. Alphonsus Gerald Irona - "
5. Rep. Umar Abubakar Sade - "
6. Rep. Eucharia Azodo - "
7. Rep. Abbas Tajudeen - " TAJUDEEN
8. Rep. John Owan Enoh -