

THE LAGOS CHAMBER OF COMMERCE & INDUSTRY



Oil Producers Trade Section
OPTS

February 25, 2015

OPTS-OPS-MPR-005

Dr. Diezani Alison-Madueke
Honourable Minister
Federal Ministry of Petroleum Resources
NNPC Towers, Central Business District
Abuja

Dear Honourable Minister,

Legal Metrology Implementation in the Oil and Gas Sector: Issuance of Export Permits and Payment of Monitoring Fees by Upstream Companies Exporting Oil and Gas

We hereby bring to the attention of the Honourable Minister to the demands by the Weight and Measures Department ("WMD") of the Federal Ministry of Industry, Trade and Investments ("FMITI") that oil and gas companies should pay monitoring fees prior to the issuance of export permits for oil and gas exports.

The OPTS has held several meetings with FMITI since 2012, when the Honourable Minister for Industry, Trade and Investments issued new regulations for the implementation of Legal Metrology in Nigeria.

The Legal Metrology Regulations issued in 2012 contain provisions applicable to the oil and gas industry. In addition to stipulating calibration/certification fees for the measuring equipment used by upstream companies, a "monitoring fee" of 0.175% free on board (FoB) cargo value for each crude export (equivalent to \$175,000 per 1mn cargo) was to be paid by companies exporting crude oil and gas.

The issue of the validity of the monitoring fees was raised by the OPTS during the meetings with the FMITI, as the Weights and Measures Act ("Act") clearly excludes goods for export from the purview of the WMD. Furthermore, any fee payable to the WMD under the Act was to cover services rendered (e.g. calibration of measuring equipment) and not tied to the value of the goods measured. As such, OPTS is of the view that the "monitoring fee" introduced by FMITI has no legal basis.

Following several discussions with OPTS, FMITI reduced the "monitoring fee" to 0.035% FoB cargo value. However, the members of the OPTS still object to the payment of the monitoring fee (now equivalent to \$21,000 per million barrel export at USD 60/bbl., pro rata for lesser volumes), as there is no legal basis under the Act. Moreover, the monitoring fee will be paid in addition to the 0.12% FoB cargo value (\$72,000 per 1mb cargo) currently being paid under the pre-shipment inspection (NESS) scheme.

The payment of this "monitoring fee" of 0.035% FOB cargo value by the OPTS members has been made a condition for the signing of quarterly Oil lifting Permit with effect from March 2015.

The above charges are in addition to other numerous miscellaneous and increasing numbers of fees being paid to various Federal Ministries, Parastatals and Agencies that are making Nigerian Crude less attractive to International customers especially in the current climate of low oil prices. They also have an impact when considering future investment.

Notwithstanding the OPTS objection to the monitoring fee, we wish to inform the Honourable Minister that OPTS member companies have been working to implement the resolutions agreed at various meetings with the FMITI.

Please see below the summary of the actions taken so far by our members;

1. Export Permit applications have been completed online and the requisite export data returns are being submitted in accordance with the agreed procedure.
2. Officials of the WMD have been witnessing each cargo export at the terminals operated by our members since April 2014 to date.
3. OPTS members have commenced the registration of their measuring devices for the issuance of the certificate of accuracy and the relevant fees will be paid after the registration and calibration of the measuring devices.
4. OPTS Members have been providing the lifting schedules to the WMD on a regular basis.
5. Logistic support and accommodation are being provided by our members to WMD officials witnessing cargo export at the terminals operated by our members.

We would like to emphasize that we are committed to continued collaborative discussion with the FMITI to resolve outstanding issues on the implementation of legal metrology in Nigeria in accordance with applicable laws.

In view of the current dire situation in the oil and gas industry due to the drop in crude oil prices, the introduction of the monitoring fee, which has no legal basis, will constitute undue financial burden on the industry and create further strain on the country's economy. It is against this backdrop that we appeal to the Honourable Minister to kindly use her good offices to intervene in this matter.

We trust that this letter will receive your prompt attention.

Our contact, Mr. Toba Akinmoladun, OPTS Executive Director, can be reached on either 08070322406 or e-mail Toba.Akinmoladun@opts-ng.com.

Please accept the assurance of our esteemed regards.

Truly yours

Ciro Pagano
Chairman, OPTS

cc: Group Managing Director, NNPC
Group General Manager, Crude Oil Marketing
Group General Manager, NAPIMS
Director, Department of Petroleum Resources