

COMMUNIQUE

PREAMBLE

The 4th Sustainability in the Extractive Industries Conference 2015 organised by CSR-in-Action on 19th November, 2015 in the Abuja, capital city of Nigeria, together with key private and public sector stakeholders was themed “Unlocking hidden potential in the Extractive industries”. The theme is borne out of the economic and developmental paradox Nigeria finds itself –suffering amidst plenty; having being mono-dependent on the crude oil resource. *Significant evidence shows that Nigeria has over 44 different solid minerals distributed in the country’s richly endowed geology aside from oil & gas. Some of the known minerals include; gold, coal, bitumen, iron-ore, tantalite/columbite, lead/zinc, sulphide, baryte, cassiterite, limestone, talc, feldspar and marble.* The conference this year explored the opportunities in the mining sector as well as gas utilization.

The conference was structured into three discussion /plenary sessions vis-à-vis (i) *Assessing solid minerals and gas as key revenue earners for Nigeria*, (ii) *Revisiting the framework for sustainability and transparency in key industries (key government reforms)* (iii) *Investment policies and financing options for extractive industries in Nigeria.*

In attendance were the Minister of State for Solid Minerals of the Federal Republic of Nigeria - Mr Abubakar Bawa Bwari, the Ag. Executive Secretary of Nigeria Extractive Industries Transparency Initiative (NEITI) - Dr Orji Ogbonnaya Orji, representatives of the council for Nigerian Mining engineers, Professor Wale Omole (Chairman, CSR-in-Action/Guardian Editorial Board), Director Centre for Sustainable Development in Nigeria, captains of the oil and gas and solid minerals industries, private and public sector experts, civil societies and local and international environmental specialists, administrators, investors and the general public.

The efforts of the NEITI were recognised in bringing a level of transparency to the erstwhile opaque extractive minerals industry through its yearly audit reports and surveys of the industry. Key among these efforts include the implementation of recommendations by NEITI on the unbundling of Nigerian National Petroleum Corporation (NNPC) and the Treasury Single Account (TSA).

In one of the responses to questions regarding enforcement of recommendations from NEITI’s recent audit findings, the Ag. Executive Secretary of NEITI mentioned that NEITI was on the path of increasing accountability of public and private institutions within the industry through the signing of Memoranda of Understanding (MOU) with the Nigeria police, Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices Commission (ICPC) amongst others in order to bring institutions to book and recover stolen wealth or funds diverted. It is believed that the present government will leverage of these developments to increase transparency, accountability and responsibility in the industry amidst other developmental objectives.

Current policy initiatives

1. The Nigeria mining law or policy is comprehensive. It is an established road map and well integrated. Industry participants, however, were of the opinion that it should be removed from the exclusive list in the constitution in order to empower state and local governments. The mining law allows for good participation at the national, state, local government and community levels. The removal of mining from the exclusive list to further give power to these entities will be subject to further objective debate, legislative procedures and constitutional amendment.
2. The Gas master plan is robust enough and comprehensive. The country only need to strengthen implementation.
3. The Petroleum Industry Bill (PIB). The PIB seeks to ensure that the management and allocation of petroleum resources in Nigeria and their derivatives are conducted in accordance with the principles of good governance, transparency and sustainable development in Nigeria. The PIB was submitted to the National Assembly on 18 July 2012, and is yet to be enacted into law.

Key observations in the extractive industry

1. The Industry is capital intensive.
2. Neglect of the sector and too much focus on the crude oil industry; very poor and low investment in the solid minerals sector for the past 15 years from governments with presently no functioning mines. Poor implementation of strategic plan of action.
3. The solid minerals sector and investment environment is driven by political uncertainties. Lack of political will to follow through on agreed industry strategic plans and policies which includes the gas master plan.
4. Stringent legislations, a call to government to eliminate unnecessary level of approval towards obtaining licenses.
5. Unfavourable conditions are making the IOCs leave the mid-stream of the Nigeria oil and gas industry.
6. Poor data to give confidence to reliable investment and access to capital: Less than 10% of the country has been mapped by geophysical survey-driving investors away. Need to strengthen Nigeria geophysical survey and make surveys bankable.
7. Poor Value add: Only few minerals in Nigeria (Marble, clay, limestone and kaolin) is upgraded before exportation. Most of the exported solid minerals (lead, zinc, copper, manganese, tin etc) are exported at crude form with little or no value addition and therefore yielding much lower revenues.
8. Only one Solid Minerals lab exist in the country. This is old and not certified by ISO 9000. Samples have to be taken out to foreign countries.
9. No mining licenses given, majorly exploratory licenses, undeveloped licenses stay for too long without development and associated penalties.
10. Nigeria is not yet a mining hub. There are very few large scale mining firms in the country.
11. Human capital disconnect: The mining industry is a knowledge-based industry. Its current state is not reflective of the huge number of geology and geo-science graduates the country tertiary institutions churn out on a yearly basis. The country has produced an average of 20,000 geologists over the last 10 years. However the growth of the sector is not reflective of this.
12. Mining is under the exclusive list of the federal government, there is an urgent need to decentralise the sector moving it to the concurrent list to aid active state and local government participation.
13. Lack of infrastructure to access isolated mining sites and significant offshore and deep-water gas deposits. Nigeria is the only country in West Africa not developing its mining port.
14. Current Policy: The Gas master plan is comprehensive and adequate but there is no gas specific legislation.
15. No focused exploration for gas. Current gas production is associated. Focused exploration can increase gas discoveries by three and half times and could make the country the 4th large gas reserve in the world. Nigeria is currently ranked 9th position in the world in terms of gas reserve meanwhile it has huge gas reserve which remained untapped in offshore and deep-water.
16. Nigeria currently losses revenue from gas flaring and reinjection; huge wastage during gas production. Nigeria is currently the second highest gas flaring nation in the world. This is a resource that should be converted into revenues.
17. The domestic market currently benefits only about 14% of gas explored in the country, about 42% is exported though the LNG project or as LPG while 32% is used as fuel and re-injected and 12% flared.
18. Current low gas utilization per capital 1kg/capital compared to other countries.
19. Expired memorandum of understandings with IOC's, this is not in line with best practise.

Key recommendations from industry players and participants at the conference

1. Develop and enforce an investment friendly legal, regulatory and fiscal framework that supports the private sector.
2. The recommendations of the mining road map must be adhered to.
3. Government should significantly invest in data gathering initiatives to provide the right information for the sector and help set up bankable projects.
4. Strengthen public institutions that monitor illegal mining. Artisanal miners should be organised, help them form cooperatives in order to get government support and improve the quality of their output to the country's GDP.
5. The need to develop the mining ports in the light of huge potentials of the extractive industry.
6. Drive awareness of the funds made available to the extractive industry providing details of how to access these funds transparently.
7. Leveraging on Public-Private sector partnership in providing infrastructure which is critical in opening up inaccessible isolated mining areas and significant offshore and deep-water gas deposits.
8. Capacity building: Need to harness enormous human potential studying mining and related courses in Nigerian universities and stream this capacity to the industry. Need for regular reviews of student curriculum and update and solve the identified gaps.
9. The EIA Act (Environmental Impact Assessment) should be amended to take care of the host communities and ensure they benefit from the operations of mining companies.
10. The visibility of NEITI's report as an instrument to drive accountability.
11. The PIB should be revised so that incentives to invest in the extractive sector (Gas) is encouraged.
12. Nigeria to diversify to be an integrated oil and gas country and instead of one driven by crude oil production and export.
13. An attractive gas pricing regime should be instituted taking consideration of the fair value which a knowledgeable willing seller and buyer will be willing to exchange the commodity.
14. Grow Nigeria's gas reserve to support its national aspirations, eliminate gas flaring, and promote the gas to power initiative for electricity.
15. Licensing for modular refineries and provide enabling environments which supports their growth and security feed stock.

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