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Nigerian National Petroleum Corporation

NNPC unveils first accounts in decade

Nigeria's state oil company under new management aims to clean up act after scandals



A Nigerian street vendor helps a customer refuel his motorcycle with petrol sold in plastic bottles © Bloomberg

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by: **Anjli Raval** in London and **Maggie Fick** in Abuja

Nigeria's state oil company has not reported annual financial data on its profits, losses or spending for a decade.

But eight months after the election of President Muhammadu Buhari, the [Nigerian National Petroleum Corporation \(http://www.nnpcgroup.com/Portals/o/Monthly%20Financial%20and%20Operations%20Data/Full%20Reports/NNPC%20Monthly%20Financial%20and%20Operations%20Report%20for%20the%20month%20of%20December%202015.pdf\)](http://www.nnpcgroup.com/Portals/o/Monthly%20Financial%20and%20Operations%20Data/Full%20Reports/NNPC%20Monthly%20Financial%20and%20Operations%20Report%20for%20the%20month%20of%20December%202015.pdf), which oversees production of 1m barrels of oil a day, has promised to come clean.

The company's [official Twitter \(https://mobile.twitter.com/NNPCgroup\)](https://mobile.twitter.com/NNPCgroup) feed has begun posting monthly updates of its financials and this month it published a 38-page report covering its 2015 activities — the first annual statement since 2005.

It is a big step for an entity that has become [notorious for inefficiency and](#)

[mismanagement \(http://next.ft.com/content/be2a72de-f30f-11e4-a979-00144feab7de\)](http://next.ft.com/content/be2a72de-f30f-11e4-a979-00144feab7de), not to mention suspected outright theft of the nation's oil wealth.

NNPC said the effort to produce and publish financial reports online began shortly after the president appointed Ibe Kachikwu, a former ExxonMobil executive, to lead an entity responsible for managing the country's largest revenue stream.

“Before, nobody could even see what our books were like, whether we were operating at a loss or ... at a profit,” said spokesperson Ohi Alegbe. “It's a new NNPC. We want to be as transparent as possible.”

Questions about NNPC's business practices had raged for years. The scale of alleged [losses of state oil revenue through mismanagement and fraud \(http://next.ft.com/content/ffcd21ca-78b4-11e5-933d-efcdc3c11c89\)](http://next.ft.com/content/ffcd21ca-78b4-11e5-933d-efcdc3c11c89) under the Jonathan administration was exposed by former central bank governor [Lamido Sanusi, who said he had proof \(http://next.ft.com/content/6c4aea72-93cd-11e3-a0e1-00144feab7de\)](http://next.ft.com/content/6c4aea72-93cd-11e3-a0e1-00144feab7de) that Nigeria was losing as much as \$1bn a month — at a time when oil production was down only marginally and prices were steady.

A subsequent [audit by PwC \(http://next.ft.com/content/5ebb5f3c-edb2-11e4-987e-00144feab7de\)](http://next.ft.com/content/5ebb5f3c-edb2-11e4-987e-00144feab7de) found that billions of dollars were unaccounted for in the company's 2012 and 2013 accounts, adding credence to the suggestion that NNPC was diverting revenues from state coffers.



The 2015 unaudited, accounts are not much prettier. The new management, appointed only in August, has not yet been able to stop the haemorrhaging,

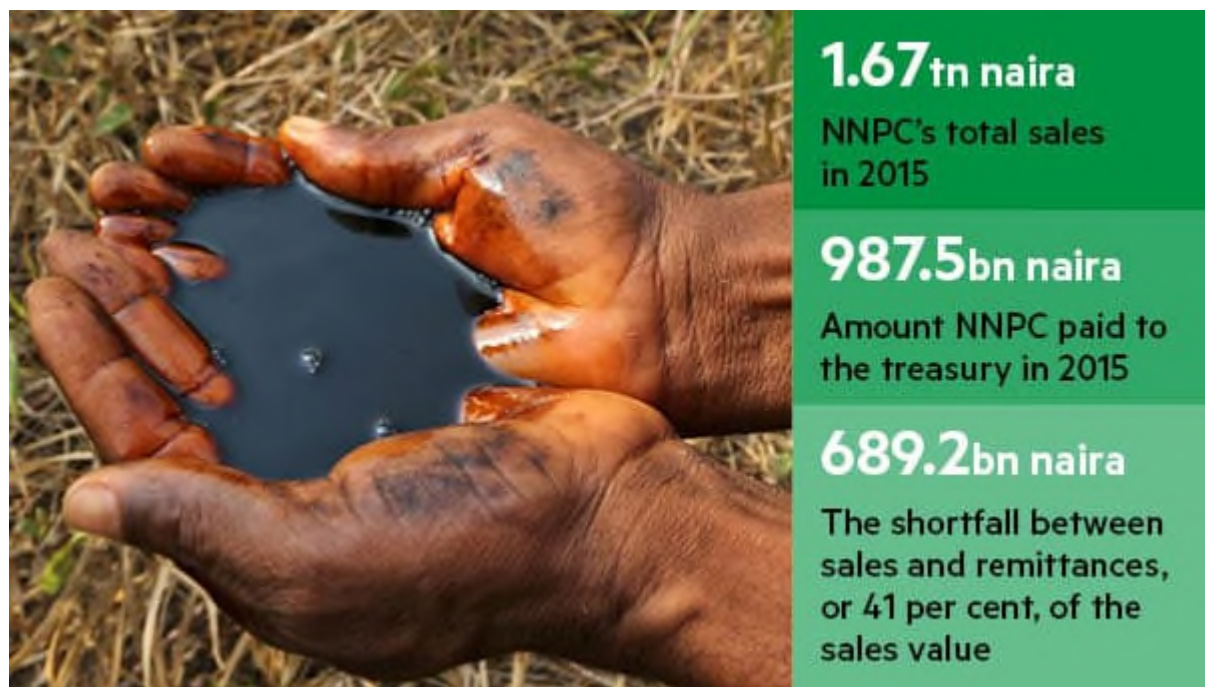
especially at a time of crushingly cheap oil.

The figures show a loss of 267bn naira, or \$1.34bn, in 2015, stemming largely from the refining division. Last year, three out of the four state-owned refineries were closed for seven months due to maintenance and vandalism.

For all the report's professed transparency, experts say there are gaps that conceal vital revenue streams. Mr Alegbe acknowledged the report was a work in progress. Of particular concern is the opacity around oil and fuel sales, which are worth billions of dollars a year and are Nigeria's main source of income.

Nigeria is dependent on oil for about two-thirds of state revenues and is among the countries worst affected by the plunge in international crude prices to below \$30 a barrel in January — a level last seen in 2003.

The NNPC's practice of withholding money from domestic crude sales that should be paid into federal coffers had in recent years "been the largest single point of public revenue loss", according to Aaron Sayne, co-author of a Natural Resource Governance Institute report last year. The report estimated shortfalls of \$6bn a year between 2010 and 2013.



A chart in NNPC's 2015 report shows the total sales value through November at 1.67tn naira, but lists the payments the NNPC remitted to the treasury at 987.5bn — a shortfall of 689.2bn. Industry executives say, however, that it is unrealistic to expect one-for-one equivalence between the barrel entitlement of the government and the amount it receives in dollars from NNPC. The NNPC has joint ventures with domestic and foreign oil companies, complicating the calculation.

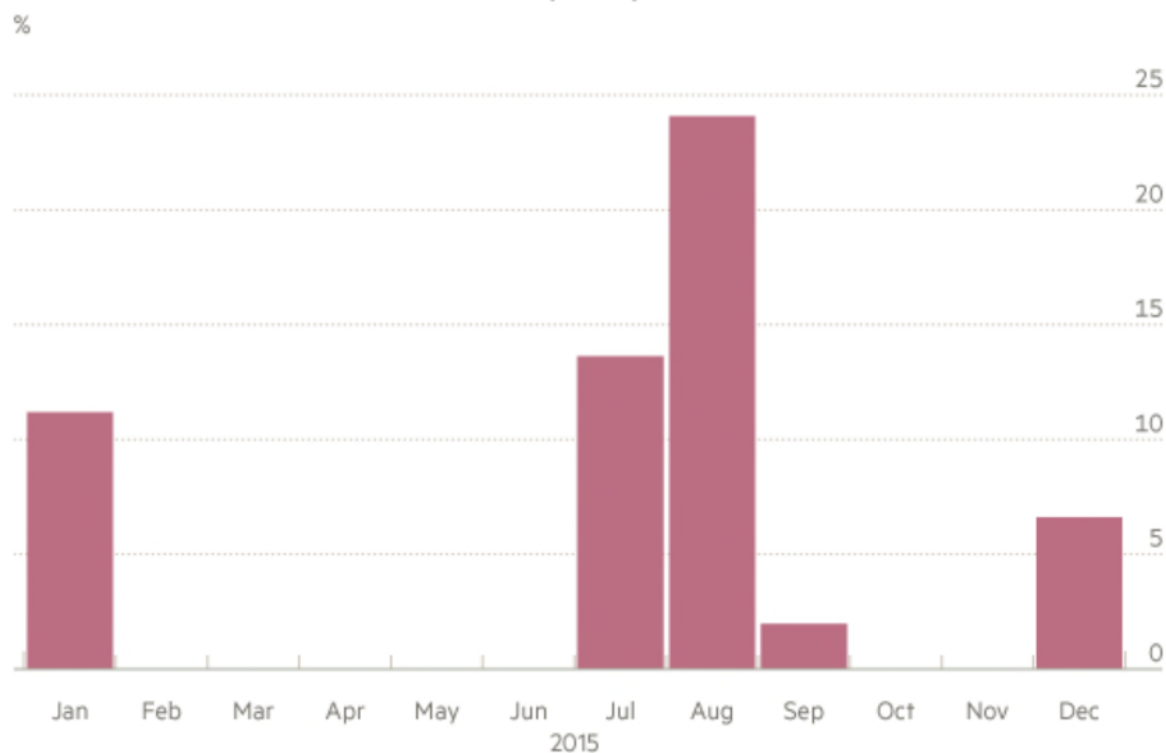
Mr Alegbe said that, by law, the company was also allowed to hold on to revenue

to cover operating and production costs. This could vary to take into account discretionary amounts associated with refinery breakdowns or attacks on pipelines, he said.

Indeed, there are no clear rules governing how much revenue NNPC can withhold. For years, “the NNPC has had nearly unfettered discretion over its own spending”, said Mr Sayne.

The way the NNPC remits revenues to the government should change dramatically after passage of an oil reform bill now being drafted, Senate President Bukola Saraki told the Financial Times. The “Nigerian oil company ... will run like a limited liability company with a board and make its returns to shareholders, of which one is the government,” he said. “No one will be going and reaching and taking from the company.”

NNPC Refineries Consolidated Capacity Utilisation



Source: company

FT

The NNPC’s nod to transparency comes amid other initiatives to overhaul the oil sector. The new NNPC chief, Mr Kachikwu, has, for example, cancelled opaque “swap” deals through which crude cargoes were exchanged for refined imports without money changing hands. Efforts are also under way to get the country’s decrepit refineries working and to end the costly practice of shipping crude from fields to refineries instead of through properly secured pipelines.

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have profited handsomely in the past. Former oil minister Diezani Alison-Madueke is under investigation in the UK after she was briefly arrested in London in October on suspicion of bribery and money laundering.

Forthcoming reports from the NNPC are expected to reveal more details that should, said one former government official, begin to shed more light on an organisation hitherto shrouded in secrecy. So far, certainly, not all the questions have been answered. "The thing with producing a report is that people will begin to pick holes in it," he said.

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