

OIL PRODUCING COMPANIES (MANDATORY INVESTMENT IN  
PETROLEUM REFINING) BILL, 2017

ARRANGEMENT OF SECTIONS

*Section*

1. Objectives of the Act
2. Application and Scope
3. Mandatory Investment in Petroleum Refining
4. Commencement of Production for Petroleum Refineries under this Act
5. Petroleum Refineries as a Condition for Licensing
6. Exemptions
7. Exportation of Refined Petroleum Products
8. Products Pricing
9. Offences
10. Incentives and Related Matters
11. Interpretation.
12. Short Title



# A BILL

## FOR

AN ACT TO PRESCRIBE INVESTMENTS IN PETROLEUM REFINING AS A  
CONDITION FOR LICENSING AND OPERATION OF OIL PRODUCING  
COMPANIES IN NIGERIA; AND FOR RELATED MATTERS

*Sponsored by Hon. Kingsley O. Chinda*

[ ] Commencement

BE IT ENACTED by the National Assembly of the Federal  
Republic of Nigeria as follows:

1           **1.** The primary objective of this Act is to prescribe investment in  
2 petroleum refining as a condition for licensing and operation of oil  
3 producing companies in Nigeria and all matters related thereto and without  
4 detracting from the generality of the foregoing, specifically to:

Objectives of  
the Act

5           (a) ensure that Nigeria's domestic refining capacity is increased  
6 from time to time so as to meet domestic demand and for export purposes;  
7 and

8           (b) ensure the provision of certain incentives to encourage oil  
9 producing companies to refine petroleum in Nigeria for the domestic market  
10 and also for export.

11           **2.** This Act shall apply to the refining of petroleum in whole or in  
12 part by oil producing companies operating within the territory of Nigeria.

Application and  
Scope

13           **3.**-(1) As from the commencement of this Act, it shall be mandatory  
14 for all oil producing companies operating in Nigeria to invest in and operate  
15 petroleum refineries in Nigeria.

Mandatory  
Investment in  
Petroleum  
Refining

16           (2) The Minister shall by regulation prescribe the size and capacity  
17 of petroleum refineries to be built and operated by oil producing companies;  
18 provided that the minimum refining capacity to be prescribed shall not be  
19 less than 100,000 barrel stream per day.

Commencement of production for petroleum refineries under this Act 1 **4.**-(1) All refineries established pursuant to this Act, shall commence  
2 production and shall put out products for public consumption not more than  
3 five years from the date of commencement of this Act or five years after the  
4 grant of a licence to operate as an oil producing company.

5 (2) Any person who contravenes the provisions of sub-section (1) of  
6 this section commits an offence and the licence so granted him shall be  
7 revoked.

Requirement for Licences 8 **5.**-(1) As from the commencement of this Act, investment in  
9 petroleum refining shall be a condition for licensing of oil producing  
10 companies operating in Nigeria.

11 (2) Licences referred to under subsection (1) of this section shall  
12 include an Oil Mining Licence (OML) and such other categories of licences as  
13 may be prescribed by the Minister or by an Act of the National Assembly for  
14 operation in the upstream petroleum sector.

15 **6.** Where the Minister is satisfied that a wholly indigenous oil  
16 producing company does not have the capacity to invest in and run a petroleum  
17 Refinery under this Act, he shall exempt such a company from the provisions of  
18 this Act:

19 Provided that:

20 (a) the company shall invest in an run such other smaller petroleum  
21 Refineries of not less than 50,000 barrel stream per day; and

22 (b) the Minister shall report such exemptions to the National  
23 Assembly.

Exportation and refined products 24 **7.**-(1) Refineries under this Act may export any kind or quantity of  
25 refined petroleum products provided that they do so subject to the provisions of  
26 this Act and any other regulations made thereto by the National Assembly or  
27 the Minister.

28 (2) The Minister may make regulations prescribing such  
29 requirements concerning local supply of refined petroleum products that must  
30 be met by a Refinery under this Act before it is authorized to export refined

1 petroleum products.

2 (3) The Minister shall ensure at all times that local requirements for  
3 refined petroleum products are met before authorizing a Refinery under this  
4 Act to export refined petroleum products.

5 (4) The Minister may also grant Refineries under this Act permit to  
6 refine exclusively for exportation, provided that such Refineries shall be  
7 exempted from all incentives under this Act.

8 **8.**-(1) Refineries under this Act shall not impose prices for refined Products pricing  
9 products until such prices have been approved by the appropriate regulatory  
10 authority: provided that such approval shall not be deemed as prices fixing  
11 and price regulation by the appropriate regulatory authority.

12 (2) Refineries under this Act shall supply products at prices  
13 approved by the appropriate authority and shall not depart therefrom  
14 without prior written approval by the appropriate authority of such proposed  
15 changes in prices.

16 (3) Refineries under this Act shall publish the prices of products  
17 and the modification thereto as may be approved from time to time by the  
18 appropriate authority.

19 **9.**-(1) Any Refinery under this Act which exports refined Offences  
20 petroleum products without the appropriate permits commits an offence and  
21 shall on conviction, be liable to a fine of seven times the value of the goods  
22 for which they are found guilty.

23 (2) Any Refinery under this Act which uses any technical facility  
24 which compromises public safety as may be defined from time to time by the  
25 Minister or by an Act of the National Assembly commits an offence and on  
26 conviction, shall be liable to a fine not below N30,000,000

27 (3) Any refined petroleum product in respect of which an offence  
28 has been committed under this section shall be forfeited to the Federal  
29 Government of Nigeria.

Incentives and related matters	1	<b>10.</b> -(1) Refineries under this Act shall be entitled to the following
	2	incentives:
	3	(a) legislative provisions pertaining to taxes and levies shall not apply
	4	to Refineries under this Act for a period of 10 years from the commencement of
	5	this Act;
	6	(b) up to 15 per cent of production may be exported against a valid
	7	permit and on the supervision of the Minister or any agency empowered to do
	8	so by an Act of the National Assembly;
	9	(c) importation of capital items used in the construction of refineries
	10	under this Act to be duty-free provided the guidelines on local content issued
	11	by the Minister or an Act of the National Assembly are strictly complied with;
	12	and
	13	(d) Interest on loans for refinery projects under this Act shall be tax
	14	deductible.
	15	(2) The provisions of the Industrial Development (Income Tax Relief)
	16	Act with respect to pioneer status shall apply to refineries under this Act.
Interpretation	17	<b>11.</b> In this Act, unless the context otherwise requires:
	18	"licence" includes an Oil Mining Licence (OML) and other categories of
	19	licences authorised by the Minister or an Act of the National Assembly;
	20	"Minister" means the Minister charged with the responsibility for Petroleum
	21	Resources.
Short Title	22	<b>12.</b> This Bill may be cited as the Oil Producing Companies
	23	(Mandatory Investment in Petroleum Refining) Bill, 2017.

EXPLANATORY MEMORANDUM

This bill seeks to prescribe investments in and operation of petroleum refineries as a condition for operation in the upstream sector by oil producing companies in Nigeria. It also seeks to make provision for incentives aimed at encouraging investments in petroleum refineries.