



SENATE OF THE FEDERAL REPUBLIC OF NIGERIA

VOTES AND PROCEEDINGS

Wednesday, 2nd March, 2005

1. The Senate met at 10.20 a.m. The Deputy Senate President read Prayers.
2. **Votes and Proceedings:**
The Deputy Senate President announced that he had examined the Votes and Proceedings of Tuesday, 1st March, 2005 and approved same.

By unanimous consent, the Votes and Proceedings were adopted.

3. **Message from the President of the Federal Republic of Nigeria:**
The Deputy Senate President announced that he had received a letter from the President, Commander-in-Chief which he read as follows:



PRESIDENT

FEDERAL REPUBLIC OF NIGERIA

PRES/134

February 28, 2005

*The Distinguished Senator Adolphus Wabara
Senate President,
National Assembly Complex,
Abuja.*

Dear President of the Senate,

I refer to the delay in the passage of the 2005 budget occasioned by the lack of consensus between the Appropriation Committee, the Petroleum Committees of the Senate and House of Representatives, the Budget Office and the Nigerian National Petroleum Corporation (NNPC) on the applicable revenue framework.

I am reliably briefed that the main issue of contention has been the contradiction in the budgeting data available to NASS and that provided by NNPC and DG Budget. Whilst NA SS has planned to apply 57% FGN equity in the JVs to all the projected production for 2005, NNPCs position is that the FGN equity crude lifting from total production is dependent on the commercial terms of the different petroleum arrangements.

Some of these arrangements entered into by Government have been in existence for over 40 years. The table below is a summary of the 2005 outlook for FGN equity liftable crude oil. Additional details of crude oil production and FGN liftable crude oil for the different arrangements are attached as Annex A.

S/No.	Arrangement	2005 Production Projection	Government Liftable (%)	Government Liftable (bbls)
1.	Joint Ventures	2,082,200	57%	1,186,854
2.	Production Sharing Contract	135,000	12%	16,200
3.	Carry /Alternative Arrangement	354,000	23%	81,420
4.	Service Contract Arrangement	12,000	60%	7,200
	Total	2,710,000		1,291,674

I am made to understand that previous year's budgets may have erroneously been made on an assumed 57% FGN equity of the total national crude oil production. However, this misconception may have arisen from the previously insignificant volumes from PSC and alternative funding production. Additionally, the new fields developed under Alternative Funding Agreements are gradually coming on-stream and are having considerable impact on the production volumes. (See the Table below).

New Field	Startup Date	Monthly Production	Average 2004 Production (bbl)	Projected 2005 Production (bbl)
EA	Jan. 03	2,641	117,683	120,000
Amena	Kpono July 03	9,623	89,244	117,000
Yobo	Jan 03	54,696	117,819	117,000
	Total			354,000

I am also informed that following further interaction on the subject by NNPC, Budget Office and the joint sitting of the Appropriation and Petroleum Committees of the National Assembly on the 23rd February 2005, the consensus of

: that the clarification was acceptable.

The continued controversy on the issue has made it difficult for the 2005 budget to be finalised in good time.

It is in the light of the above that I appeal to you to intervene, to ensure that the budget is based on the right revenue framework.

I continue to appreciate your support in ensuring that the 2005 Budget is realistic as it is the basis for sound economic planning.

Yours Sincerely,

(Signed) OLUSEGUN
OBASANJO

REVENUE ESTIMATION OF NNPC PORTION FOR 2005

Main Assumptions

- 1 Bonga to start production by October, 2005
- 2 National production including condensate estimated to average 2,710,000 bbl
- 3 Independent producers will be allocated 4.68 % of total production
- 4 Carry and Service contract quantities will be 13.06% and 0.44% of total production respectively
- 5 NNPC portion Of PSC production will be 12 %
- 6 NNPC portion of Carry Agreement will be 23 %
- 7 NNPC portion of Service contract will be 60%
- 8 NNPC portion of JV will be 57%

<u>PSG</u>			NNPC Portion
Bonga	Oct. 05	55,000	
Abo		30,000	
Addax		50,000	
(a)		135,000	16,200
CA			
EA		120,000	
American Kpono		117,000	
Yoho		117,000	
(b)		354,000	81,420
<u>Service Contract</u>			
Agip		12,000	
(c)		12,000	7,200
Total (a+b+c)		<u>501,000</u>	<u>104,820</u>
Independent	4.678% of 2,710,000 bid	126,800	
JV Portion		2,710,000	
		(501,000)	
		<u>(126,800)</u>	
		<u>2,082,200</u>	
NNPC Portion @ 57% of JV Portion		1,186,854	
Add PSC/CA/SC Total to NNPC		<u>104,820</u>	
		<u>1,291,674</u>	

Closed Session:

Motion made and Question Proposed: That the Senate do resolve into a Closed Session to deliberate on the letter from the President, Commander-in-Chief on the 2005 Budget (*Deputy Majority Leader*).

Question put and agreed to.

Closed Session — **10.40 a.m.**

Open Session — **11.55 a.m.**

Committee on Sports and Social Development:

Report of the Conference Committee on the Proposed Amendments to the National Lottery Bill 2005 (SB. 125):

Motion made and Question Proposed: That the Senate do receive the Report of the Conference Committee on the proposed amendments to the National Lottery Bill 2005 by the President, Commander-in-Chief (*Senator Mahmoud K. Bello*).

Question put and agreed to.

Report presented and laid.

Motion made and Question Proposed: That the Senate do adopt the Report of the Conference Committee on the National Lottery Bill 2005 (*Deputy Senate Majority Leader*).

Question put and agreed to.

6. Committee on Ethics, Code of Conduct and Public Petitions:

Report on the Code of Conduct for Senators:

Consideration of Report deferred.

7. **Nigerian Tourism Development Corporation (Amendment) Bill 2005 (SB.74) — *Second Reading.***

Consideration of Bill deferred.

8. **Adjournment:**

Motion made and Question Proposed: That the Senate do adjourn till Thursday, 3rd March, 2005 at 10.00 a.m. (*Deputy Senate Majority Leader*).

Adjourned accordingly at 12.10p.m.

Ibrahim N. Mantu
Deputy Senate President