

Tax Alert

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President assents to Deep Offshore and Inland Basin Production Sharing Contract (Amendment) Act, 2019

Today, Monday, 4 November 2019, His Excellency, President Muhammadu Buhari, GCFR, announced his assent to the Deep Offshore and Inland Basin Production Sharing Contract (DOIBPSC) (Amendment) Act, 2019 via his twitter account, following its passage by the Nigerian Senate in October 2019.

According to the President, amendment of the DOIBPSC Act is in line with the need to urgently review the fiscal terms for deep offshore oil fields and to increase the Federal Government (FG)'s revenue. The amendment is expected to generate an estimated revenue of \$500 million for the FG in 2020 and over \$1 billion in 2021.

The following are the key changes expected in the Amendment Act, based on the DOIBPSC Amendment Bill passed by the Senate:

- Deletion of Section 16 of the DOIBPSC Act Cap. D3 Laws of the Federation of Nigeria 2004, which requires an adjustment of the revenue due to the FG from production sharing contracts (PSCs) whenever the price of crude oil exceeds \$20 per barrel in real terms;
- Replacement of the existing production-based royalty regime with a combination of production and price-based royalty regime;
- Introduction of a new Section 17, which mandates the Minister of Petroleum Resources to cause the Nigerian National Petroleum Corporation to call for a review of the PSCs every 8 years;
- Introduction of offence and penalty for non-compliance with the provisions of the Act.

We will issue our detailed Newsletter on the Act in due course.

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