GUIDELINES FOR WHOLESALE GAS AND PETROLEUM LIQUIDS SUPPLY OPERATIONS

ISSUED BY

NIGERIAN MIDSTREAM AND DOWNSTREAM PETROLEUM REGULATORY AUTHORITY (NMDPRA)

2024

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1 INTRODUCTION

1.1 Background

The introduction of wholesale gas and petroleum liquids supply operations is a key difference between the Petroleum Act of 1969 (PA) and the Petroleum Industry Act of 2021 (PIA). The previous regime of the Petroleum Act defined the industry on the basis of export of hydrocarbons produced, and the import of petroleum products. However, the PIA has established distinct midstream operations as a linkage in the petroleum streams to guarantee Nigeria's energy security. The PIA stipulates that the powers conferred on a lessee by virtue of ownership of a petroleum/oil mining lease (PML/OML), no longer includes rights to export but is only limited to the production of hydrocarbon that will be 'disposed of' and supplied as feedstock to midstream operations.

The Wholesale Gas Supply Licence (WGSL) and Wholesale Petroleum Liquids Supply Licence (WPLSL) are the appropriate licences for any qualified persons or entities willing to engage in the **sale and delivery of natural gas and petroleum liquids (crude oil, condensate, petroleum products and natural gas liquids) to wholesale customers either for domestic use or exports,** as applicable**.** The wholesale supply operations foster investment across the petroleum value chain, entrenches transparency in hydrocarbon measurement, provides tools for enforcement of domestic obligations, ensures arm's length dealings for a level-playing field, and acts as a pathway for willing buyer – willing seller of Nigeria's gas resources, amongst many other significant advantages. **Figure 1** below shows the hydrocarbon supply value chain from point of production to wholesale customers as stipulated by the PIA. **Appendix 1** of these Guidelines depicts wholesale hydrocarbon supply in the context of the petroleum value chain.

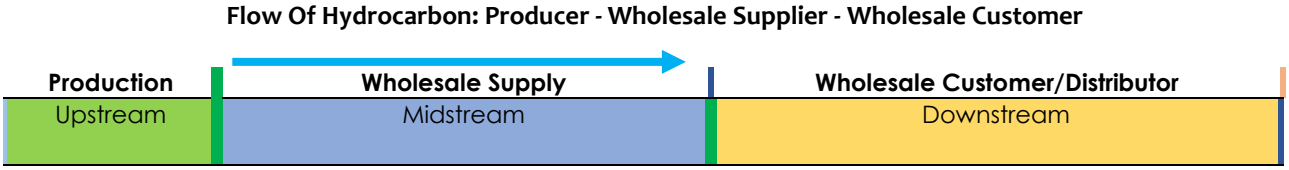


Figure 1 Hydrocarbon Wholesale Supply Chain

1.2 Purpose

The purpose of this document is to describe the terms, basis and procedures for obtaining licences, permits and other approvals or authorisations required under the Wholesale Gas Supply Licence (WGSL) and Wholesale Petroleum Liquids Supply Licence (WPLSL) and minimum requirements for carrying out operations under these Licences. These Guidelines are pursuant to the PIA, Midstream and Downstream Petroleum Operations Regulations 2023

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(MDPOR), and other regulations in relation to Midstream and Downstream Petroleum operations.

1.3 Scope

These Guidelines provide key definitions for understanding wholesale hydrocarbon supply operations, the procedures and requirements for obtaining the WGSL and WPLSL. Furthermore, it provides modalities for operations under the licence covering application for evacuation and exports permits, the remittance of wholesale levies from wholesale price of petroleum liquids and natural gas to the Authority and the Midstream and Downstream Gas Infrastructure Fund (MDGIF).

1.4 Definition of Terms

In addition to the applicable definitions in the PIA and MDPOR, the following definitions are relevant to these Guidelines.

I. Wholesale Supply Licences (WSL)

a. The Wholesale Gas Supply Licence (WGSL) is the licence prescribed by the PIA as the appropriate licence for a person wishing to sell and deliver wholesale gas to wholesale customers (Sections 142 to 145 of the PIA), and

b. The Wholesale Petroleum Liquids Supply Licence (WPLSL) is the licence prescribed by the PIA as the appropriate licence for a person wishing to sell and deliver petroleum liquids to wholesale customers either domestically or for export. (Sections 197 to 200 of the PIA).

II. Qualified Persons for a WSL

Refers to the category of persons qualified to apply for a WSL -

a. Third-party/independent companies in the midstream and downstream e.g. a holder of a Gas Processing Licence on own account, bulk hydrocarbon trading company etc;

b. Companies conducting midstream and downstream operations as affiliates of lessees;

c. Lessees/upstream producers who operate beyond hydrocarbon production and wish to engage in wholesale hydrocarbon supply;

d. 'Interest Holders' or Joint Venture Partners of OML/PML holders that wish to engage in wholesale hydrocarbon supply on own account;

e. Wholesale customers or distributors purchasing directly from lessee and where the lessee is not engaged in wholesale hydrocarbon supply operations maybe issued the WSL; and

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f. Crude oil refiners, who beyond being wholesale customers of crude oil/condensates and selling refined products at exit gate of the refinery, are engaged in -

i. import of feedstock or direct purchase from lessees that are not WSL holders, or

ii. export or delivery of petroleum products to wholesale customers.

III. Wholesale Hydrocarbon Supply Facilities (WHSF)

Refers to facilities or installations that are designed, constructed, installed, or operated by WSL holder or other parties to enable reliable wholesale hydrocarbon supply operations, and include -

a) Exports, sales and delivery installations or facilities such as terminals, jetties, offloading and export systems of FPSO or any other facility established for sales, delivery or exports of natural gas or petroleum liquids;

b) Installations in customers premises for ensuring safe and reliable wholesale supply of natural gas or petroleum liquids such as storage tanks;

c) Vessels, trucks and any other virtual transportation infrastructure employed for the bulk transportation of wholesale natural gas or petroleum liquids;

d) Measurement systems used in wholesale hydrocarbon supply operations e.g. custody transfer meters, check meters etc.

e) Other support mechanisms or installations used in wholesale hydrocarbon supply operations.

2 GENERAL CONSIDERATIONS FOR WHOLESALE HYDROCARBON SUPPLY OPERATIONS

2.1 Overview of Wholesale Supply Operations in Nigeria

2.1.1 General

i. WSL Holders shall have the right of access to facilities, including harbours, jetties, petroleum bulk storage, transportation infrastructures, terminals and pumping installations, hydrocarbon processing facilities etc by holding a Licence on its own account or through open access or third-party access conditions.

ii. A lessee who is a WSL holder shall only have right of access to pipeline transportation and other WHSF by operating its Licence on its own account or through open access or third-party access conditions. However, access to any other midstream facilities such as transportation network, hydrocarbon processing facilities, bulk storage facilities etc shall only be through third party or open access conditions.

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iii. The natural gas or petroleum liquids earmarked for wholesale supply may be sourced from hydrocarbon stabilisation facility in an upstream concession (lease), gas processing plants, crude oil refineries, third-party suppliers and any other source where petroleum liquids or natural gas is produced.

iv. All facilities on the wholesale supply channel shall be established, constructed and operated in line with applicable guidelines made by the NMDPRA.

v. All custody transfer metering system employed for WSL operations shall be designed constructed and operated in line with guidelines issued by the NMDPRA with the aid of appropriate permits, authorizations or Licence.

2.1.2 Duties of a Wholesale Supply Licence Holder

i. Provide reliable supply of hydrocarbon to its wholesale customers

ii. Ensure that all WHSF are licenced or approved in line with applicable guidelines.

iii. Carry out due diligence to ensure hydrocarbons are only sold to wholesale customers with verifiable use for the hydrocarbons and who meet the licence or permit requirements prescribed by the NMDPRA.

iv. Undertake the registration of wholesale customers in the format prescribed by the NMDPRA.

v. Remit wholesale levies collected as component of wholesale price paid by wholesale customers for the purchase of natural gas or petroleum products to the Authority Fund and MDGIF.

vi. Comply to customer protection measures prescribed in sections 145 (d), 164 (1)(e), 165, 166 of the PIA.

vii. Other duties as may be assigned by the NMDPRA in line with the PIA.

2.1.3 Hydrocarbon Transportation by Wholesale Supply Licence Holder

i. The primary means for transportation of natural gas and petroleum liquids shall be via gas transportation pipelines/networks and petroleum liquids transportation pipelines/network respectively.

ii. Where bulk transportation of hydrocarbons is done by virtual means such as sea going vessels, barges, trucks etc, the WSL holder shall register such transportation means in a manner prescribed by the NMDPRA.

iii. Where the WSL holder engages a third party for virtual transportation, the third-party company shall possess the relevant MDOGISP, and other documentations as may be specified.

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iv. As may be applicable, all virtual transportation modes shall comply with applicable guidelines prior to registration.

2.2 Wholesale Customers

2.2.1 Wholesale Customers of Natural Gas

i. The wholesale customers of natural gas are customers with the right to contract for and purchase a supply of raw or marketable natural gas, with capability to connect individually and economically to a transportation pipeline or transportation network and shall include gas distributors. (section 158 and 318 of the PIA).

ii. Wholesale customers of natural gas include customers in the strategic sectors (GTP, GTC, GBI and any other customer as may be prescribed by the NMDPRA), gas distributors and all other gas off-takers/shippers connected to the gas transportation pipeline or network such as retail gas supply licence (RGSL) holders, exporters, etc.

iii. Wholesale customers shall be entitled to secure marketable natural gas or raw gas from any wholesale gas supply licence holder.

iv. Only the wholesale customers of the strategic sectors can secure marketable natural gas through a gas aggregator as a customer client.

2.2.2 Wholesale Customers of Petroleum Liquids

i. Wholesale customers of petroleum liquids include petroleum product distributors and customers that buy directly from crude oil refiners, wholesale suppliers of petroleum liquids (crude oil, condensate, petroleum products and natural gas liquids) and importers of petroleum liquids (crude oil, condensate, petroleum products and natural gas liquids).

ii. A crude oil refiner is a wholesale customer of crude oil by virtue of purchasing crude oil from a WPLSL holder.

2.3 Wholesale Price and Wholesale Levies

2.3.1 Wholesale Price and Wholesale Levies of Natural Gas

i. The wholesale price of natural gas paid by the customer shall be determined in line with provisions of sections 167, 168 and the third and fourth schedules of the PIA.

ii. The wholesale levy on natural gas shall be 0.5% of the wholesale price of the natural gas purchased by the wholesale customer which shall be remitted to the MDGIF.

iii. The wholesale levy shall be included in "sale and purchase agreements", "sales invoices", and "receipts" issued to all wholesale customers.

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iv. The remittance of wholesale levy to the MDGIF shall be carried out by wholesale supply licence holder, gas aggregators or any party entitled to collect wholesale price and others as may be designated by the NMDPRA.

2.3.2 Wholesale Price and Wholesale Levies of Petroleum Liquids

i. The wholesale price for crude oil and field condensates shall be determined by the prevailing international rates of similar grades.

ii. The wholesale price for other petroleum liquids is determined in line with the provisions of section 206 of the PIA.

iii. The wholesale levy on petroleum liquids shall be 1% (i.e. 0.5% each for Authority and MDGIF) of the wholesale price of the petroleum liquids (excluding crude oil and field condensates) purchased by the wholesale customer which shall be remitted on a 50 – 50 ratio to the Authority and the MDGIF respectively.

iv. The wholesale levy shall be included in "sale and purchase agreements", "sales invoices", and "receipts" issued to all wholesale customers.

v. The remittance of wholesale levies to the Authority and the MDGIF shall be carried out by the WSL holder, crude oil refiners, importers or other party as may be designated by the NMDPRA.

vi. In special cases where the wholesale customer imports petroleum liquids for own use, the wholesale levies shall be applicable and shall be paid by the importer.

3 APPLICATION PROCEDURE FOR WHOLESALE HYDROCARBON SUPPLY OPERATIONS

3.1 Application Overview for WSL

3.1.1 Overview of WSHL Requirements

Any qualified person carrying out wholesale hydrocarbon supply operations shall:

i. Apply to the Authority Chief Executive (ACE) of the NMDPRA, detailing the business concept for the wholesale hydrocarbon supply operations.

ii. Pay the applicable fees for WSL outlined in the Regulations.

iii. Satisfy the requirements prescribed in paragraph 3.1.2 of these Guidelines and section 111 (2) and (3) of the PIA as applicable.

iv. Be required to make technical presentations on any aspect of the supply operations, at any time as the NMDPRA may deem fit.

v. Obtain the relevant authorization, permits or licences for the WHSF as applicable.

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3.1.2 General Requirements for WSL Application

The application for WSL shall be submitted to the NMDPRA and accompanied by the following as applicable:

a. A completed application form issued by NMDPRA with all the company's information attached including -
   i. Evidence of WSL fees payment and evidence of other statutory licence application fee.
   ii. Copy of Certificate of Incorporation.
   iii. Disclosure of affiliate relationships with other companies in the petroleum industry.
   iv. Outline Business Case.
   v. Other Supporting Documents (as applicable).

b. Source(s) of hydrocarbon, estimated quantity and nature of hydrocarbon (petroleum liquids or natural gas) to be supplied based on:
   i. Full or equity-based ownership of a hydrocarbon source (eg. Lease), hydrocarbon from a lease or third party (who may not be a WSL holder), hydrocarbon from gas processing facilities, refineries or other midstream facilities, hydrocarbon received through importation etc.
   ii. Any other potential sources where hydrocarbon could be sourced for by the WSL holder.

c. Hydrocarbon supply channel from source to wholesale customer through facilities operating on own account, third party access, open access or other contractual agreements:
   i. Gas Processing or Refining Facilities.
   ii. Gas transportation Pipelines/Network or Petroleum liquids transportation Pipelines/Network.
   iii. Virtual Transportation means such as vessels, barges and trucks.
   iv. Gas or Petroleum Liquids Bulk Storage Facilities.
   v. Export terminals, jetties or other facilities for export and import operations.
   vi. Natural Gas or Petroleum Liquids receiving facilities at customer locations.

d. Custody transfer Metering philosophy and administration along the wholesale hydrocarbon supply channel.

e. List of wholesale customers with copies of the supply agreements and potential market for expansion, both domestic and export.

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f. Customer service code in line with provisions of section 164 of the PIA.

4 WHOLESALE HYDROCARBON SUPPLY POST LICENCE OPERATIONS

4.1 General Operations Requirements

4.1.1 General

WSL holders shall comply with the terms and conditions of the licence as follows:

i. Payment of the WSL charges in line with provisions of the Midstream and Downstream Petroleum Fees Regulations.
ii. Publish their terms of supply including tariffs other than negotiated tariffs.
iii. Establishment of consumer forums and channels for receiving feedback from wholesale customers.
iv. Remittance of wholesale levies to the NMDPRA and MDGIF.
v. Application for evacuation and export permit on a quarterly basis.
vi. Adherence to customer service codes set in line with section 164 (2) (e) and approved by the NMDPRA.
vii. Prepare and submit reports to the NMDPRA, on demand, indicating their performance levels and status of their operations.

4.1.2 WSL Fees

WSL holder shall pay applicable WSL fees in line with Regulations.

4.1.3 Renewal of WSL

i. Application for the renewal of WSL shall be submitted in line with paragraph 3.1.2.
ii. Applicable fees for renewal of Licence shall apply in line with Regulations.

4.1.4 Modification of Licence Conditions

Any update, change or modification to the WSL contrary to the licence conditions as stipulated in paragraphs 3.1.2 and 3.2.2, shall be communicated to the NMDPRA for approval.

4.2 Sale and Delivery Supply Operations of Natural Gas.

i. The wholesale supply charges for natural gas shall be paid in line with Regulations.
ii. The sale and delivery of natural gas shall be in accordance with agreed terms of the gas purchase and sales agreement (GPSA) between the WSL holder and wholesale customer.
iii. For transportation of natural gas through the gas transportation network, the network code rules issued shall apply.

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iv. Users of the gas transportation network shall be required to register with the NMDPRA via a portal; www.ncelas.nmdpra.gov.ng.

4.3 Evacuation and Export Supply Operations of Petroleum Liquids.

4.3.1 General Requirements for WPLSL or Refiners for Evacuation and Export Operations

a. All loading/unloading operations by the WPLSL holders shall be in compliance with Regulations and Guidelines issued by the Authority.

b. The WPLSL holder shall ensure the following:

i. apply on a quarterly basis for an evacuation or export permit from the NMDPRA. The quarterly permit issued shall form the basis for tracking volumes supplied and payment of applicable WSL fees.

ii. ensure vessel clearances and approvals are obtained from NMDPRA for all loading and offloading operations.

iii. comply with the Procedure Guide for the Determination of the Quantity and Quality of Petroleum and Petroleum Products in Nigeria; and

iv. conduct full documentation for all shipping/loading/offloading operations as applicable, which shall include the NMDPRA Certificate of Quantity and Quality (COQ), bill of lading etc.

c. Exporting from crude oil terminals established prior to August 2021 (effective date of the PIA) and engaged in supply operations where measurement for royalties takes place in the midstream, shall acquire a COQ issued by the NUPRC, line with the provisions of Section 7 (ee) of the PIA.

d. All WSL holders shall comply with the Guidelines for Barging and Trucking Operations issued by the NMDPRA, where alternative evacuation means are used for the supply operations.

4.3.2 Application for Export and Evacuation Permit by WPLSL Holders.

a. The application for the export permit shall be submitted on a quarterly basis to the NMDPRA via:

i. For gas-based products the WPLSL holder shall apply through the GATEX portal: https://gatex.nmdpra.gov.ng.

ii. For petroleum liquids from refineries and other hydrocarbon processing plants (other than facilities processing natural gas)- The WPLSL holder shall apply through the IMPEX portal: https://impex.nmdpra.gov.ng.

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b. Upon meeting all NMDPRA requirements, the application shall be forwarded to the Federal Ministry of Industry, Trade, and Investment, (FMITI) for issuance of the export permit.

4.4 Petroleum Liquids Evacuation for Export Process

4.4.1 Tanker Movement Information

The following information on tankers nominated to lift petroleum liquids at facilities, shall be supplied by all WPLSL holders to the NMDPRA within the deadlines stipulated hereunder

4.4.2 Advance Tanker Program

i. This shall contain the schedule of tankers expected to call at the facility in a particular month giving such information as the name and expected time of arrival (ETA), parcel size and the consignor.

ii. It shall be furnished within the first week of the month in question and any amendments to the program shall be promptly notified to the NMDPRA not later than 72 hours before the arrival of the tanker.

4.4.3 Tanker Manifest

On arrival of a tanker/vessel at the berth point, the following information shall be supplied to the NMDPRA.

i. Name of tanker
ii. Country of registration
iii. Owner of tanker
iv. Summer dead weight of tanker
v. Last port of call
vi. Quantity and type of petroleum and petroleum product filled
vii. Destination of tanker after loading
viii. The IMO number of the vessel
ix. The agent of the vessel

4.4.4 Tanker Loading Schedule

a. On berthing the tanker preparatory to loading, a schedule shall be prepared for the loading operations and should contain the following information for granting loading clearance:

i. Name of Berth in use
ii. Estimated time of commencement of loading
iii. Quantity and type of cargo on board arrival
iv. Tonnage of petroleum liquids to be loaded

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v. Designated tanks to be used for loading and their BS & W

vi. Pumping rate and estimated duration of loading.

vii. Consignee and Consignor of the petroleum liquids cargo.

b. Custom clearances shall be provided before and after loading.

4.5 Remittance of Wholesale Levies to the NMDPRA and MDGIF

i. The WSL holder and gas aggregators shall remit the wholesale levies paid by the wholesale customers as part of the wholesale price due to the NMDPRA and MDGIF.

ii. Except otherwise directed, the remittance shall be on monthly, not later than the 21st day of every month following the month of transaction.

iii. The report on the wholesale levies shall be submitted to the NMDPRA by the WSL holder not later than 30th day of every month and shall include details of sales, purchases, volumes, wholesale price and names of wholesale customers.

iv. The WSL holders and gas aggregators shall provide the wholesale customers with evidence of remittance of wholesale levies.

v. Where the sum is not paid within 21 days of issuance of a debit note by the NMDPRA and MDGIF, a sum of 10 % of the amount unpaid shall be added for each or part of the month after the date on which payment should have been made.

vi. Reconciliation maybe initiated by NMDPRA based on complaints by any party involved in wholesale operations.

5 SANCTIONS

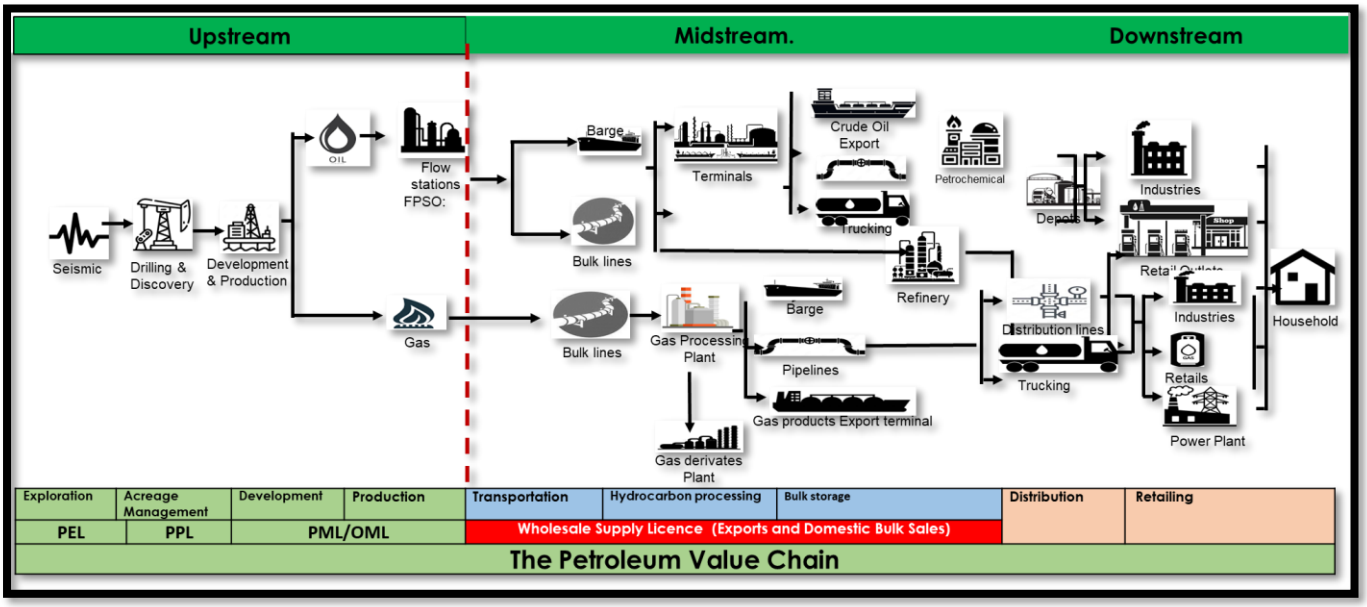
These guidelines provide the requirements for wholesale supply operations for the offtake of natural gas and petroleum liquids from points of production for sales & delivery in Nigeria or for exports. Non-compliance with the requirements of these guidelines shall be considered as violations of relevant sections of the PIA, MDPOR and relevant Regulations made by the Authority pursuant to the PIA. These violations may result in applicable consequence management, including, but not limited to, fines, penalties and/or revocation of licence and prosecution. Where terms and conditions of the licence are not fulfilled, consequence management in line with Midstream and Downstream Petroleum Enforcement Regulations 2023, MDPOR and Sections 217 of the PIA 2021 shall be applied.

6 APPENDIX

6.1 Appendix 1 - Petroleum Value Chain Depicting the WSL

The wholesale supply operations in the context of the petroleum value chain.

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7 GLOSSARY

Abbreviations, terms and references used in this document are explained hereunder:

Abbreviation	Meaning
ACE	Authority Chief Executive
BBL	Barrels
BSCFD	Billion Stand Cubic Feet Per Day
BS & W	Basic Sediment and Water
CBN	Central Bank of Nigeria
COQ	Certificate Of Quantity and Quality
FMITI	Federal Ministry of Trade and Investment
FPSO	Floating Production Storage and Offloading
GBI	Gas Based Industry
GPSA	Gas Purchase and Sales Agreement
GTC	Gas To Commercial
GTP	Gas To Power
MDPFR	Midstream and Downstream Petroleum Fees Regulations 2024
MDPOR	Midstream and Downstream Petroleum Operations Regulations 2023
NMDPRA	Nigerian Midstream and Downstream Petroleum Regulatory Authority
NUPRC	Nigerian Upstream Petroleum Regulatory Commission
MMSCFD	Million Stand Cubic Feet Per Day
PIA	Petroleum Industry Act 2021

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PML	Petroleum Mining Lease
MDGIF	Midstream and Downstream Gas Infrastructure Fund
MDOGISP	Midstream and Downstream Industry Service Permit
OML	Oil Mining Lease
RGSL	Retail Gas Supply License
WGSL	Wholesale Gas Supply Licence
WHSF	Wholesale Hydrocarbon Supply Facilities
WSL	Wholesale Supply Licence
WPLSL	Wholesale Petroleum Liquids Supply Licence

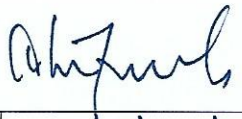
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	Date	

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PML	Petroleum Mining Lease
MDGIF	Midstream and Downstream Gas Infrastructure Fund
MDOGISP	Midstream and Downstream Industry Service Permit
OML	Oil Mining Lease
RGSL	Retail Gas Supply License
WGSL	Wholesale Gas Supply Licence
WHSF	Wholesale Hydrocarbon Supply Facilities
WSL	Wholesale Supply Licence
WPLSL	Wholesale Petroleum Liquids Supply Licence

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Engr. Farouk Ahmed **(Authority Chief Executive, Nigerian Midstream and Downstream Petroleum Regulatory Authority)**	 **Date** 17/09/2024

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