



**Federal Ministry of Petroleum Resources**

**GENERAL REQUIREMENTS AND GUIDANCE  
INFORMATION FOR THE ESTABLISHMENT OF  
MODULAR REFINERIES IN NIGERIA**

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## 1. Introduction

As part of the strategy to reposition the Nigeria Oil & Gas industry, a roadmap of short and medium term priorities aimed at developing a stable and enabling Oil and Gas landscape with improved transparency, efficiency, stable investment climate and a well-protected environment, tagged “7big wins” was developed and launched by His Excellency, Mr. President in October 2016.

The fourth initiative in the roadmap, “Refineries and Local Production Capacity” seeks to transit Nigeria from being an import dependent Nation into a net exporter of refined petroleum products. Thus, presenting huge investment opportunities in the mid - downstream sector that will result in GDP growth and jobs creation.

A key component of this initiative is Government support for the establishment of third party financed Greenfield and modular refineries for in-country petroleum products sufficiency that will stimulate products export.

It is the intention of government that the refineries should be scalable and located within refinery clusters for effective operations and minimal environmental footprint.

This document therefore highlights essential guidance information, some important general and technical requirements for interested investors in refineries to enable smooth implementation of the initiative.

## 2. Key Objectives of the Modular Refinery Initiative

- To promote availability of petroleum products in the country.
- To conserve foreign exchange utilization for the importation of Petroleum Products.
- To promote socio economic development in order to stop restiveness, criminal and illegal refinery activities thereby sustaining peaceful coexistence in the Niger Delta Region
- To mitigate and eliminate environmental degradation associated with illegal refinery activities, crude oil theft and pipelines vandalism

## 3. Legal Framework

The process for establishing a Petroleum Refinery in Nigeria is regulated by the Department of Petroleum Resources (DPR) through Policies and Regulations promulgated by the Ministry of Petroleum Resources and Minister of Petroleum Resources respectively. The regulatory procedure is laid out pursuant to Regulation (2) and (3) of the Petroleum Refining Regulations (PRR) of 1974 made under section 9 of the Petroleum Act 1969. Furthermore, under Regulation 47 of the PRR, the Director, Petroleum Resources may from time to time, give directions as to the manner of compliance with any matter provided for under the PRR regulations.

Consequently, DPR has concluded the review of the guidelines that shall apply for the establishment of Hydrocarbon Processing Plants and also issued an addendum “Supplementary guidelines for the Design, Construction and Operation of Modular (mini) Refinery Plants in Nigeria” which details mandatory requirements, processes and procedures that will significantly simplify compliance.

## 4. Scope

The guidelines shall cover all refinery establishment. However, establishment of modular refinery plants, shall be with design capacity not more than thirty thousand barrels per day (30,000BPD).



When the plant capacity exceeds 30,000BPD, the plant shall be upgraded to a full conventional refinery.

## **5. Location and Carrying Capacity**

The location of a modular refinery shall be strategic and influenced by proximity to the source of crude oil, producing marginal fields and tie-in to supply infrastructure or clusters

Government also recognizes that there is a limit on the carrying - capacity in each of the oil producing states, consequently, establishments would be based on the acceptable carrying capacity indices of each state which is determined by the production capacity, access to infrastructure and limit of the environmental degradation.

## **6. Modular Refinery Business Model**

Government envisages amongst others, a model that will be private-sector led partnership with equity participation from the state government or its agencies, registered local cooperative societies and the integration of the regional refinery stakeholders, with the private investor having majority equity as well as operate the Joint Venture.

State Government contribution could be in the form of land-for-equity and or paid off shares.

## **7. Investors Category**

The Federal Government seeks the participation of credible investors and integration of key stakeholders in the modular Refinery initiative. The size of the investment structure will determine significantly the investor categorization and selection process.

The prospective investors will be categorized as follows:

- A. Private Investor with financial and technical capacity, preferably with established Nigerian presence or partnership
- B. Public-Private Partnership with credible participation from relevant stakeholders such as foreign technical partners, State Government, MDAs, Local Govt. Council, organized private organizations, cooperative societies, community equity contribution etc.
- C. Regional refinery stakeholders involved in artisanal activities with focus to converting the vocationally acquired skills to cognitive technical skills. They shall be considered for equity partnership with technical and financial partners.

## **8. Qualification Requirements**

A sustainable and transparent framework is provided for the selection of potential investors, and shall take cognizance of the existing guidelines and objectives of the Refinery Expansion plan.

The licensing processes as prescribed in the guidelines for the establishment of Hydrocarbon Processing Plant in Nigeria by Department of Petroleum Resources (DPR) are in three phases namely

- (a) License to Establish (LTE),
- (b) Authority to Construct (ATC)
- (c) License to Operate (LTO).

To qualify and move between phases requires certain criteria to be satisfied. Section 9 and 10 of this document presents some of the key general and technical criteria which interested investors must satisfy.



## **9. General Criteria**

### **a) Institutional Framework - Company and Organizational Structure**

Evidence of CAC registration for Nigerian companies/entities, foreign companies evidence/reference by Home Country's agency. For consortium partnership, foreign and local companies must meet standard criteria and present legal documents of partnership, certified true copies of Memorandum and Article of Association, Evidence of joint venture/partnership Agreement, Company Profile etc.

### **b) Financial Status**

Three (3) years Audited Account, Financial report and Tax Certificate for Nigerian companies and similar documentation for foreign companies, paid up share capital, Investment Type, Detailed financial plan with Proof and source of funding, sworn affidavit and letter of authority allowing verification of all claims

### **c) Community Affairs, Safety, Health, Environment and Security (CASHES)**

Health, Safety and Environment (HSE) Plans, Quality Management System, Security Plans, Management of Change Procedure, Community Affairs and Corporate Social Responsibility Plans.

### **d) Nigerian Content**

Applicants will be required to maximize the utilization of local human and material resources in line with Nigerian content requirements.

## **10. Technical Specification**

### **a) Plant Philosophy Model**

The requirement is as outlined in DPR guidelines for the establishment of Hydrocarbon Processing Plant and the Supplementary Guidelines for Modular Refinery Plants. Investors are expected to demonstrate a positive crack spread for the chosen refinery design.

This includes but not limited to the following: Plant description and configuration, -- desired output, management of light products and by-products (Gasoline, Naphtha, LPG & Heavy-ends), Details of marketing plan/strategy, Details of technology, Crude assay and Source, Front End Engineering Design etc.

### **b) Age of Modular Refinery to be located**

An applicant shall not be allowed to relocate a refinery that is older than Ten (10) years in operation from the date of establishment.

Where the refinery has not been in operation since establishment and well preserved, subject to verification, it should not be older than 15years from the date of establishment.

DPR will provide a plant technical audit checklist for this purpose.

## **11. Community Involvement**

The process of integrating the regional community stakeholders into the scheme shall involve the following activities to be anchored by the relevant State Government or its agencies using their local structures:

- a) Verification of community participants: This involves the screening and capturing of data for indigenes interested in gainful employment in the refineries and small medium enterprise activities.
- b) Training: Focus on formally converting community stakeholders who have acquired vocational skills to cognitive technical skills.



- c) Business Integration: Integration of this stakeholders as equity participants in the refineries as defined in **Investor Category C**.

## **12. Government Support**

The Federal Governments assistance in the establishment / Conventional of a modular refinery will include:

- a. Facilitation of crude commercial agreements from marginal and other oil fields.
- b. Facilitation of Ownership-joint venture investment vehicles with organized host communities and State Governments.

## **13. Fiscal Incentives**

Modular Refineries being midstream oil and gas processing facilities shall qualify for all incentives enumerated under section 39 of the Companies Income Tax Act CAP. 60 LFN 1990. The relevant provisions of the act are;

- (i) A company engaged in gas utilization (downstream operations) shall be granted the following incentives, that is-
- (a) an initial tax free period of three years which may, subject to the satisfactory performance of the business, be renewed for an additional period of two years;
  - (b) as an alternative to the initial tax free period granted under paragraph (a) of this subsection, an additional investment allowance of per 35 per cent - which shall not reduce the value of the asset, so however that a company which claims the incentive provided under this paragraph shall not also claim the incentive provided under paragraph (b) (ii) of this subsection;"
  - (c) accelerated capital allowances after the tax free period, as follows, this is-
    - (i) an annual allowance of 90 percent with 10 percent retention, for investment in plant and machinery,
    - (ii) an additional investment allowance of 15 percent which shall not reduce the value of the asset;
  - (d) tax free dividend during the tax free period, where-
    - (i) the investment for the business was in foreign currency, or
    - (ii) the introduction of imported plant and machinery during the period was not less than 30 percent of the equity share capital of the company;
  - (e) interest payable on any loan obtained with the prior approval of Minister for a gas project, shall be deductible.
- (2) The tax free period of a company shall start on the day the company commences production as certified by the Ministry of petroleum Resources

It is anticipated that the fiscal reform bill shall include amendments to section 39 of CITA to properly reflect midstream oil and gas operations

## **14. Application**

Application for a license to construct or operate a refinery shall be made to the Minister of Petroleum Resources (through the DPR) and shall be in Form A in the Schedule to the PRR and may be granted subject to such terms and conditions as the Minister may prescribe.



## 15. Applicable Fees for Participation

This is as prescribed and stipulated by DPR in the published Guidelines as given below

License to Establish (LTE)	Statutory	USD 50,000.00
	DPR Processing Fee	N500,000.00
Authority to Construct (ATC)	DPR processing fees	N500,000.00
License to Operate (LTO)	Statutory	USD 1,000/1000 BPD up to 30,000BPD USD 100,000.00 for 30,000 BPD & Above
	DPR processing fees	N500,000.00

## 16. Calendar of Activities for Modular Refinery Establishment

Under the modular refineries initiative, a timeline of key activities to enable smooth and speedy completion of the process for selection is outlined below

S/N	ACTIVITY	DATE	REMARK
1	<b>WORKSHOP:</b> - Organized for interested Companies/Investors in Modular Refinery Establishment	To Be Advised	Objective to educate companies/ investor on expectations, the processes and conditions to set up modular refineries.
2	<b>SUBMISSION OF APPLICATIONS:</b> - Applications forms and the Guidelines	2 – 3 months after workshop	Interested companies/investor submits applications and requirements for LTE as listed in the Guidelines.
3	<b>TECHNICAL EVALUATION:</b> - Evaluate applications and submit report by date	1 month after submission	Objective to analyze and weigh the technical capacities and capabilities of the companies.
4	<b>PUBLISH REPORT OF SUCCESSFUL COMPANIES:</b> - Accept report and make public	2 weeks after evaluation	Only qualified technical submissions published and deemed to have passed LTE

For more information, please visit the Department of Petroleum Resources Website at [www.dpr.gov.ng](http://www.dpr.gov.ng) to download the following:

- i. Guidelines for the establishment of Hydrocarbon Processing Plants
- ii. Supplementary guidelines for the Design, Construction and Operation of Modular (mini) Refinery Plants in Nigeria

## FEDERAL MINISTRY OF PETROLEUM RESOURCES