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Legal Practitioners, Arbitrators and Notaries Public

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## **NEWS UPDATE**

### **OPEC EXTENDS NIGERIA'S EXEMPTION FROM OIL PRODUCTION CUT<sup>1</sup>**

In the Joint Ministerial Monitoring Committee (JMMC) of OPEC and Non-OPEC Countries Meeting which held on 22<sup>nd</sup> September 2017 in Vienna, Austria, Nigeria was granted further exemption from oil production restrictions. Nigeria received its first exemption in November 2016 which was extended in May 2017 by the Ministerial Conference.

The Nigerian team was led by the Minister of State for Petroleum Resources, Dr. Ibe Kachikwu. Whilst making his presentation before the JMMC, the Minister pointed out that although Nigeria's production recovery efforts have made appreciable progress since October last year, Nigeria is not yet out of the woods. Although Nigeria had sustained a production capacity of 1.802 million barrels per day in August, it was not enough justification to bring Nigeria within the oil production restriction. The Minister undertook that Nigeria will limit its crude oil production to 1.8 million barrels per day when its production has stabilized.

On 10<sup>th</sup> December 2016, Non-OPEC oil producing countries had agreed to cooperate with OPEC Member Countries in an effort to stabilize the global oil market through voluntary adjustments in the overall production of crude oil to a maximum of 1.8 million barrels per day.

OPEC had resolved to establish the JMMC following its Ministerial Conference Decision of 30<sup>th</sup> November 2016 and followed up with a **declaration of cooperation** which was obtained at the joint OPEC- Non-OPEC Producing Countries Ministerial Meeting of 10<sup>th</sup> December 2016 geared towards achieving a rapid stabilization of the global oil market through voluntary adjustments in the total production of crude oil of around 1.8 million barrels per day. The understanding which imposed a limit on production became effective on 1<sup>st</sup> January 2017 and was for a six month period and further extended for another nine months in the second joint OPEC-Non-OPEC Producing Countries Ministerial Meeting of 25<sup>th</sup> May 2017.

The highest level of conformity on the declaration of cooperation by OPEC and participating Non-OPEC countries has been in the month of August 2017, an excellent conformity level of 116% was achieved. This is a reflection of the strong commitment of participating producing countries to work together towards rebalancing the oil market. The Meeting further emphasized the need for more

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efforts from under-performing participating countries to attain a 100 per cent conformity level. The next JMMC meeting has been fixed for 29<sup>th</sup> November 2017 in Vienna, Austria.<sup>2</sup>

Evidently, Nigeria has achieved a considerable increase and partial stability in the output of oil production from October 2016 and particularly in August 2017 when it attained a production rate of 1.802 million barrels per day. It was this increase in production rate that necessitated the call by some OPEC members to remove Nigeria from the current exemption status it presently enjoys.

Now that the exemption has been further extended what next? It should be borne in mind that the exemption is only for a period of time and not expected to be in perpetuity. In the light of this, the country should take good advantage of this window and work towards complying with the production cut of 1.8 million barrels per day when it has attained production stability.

### **Fingerprint technology to track Nigeria crude oil theft**

In a related development, the Federal Government of Nigeria has set in motion the process to track crude oil theft by the introduction of fingerprint technology. This was confirmed by the Minister of Science and Technology, Dr. Ogbonnaya Onu on 22<sup>nd</sup> September 2017 during the inauguration of the Bio-resources Laboratory and the livestock feed mill complexes at the Bio-resources Development Centre (BIODEC) in Bayelsa State.<sup>3</sup> The fingerprint technology will be designed to track Nigerian crude oil products anywhere in the world.

If this technology is fully designed and becomes operational, it has the capacity to track Nigeria's stolen crude oil anywhere in the world. One of the major problems bedeviling the oil sector in Nigeria apart from the challenges of refinery building and maintenance is crude oil theft. This development is therefore very welcome especially at this time when the country is looking to maximize any benefits accruing from the oil and gas sector.

With the current developments highlighted above, it is clearer that the Nigerian government is set to revamp the oil and gas sector which remains a major stream of income for the nation. Investors both local and international are encouraged to consider the Nigerian oil and gas sector as a viable business window to be explored.

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<sup>2</sup> [http://www.opec.org/opec\\_web/en/press\\_room/4535.htm](http://www.opec.org/opec_web/en/press_room/4535.htm) (accessed on 24 September 2017)

<sup>3</sup> <http://allafrica.com/stories/201709230099.html> (accessed on 25th September 2017)