



# The Frontier Exploration Trust Fund

A Missed Opportunity?

## Introduction

After decades of deliberations and stalemates on the fate of the oil and gas industry with respect to the Petroleum Industry Bill, President Muhammadu Buhari on 16 August, 2021 finally assented to the bill and is now known as the, 'Petroleum Industry Act'(PIA).

The PIA provides legal, governance, regulatory and fiscal framework for the Nigerian Petroleum Industry. More so, it intends to provide an ideal industry environment for local and foreign stakeholders as well as enhance a sustainable petroleum industry in Nigeria. One of the ways the Act hopes to sustain the petroleum industry in the country is the establishment of the Frontier Exploration Fund.

### What is the Frontier Exploration Fund?

Under Chapter 1, Part III, Section 9(4) of the PIA, it provides,



*There shall be maintained for the purpose of this section, a Frontier Exploration Fund which shall be 30% of NNPC Limited's profit oil and profit gas as in the production sharing, profit sharing and risk service contracts.*

It goes further to vest the operation and management of the Fund on the Nigerian Upstream Regulatory Commission also known as, "the Commission". Contextually, frontier exploration is the processes of exploring hydrocarbons such as crude oil, natural gas, coal etc. around certain areas that possess combination of features necessary for the formation and trapping of oil and gas otherwise known as, 'the inland basins'. In Nigeria, these inland basins include Anambra basin, the lower, middle, and upper Benue trough, the south-eastern sector of the Chad basin, the Mid-Niger (Bida) basin, and the Sokoto basin – recently the Gongola basin has been approved as an inland basin.

Generally, it is believed that the objective of the frontier exploration fund aims to encourage the sustainability of the crude oil asset, especially as it represents a major contributor to the country's economy by exploring frontier acreages to find new deposits of crude oil. More so, with the establishment of the fund, certain regions of the country such as the Niger Delta which produces approximately 93% of the country's crude oil will not be over utilized.

This is hinged on the premise that continuous exploration of the region ultimately results in high depletion of these resources in the region juxtaposed with its non-renewable characteristic hence, exhaustible.

### A missed opportunity?

Conceptually, the establishment of the Frontier Exploration Fund is a brilliant move by the legislature. Directionally, it can be termed a 'future fund' with the objective to ensure the sustainability of the crude oil resource. However, where the current global energy climate is transitioning from fossil fuel energy to renewable energy, it does not seem this move is logical especially for the Nigerian economy.

### What does this mean for the Frontier Exploration Fund?

Considering the constraint of cash in the Nigerian economy, should such amount of public funds be committed to such venture that is supposedly fading out? If the Nigerian government has decided to solely depend on petroleum as its source of revenue (which is a treacherous path to follow with respect to the finite nature of crude oil), shouldn't it be made open to private investments or take a hybrid approach. In other words, the Fund can be funded by both government and private investments hence, reducing the 30% percentage allotted to the Fund.

More so, the nepotism and corruption that exists in our government questions the transparency of the management and control of the Fund. It is feared that the Fund might just become a, "Slush Fund" except there is an independent and public accountability mechanism apart from the Commission that can oversee the functionality of the Fund.

Statistics have shown that by 2050, the global energy sector will be based largely on renewables, with solar being the single largest source of supply. It further indicates that oil deposits will run out by 2052. Statistics further shows that due to Nigeria's geographical location, it has the capacity to generate most of its energy via solar while its hydro power production potential is estimated at 50,800 GWh annually.

One would recommend that a portion of the Fund be instead invested into the future by creating a Research and Development think- tank which can serve as an energy transition mechanism and further equip us for the paradigm shift that will certainly happen in the energy climate. More so, if we have such a short window to benefit from fossil fuel usage, we should maximize what we are generated so far to improve other sectors of the economy thereby initiating a more holistic economic development in the nation.

Although these concerns stated can be likened to crying over spilled milk, it is still pertinent to express them to the end that it provides a better approach to maximizing the energy sector in Nigeria.