

Nigeria - Energy Statement of Capabilities

# The Energy to Perform

Delivering value with industry-focused services

September 2010



# Global energy practice



- 14 regional energy Centres of Excellence
- ★ 12 other important energy offices

The global network of PricewaterhouseCoopers serves over 2,500 energy and utilities Clients around the world (including 1,500 oil and gas companies) and over 75% of the World's largest energy companies listed in the FT Global 500.

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# Foreword

With the stabilisation of oil prices and expectations that natural gas prices should follow, industry operators are now contemplating further investment in finding and accessing oil and gas across the globe. This is also evident in the Gulf of Guinea, and Nigeria in particular.

Recent events in Nigeria indicate that operators are in for interesting and challenging times. New regulations such as the Nigerian Content Act have been enacted and the Petroleum Industry Bill, according to Industry watchers, is likely to be passed before the end of 2010. After extensive consultations by Government and stakeholders, there are still a few contentious issues in the bill which if resolved, should lead to a more efficient and transparent energy sector.

Operators in Nigeria continue to face a number of challenges: sabotage of facilities in different part of the country, aging infrastructure in refineries and pipelines which require more capital expenditure and increased pressure to ensure a secure supply of energy. There are however expectations that government specific actions such as dialoging with all parties to ensure peace and stability in the Niger Delta region and the recent incentives for gas utilisation under the power reform program present huge opportunities.

At PricewaterhouseCoopers(PwC), our primary goal is to create a unique experience for each and every client. To do this, we not only enrich our technical skills through our robust training programmes but we also keep abreast of the industry issues that our clients face. We examine the issues and support you with multi-disciplinary teams who develop appropriate solutions through our assurance, tax and advisory services. At PricewaterhouseCoopers, we examine the industry issues to understand your concerns. We are committed to constantly evaluating and enhancing our services to better meet your needs.

The enclosed document contains information on our Firm, our Energy Practice and the range of services that we render to the Energy industry, particularly the oil & gas sector. More importantly, it demonstrate our ability to tap into our global network of industry specialists.

PwC is the world's leading advisor to the energy industry, working with every business segment covering upstream, midstream and downstream to provide business solutions tailored to the energy sector. For more than 100 years, we have helped energy companies succeed. We look forward to the opportunity of working with your company.

**Uyi Akpata**

Energy, Utilities & Mining Leader



# Specialised services for energy companies

**PricewaterhouseCoopers (PwC) has been adding value by providing professional services to energy companies globally for more than 100 years and in Nigeria for over 60 years. We help companies confront the industry's most challenging issues and changes by developing effective solutions and strategies.**

Fluctuating oil and gas prices, growing interest and investment in alternative fuels and energy sources, tightening regulatory requirements, steadily growing worldwide demand for energy, rising operating costs, skilled workforce shortages and changing geo-political scenarios are just some of the issues and challenges facing energy companies today. Energy companies around the world are responding by consolidating and restructuring their companies, seeking ways to improve and expand operations and risk management, and securing their place in the market. PricewaterhouseCoopers delivers a range of services to help energy companies address the many challenges they face today. We provide industry specific solutions in the broad areas of audit and assurance, tax, consulting and deals to help companies address their business and stakeholder issues.



# Specialised services for energy companies

## Audit and Assurance

PricewaterhouseCoopers audits energy companies in all sectors – including national, international, upstream, downstream and oil field services companies. We are the leading adviser to energy companies in Nigeria serving 4 (four) out of 6 of the leading international oil companies in Nigeria.

Energy companies want audit teams to know their issues and understand their business challenges. Our industry dedicated professionals receive specialised training and updates on regulatory and technical issues. This training, in addition to hands-on experience enables PwC's energy professionals to bring a high level of industry knowledge to their work.

PwC auditors not only bring industry leadership to clients but also a client-driven audit approach that distinguishes us from other service providers. This approach allows us to identify issues, opportunities, risks and controls so that we develop an audit plan that focuses on delivering value.

We rely on strong communication between company personnel and our staff so that we clearly understand the company's needs and management's expectations. Through our Management Letters, we offer practical suggestions to improve the efficiency and effectiveness of your operations and thereby reduce costs.

The recent decision to adopt IFRS in Nigeria will be tasking for most companies. PwC has a proven track record in helping companies successfully complete the transition to new accounting standards. Understanding the complexity of such changes, we build teams with a range of specialists to assist your company's conversion to IFRS including technical accounting, treasury, tax, human resource, merger and acquisitions (M&A) valuations and project management specialists. Our proven IFRS transition methodology has helped more than 200 companies through operational problems, focusing on effective knowledge transfer to ensure lasting benefit.

# Specialised services for energy companies

## Audit and Assurance

Our assurance services include:

- Group and statutory audits
- Due diligence reviews
- Financial controls documentation and review
- Special audits and investigations
- Financial data migration support (on systems implementation projects)
- Joint venture/participation audits
- Internal control reviews
- Cost and profit oil analysis and treatments
- Systems security and control
- Financial accounting issues (valuations, pensions, IFRS conversions)



# Specialised services for energy companies

## Advisory Services – Consulting and Deals

Our advisory services utilise our deep financial, analytical and business process skills to provide energy companies with the advice and assistance to improve stakeholder value build trust and boost performance. Around the world, organisations engage us to help them capture opportunities, navigate risk and deliver lasting change across business networks. In particular, we help clients to:

- Capture value from deals
- Achieve growth
- Manage people and change
- Manage business performance
- Improve operations through shared services and outsourcing
- Embed sustainability
- Make smarter risk decisions
- Deal with unplanned events

### Capture value from deals

Deals are crucial to many energy company strategies, driven by the need to secure supply, extend market footprint, or free up cash and capital. Whether it is full-scale merger, or sales or purchases of producing properties, or evaluating options, PricewaterhouseCoopers is well known in the marketplace for our knowledge and experience in all types of financial transactions including mergers and acquisitions, valuation, growth or divestments, and exit strategies.

We focus on the deal continuum from strategy through execution to post deal integration, including financial and operational due diligence, accessing the capital markets and valuing, negotiating and structuring deals. We provide advice on the implications of financing projects, corporate debt, restructuring, investments, mergers and joint ventures; we advise on ways of managing assets and large capital investments better amidst increased competition, or in times of uncertainty; and we evaluate technical, operational, market and financial risks. Our advisors help companies with growth strategies or divestments and developing exit strategies.



# Specialised services for energy companies

## Advisory Services – Consulting and Deals

### Achieve growth

Globalisation, commodity price fluctuations, supply challenges and a host of other factors can hinder growth objectives. Companies need to create efficiencies, and find ways to maximise the entire value chain to make the most of their organic growth potential. Non-organic growth is a key route for companies seeking to gain access to new reserves and markets, but geo-political and economic factors can place added demands on deal-making. PwC has a broad spectrum of capabilities to support companies' efforts to manage the growth that will be necessary to meet the ever-increasing energy demand. Whether a company is considering a transaction, joint venture agreement, production sharing agreement, or organic expansion, our energy professionals have the experience and deep industry understanding to deliver value and contribute to your success.



# Specialised services for energy companies

## Advisory Services – Consulting and Deals

### Managing people and change

Energy companies face huge gaps in their workforce, due to a high number of aging employees, fewer graduates with technical, petroleum and science degrees, and a competitive marketplace. With more than 6,000 professionals in over 151 countries, the PricewaterhouseCoopers network has one of the world's largest human resource (HR) advisory organisations. Our multidisciplinary approach allows us to advise on all aspects of people management, helping our clients to create value and deliver competitive advantage for their businesses through people. Whether it is assisting with international expansion, change programmes, tackling skills shortages, improving and measuring human capital performance or developing effective remuneration systems, PwC's HR professionals can help.

### Manage business performance

The regulatory, shareholder and markets pressure on energy companies to deliver year-on-year performance improvement is becoming even more intense in a fluctuating environment. What worked six months ago may no longer apply to cost containment or risk management issues today. From getting the most from your own operations to improving internal systems performance or managing your supply chain and outsourced relationships effectively, we really listen to your business issues and work with you to deliver sustainable performance improvement.

## Improving operations through shared services and outsourcing

Many companies have already outsourced their IT and back-office functions or established shared services centres for major business processes. They are now outsourcing core activities like human resources and tax and legal services, as globalisation and connectivity enable new ways of doing business. The rationale for outsourcing is thus changing dramatically; a growing number of organisations see it as a means of obtaining strategic advantages, not just as a costcutting measure. PwC's specialists assist companies by helping identify which activities to outsource, defining your requirements and assessing suppliers, negotiating terms, making the necessary internal changes and communicating these to employees, managing the related risks, and managing the contracts.

### Embed sustainability

Energy companies know that they must provide reliable and affordable energy. Many energy companies are successfully integrating sustainability into their overall strategies by engaging all stakeholders, developing robust performance indicators, voluntarily preparing sustainability, corporate social responsibility, and environmental reports, and, in some cases, providing independent verification of these reports to increase the transparency of their disclosures. PwC's Sustainable Business Solutions team works with energy companies to align corporate governance and policies, operating systems and processes, performance reports and mechanisms to meet the needs and expectations of stakeholders.

# Specialised services for energy companies

## Advisory services – Consulting and Deals

### Make smarter risk decisions

Energy companies face a variety of risks—from geopolitics and regulatory concerns, to investment and financial decisions. PwC can help clients with all aspects of the risk continuum such as regulatory remediation, integrated governance risk and compliance, tax effectiveness, managing costs, and evaluating new opportunities. We do all of this in the context of the broader risk equation that enables companies to meet performance and risk objectives, resolve uncertainty and achieve their goals.

### Deal with unplanned events

In today's environment, businesses need to anticipate, prevent and effectively manage critical risks that have the potential to cause significant interruption and generate negative media attention. Sometimes, the unplanned occurs—a hurricane strikes an offshore platform, a terrorist group threatens assets or people, an important contract is suddenly cancelled—and being able to respond immediately can make all of the difference in the outcome.

PwC can help you respond to and control the situation. We offer a broad spectrum of services—with the ability to deploy a cross-border team—on a moment's notice. From business recovery services, to dispute analysis and investigations and disaster recovery, PwC's specialists can provide you with direction, an understanding of your options, and an expedient plan forward.



# Specialised services for energy companies

## Tax Services

Tax regulatory issues are top of the mind for Oil and Gas Companies operating around the world. These issues are somewhat more challenging in developing economies such as Nigeria. Our tax professionals focus on helping clients understand local tax regimes and develop tax strategies for all of the various taxes that come into play.

### Corporate Income Tax and Petroleum Profits Tax

The range of services offered by our tax practice is wide and is geared towards ensuring that our clients' needs are addressed from a corporate tax perspective, including indirect taxes such as Value Added Tax and Withholding Tax, and where applicable, Petroleum Profits Tax.

For the upstream oil companies, our experienced tax practitioners help our clients wade through the maze of tax legislation and peripheral tax affecting agreements such as Production Sharing Contracts (PSCs), carry arrangement, gas transmission and marketing arrangements. We work closely with the regulatory agencies that supervise and monitor activities in this vital sector of the economy and this relationship can be leveraged to meet our clients' expectations.

Our highly focused compliance services based on international best practice include:

- the preparation, or review and/or filing of tax returns
- response to queries raised by the Revenue Service
- assistance with tax audits and investigations

Our value-adding advisory and strategic planning services include:

- advice on optimal corporate tax structures
- contract structuring and contract review services
- bid support and advisory services
- strategic tax plan development services

In addition we offer corporate secretarial services, and corporate services in other areas including regulatory compliance, incorporation of companies, intellectual property registration, international investment regulatory compliance, business permits, expatriate work permits and certificates in support of capital expenditure.

# Specialized services for energy companies

## Tax Services

### Tax diagnostics and health check

Within the framework of tax laws and tax practices, we help organisations to review their existing business arrangements, ongoing contract structures, records and returns to confirm their degree of tax compliance, determine the extent of any potential tax exposures and also propose recommendations on best practices. We leverage our relationship with the tax authorities in assisting our clients to negotiate and agree their tax returns and tax positions within the confines of the laws as well as acceptable ethical practices, with our focus being on our clients minimising their exposure and paying the right tax. We also assist our clients to develop comprehensive tax compliance and tax management models.

### Strategic tax planning

Critical to the success of any business transaction is the planning that has been undertaken, including tax. We review your business processes and transaction plans in order to ensure tax efficiency. We achieve this by obtaining a good understanding of the underlying processes/transactions and deploying our wealth of knowledge and experience of Nigerian taxation, covering laws and working practices to achieve optimum tax results.

We discuss business strategy and future plans with management and document key tax-driver activities. We perform an analysis of the tax risks and exposures inherent in projected operational results using our PricewaterhouseCoopers Tax Management Model and develop tax strategy options as well as the inherent tax implications.

### International Assignment Solutions (IAS)

The International Assignment Solutions (IAS) practice of PricewaterhouseCoopers has developed the full range of expertise necessary to plan, implement, manage and support the entire international assignment process. We collaborate with you to achieve your key goals, such as:

- Programme cost containment;
- Tax minimisation/risk management;
- Superior assignee services/optimal working environment;
- Global programme integration/maximum strategic data; and
- Alignment with broader organisational objectives.



# We understand your challenges

Fluctuating oil and gas prices, growing interest and investment in alternative fuels and energy sources, steadily growing worldwide demand for energy, rising operating costs, skilled workforce shortages and changing geo-political scenarios are just some of the issues and challenges facing energy companies today. Energy companies around the world are responding by consolidating and restructuring their companies, seeking ways to improve and expand operations and risk management, and securing their place in the market. PricewaterhouseCoopers delivers a range of services to help energy companies address the many challenges they face today.

Securing the supply

Industry transactions and consolidations

Complying with regulatory and reporting requirements

Improving performance and operational effectiveness

Recruiting and retaining a skilled workforce

Addressing sustainability

# We understand your challenges

## Securing the supply

Energy is synonymous with economic growth therefore securing the supply of energy is critical. New reserves are becoming more difficult to find and develop, with some areas being high risk.

### PwC services

Our global energy practice includes over 3,100 professionals around the world, providing our clients with resources in every major energy center. This global reach allows us to keep you better informed of new developments, such as changing political and regulatory environments, economic conditions, environmental developments and other situations that can have an impact on your business. We provide insight and advice in the following areas:

- International expansion choices
- Supply chain security
- Fuel mix optimisation
- Business advice on liquefied natural gas (LNG), renewable energy and nuclear power
- Carbon management
- Environmental due diligence
- Non-financial reporting (sustainability reporting)
- Life cycle assessments
- Managing cash repatriation
- Taxes and transfer pricing
- Enterprise wide risk management

# We understand your challenges

## Industry transactions and consolidations

Ongoing consolidation in the oil and gas sector is resulting in larger more complex organisations with globally expanding operations and greater challenges. In addition, energy organisations are expanding beyond their national boundaries to compete for resources and markets.

### PwC services



# We understand your challenges

## Complying with regulatory & reporting requirements

Energy company activities are affected not just by industry, financial reporting and competition regulation but also by increasing financial and commodity market regulation. The compliance landscape is ever-changing and the volatility and complexity of energy market themselves are increasingly the focus for regulatory attention.

### PwC services

- Governance
- Risk and compliance
- International Financial Reporting Standards advice
- Sarbanes – Oxley compliance/Internal controls reporting
- Global compliance services
- Restructuring and regulatory advice including tax structuring
- Privatisation assistance
- Unbundling businesses
- Commercial & regulatory strategy



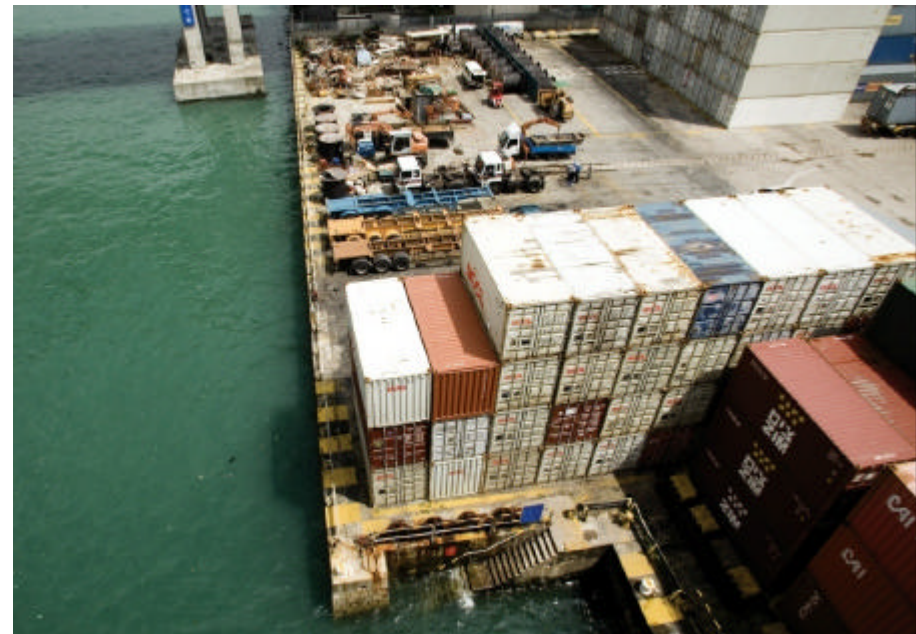
# We understand your challenges

## Improving performance and operational effectiveness

As a mature industry, energy companies are expected to be able to enhance profitability using best practices and a disciplined approach to controlling costs. In the face of fluctuating demand and cyclical pricing, improving processes and efficiencies is critical.

### PwC services

- Financial effectiveness
- Risk management
  - Financial risk management
  - Internal controls
  - Risk valuation and measurement methodologies
  - Operational and risk management processes and controls
  - Tools for price forecasting, asset modelling, etc
  - Corporate governance framework to manage financial risks
  - Enterprise-wide risk management
- Operational effectiveness
- IT effectiveness
- Crisis management
- Tax risk management
- Asset management





# We understand your challenges

## Addressing sustainability

A key challenge for energy companies is how to develop business strategies and practical implementation plans to enhance economic performance, while demonstrating the highest standards of environmental stewardship and socially responsible performance.

### PwC services

Our sustainable business solutions team works with energy companies to align corporate governance and policies, operating systems and processes, performance reports and mechanisms to meet the needs and expectations of stakeholders. Solutions include

- Development of sustainability performance indicators
- Preparation or review of sustainability reports
- Evaluation of environmental risks and liabilities
- Environmental audits and due diligence engagements
- Independent verification of environmental, social or sustainability reports
- Code of Conduct or Code of Ethics development and implementation programs
- Verification of supplier adherence with code of conduct and legal requirements



# Why choose us?

As the leading service provider to energy companies in Nigeria, clients choose PricewaterhouseCoopers because our service teams are deeply experienced and cohesive, our service quality is consistent and our work products reflect relevant industry segment issues and best practice. Our people know the regulatory requirements and customs to work more efficiently. We believe that our energy practice is unique and the key drivers of our success are the following:

## **Industry focus**

Our client service teams focus on the energy industry, serving clients in the upstream, downstream and services sectors. No other service firm has committed to such a clearly vertical organisational philosophy, across all disciplines, to meet the needs of companies through teamwork. The integration of our products and resources into a single, industry-focused practice delivers superior service and value to our clients. We have a dedicated energy service team in Nigeria whose work extends to other countries in the Gulf of Guinea.

## **Global strategy**

Our commitment to this important industry stems from our extensive client base, our belief in the sustainable growth of the industry and a need to serve an ever-increasing number of multinational and Nigerian companies. Nigeria is one of the regional centers located strategically across the globe.

Our clients demand effective global communication and engagement coordination. In Nigeria, we serve more multinational companies than any other professional services firm. We excel at leveraging our global reach to deliver value to our clients.

One of the critical elements of our global business strategy is the development of international experience in our people. We want them to become global citizens: at home anywhere in the world, and comfortable in many different settings.

## Why choose us?

Our Global Deployment programme, one of the largest of its kind in the world, now extends to 56 countries and involves more than 2,000 partners and staff in assignments ranging from six months to five years. The energy practice is a significant contributor to this deployment programme as our industry is truly one of the most global.

### **Global Best Practices**

Our Global Best Practice knowledge base helps companies achieve operational excellence by providing benchmarking tools and process-level best practices insights developed by PricewaterhouseCoopers and proven at many of the world's leading companies.

Global Best Practices provides a common framework to define the key business processes that every company performs, regardless of industry, region, size, or product and service. The framework outlines 13 core business processes and more than 200 sub-processes to help define, scope, and focus your process reviews and improvement initiatives. Best practices insights include more than 150 of the business processes outlined in the framework.



# Why choose us?

Our benchmarking tools capture quantitative and qualitative operational data to benchmark your performance to best practices, competitors or the marketplace. Through benchmarking, we pinpoint strengths and weaknesses, identify opportunities, and prioritise the actions most important to your business.

Our best practices offer insight on the best ways to perform a process, based on the collective knowledge of process champions at PricewaterhouseCoopers with extensive experience in a process, as well as the practices of the world's best companies captured by a dedicated team of researchers. Global Best Practices provides an effective means of looking to the proven practices of other companies to help uncover the highest-impact recommendations for the processes that drive a client's profitability.

## **Technology to drive collaboration**

To gain a commercial edge globally, a business must replicate its success repeatedly in various environments. As business advisers, we strike this balance by taking the most relevant and innovative ideas from wherever they arise and applying them in workable solutions in a local context. Our engagement teams are linked via confidential, web-based engagement management databases to drive cross line of service collaboration and knowledge transfer.

## **Training**

Our energy professionals receive specialised training because of our deep commitment to an industry focus. Apart from self-study programmes to provide a basic introduction to the energy sector, our staff receive specialised instruction in their chosen discipline related to their energy client's needs. Topics cut across all aspects of a client's business and we promote a culture of learning and a personal development to better serve you.

## **Commitment to quality**

The people of PricewaterhouseCoopers are united by a commitment to quality and excellence. To that end, we have developed common methodologies, processes, knowledge bases, and technologies, and we continue to rework and refine them. We have assembled a worldwide group of people with a multidisciplinary skill base and deep expertise in financial and business affairs as well as a shared dedication to our values and ethics. We are organised to deliver consistent quality wherever our clients do business.

## Nigerian energy team contacts



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