

# Pragmatic Joint Venture Financing Options in Nigeria: Implications on Economic Metrics and Government Take Statistics

Omowunmi Iledare; Susan Amiesa Fubara

Paper presented at the SPE Nigeria Annual International Conference and Exhibition, Lagos, Nigeria, July 2017.

Paper Number: SPE-189095-MS

<https://doi.org/10.2118/189095-MS>

Published: July 31 2017

Cite 

Share 

Get Permissions

## Abstract

The design of fiscal regime by oil producing government is usually tailored to capture high economic rent for the maximization of their citizen's welfare. This has been the case of the royalty/tax system practiced in Nigeria, also known as the joint venture arrangement. The fiscal incentives under this system have been espoused to yield higher government take compared to the other fiscal systems practiced. Nevertheless, government participation in the joint venture arrangement through its NOC requires the government to provide funds for project development with cash call obligation. However, the NOC has defaulted, severally, in fulfilling its cash call obligations which has delayed several project developments. Thus, the recent government exit from JV cash call agreement is a favourable development that have created a vacuum as to how the joint venture operations would be funded and the impact on the economic metrics and the government take. It is against this background that we employed the use of a deterministic and stochastic cash flow model under 3 funding scenarios for the R/T system. Our empirical result shows that the impact of capital cost recovery yields a decrease in government take. The price of crude oil, royalty and profit petroleum tax were shown to have the highest impact on the government take. We concluded that despite the impact of the joint venture financing option on the government take statistics, the economic metrics yield higher profitability index thus making the project viable. Hence, we recommend that government considers a pseudo PSC or an overriding royalty funding arrangement in order to retain its participatory interest in the JV agreement without the obligation of cash call. Given that this funding option will impact the government take as shown in our analysis, the fiscal incentives used under this system should be reviewed and revised.

**Keywords:** Acquisition and Divestiture, government, economic metric, Project economics, oil company, cash call obligation, Nigeria, project valuation, host government, royalty.

**Subjects:** Asset and Portfolio Management, Acquisition and divestiture, Project economics/valuation

[Skip to Main Content](#)

You can access this article if you purchase or spend a download.

Sign in

Don't already have an account? Register

Personal Account

Email Address

Password

SIGN IN

Reset password  
Register

Sign in via OpenAthens

---

Pay-Per-View Access \$28.00

 BUY THIS ARTICLE

Annual Article Package - 25

\$225

 BUY DOWNLOADS

Skip to Main Content

Annual Article Package - 50

 [BUY DOWNLOADS](#)

[View Your Downloads](#)

**SPE members can access this article for \$9.50 USD. [Learn how to connect your SPE membership.](#)**



[View Metrics](#)

### **Email Alerts**

Proceedings Paper Activity Alert Alert

Latest Conference Proceeding Alert

### **Suggested Reading**

Analyzing the Impact of Petroleum Fiscal Arrangements and Contract Terms on Petroleum E&P Economics and the Host Government Take

04NAICE

Evaluating the Impact of Fiscal Provisions in the Draft Petroleum Industry Bill on Offshore E&P Economics and Take Statistics in Nigeria

10NAICE

Ringfencing of Investment Spending and its Implications on the Profitability of Exploration and Production Projects

14NAIC

Analysis of Government and Contractor Take Statistics in the Proposed Petroleum Industry Fiscal Bill

18NAIC

[Skip to Main Content](#)

## SPE Nigeria Annual International Conference and Exhibition

### **Explore**

Journals  
Conferences  
eBooks  
Publishers

### **Connect**

About Us  
Contact Us  
Content Alerts  
SPE Member Pricing

### **Resources**

Terms of Use  
Privacy  
Help  
KBART

### **Engage**

Subscribe  
Advertise

Skip to Main Content



