



NIGERIA ONE

NEWSLETTER

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NNPC PAYS CASH FOR OIL IMPORTS AS THEY STOP SWAP DEALS

The Nigerian National Petroleum Company Limited (NNPC) has recently started purchasing petrol through cash tenders instead of oil swaps. According to various sources. This marks the first time in nearly ten years that the company has made this change. In related news, the Nigerian Upstream Regulatory Commission (NUPRC), led by Gbenga Komolafe, has taken steps to address ongoing conflicts between oil and gas industry operators and their host communities. The commission has introduced a digital interface for both parties in order to bring an end to these recurring altercations.

The latest tender by NNPC Limited to purchase petrol for delivery in November has concluded, according to sources. Reports also mentioned that NNPC will settle its outstanding debts from the ongoing oil swaps by the end of next month. This development is in line with President Bola Tinubu's efforts to eliminate expensive fuel subsidies and implement broader reforms to strengthen the country's finances. Despite the high oil prices last year, NNPC did not contribute any funds to the government's treasury due to the entire crude oil supply being used for oil-for-fuel swaps. Traders were owed up to \$3 billion worth of crude oil by the NNPC this year, debts are expected to be paid in November.

Tinubu's government reforms in May more than tripled petrol prices, and practically eliminated cross-border smuggling, which gulped millions of liters of petrol daily out of Nigeria to neighboring countries with higher pump prices. Nigeria refines little and is almost totally reliant on fuel imports to keep its 200 million people moving despite the fact that Nigeria pumps more oil than any other African nation.

The last round of swaps included more than a dozen consortia including foreign oil traders such as Vitol, TotalEnergies and Mercuria and local companies. In the midst of ongoing reforms, NNPC remains the sole petrol importer, sources said, due to ongoing foreign exchange shortages and an effective pump price cap that has meant private importers can't make money bringing in fuel.

In another development, the NUPRC is moving to put an end to the perennial altercations between oil and gas industry operators and their host communities, with the introduction of a digital interface to be utilized by both ends.

In a statement issued in Abuja, the Gbenga Komolafe-led NUPRC said the online platform was designed to make regulatory compliance easy, perform oversight functions and also enable operators in the industry to meet regulatory requirements in a timely, cost-effective and efficient manner.

The platform is known as Host Comply, the commission said the platform will make it possible to streamline reporting of Environmental, Social and Governance (ESG) management for operators, host communities, and regulators, describing it as an important requirement of the Petroleum Industry Act (PIA) 2021.

HOUSE OF REPRESENTATIVES TO PROBE STERLING OIL FOR RACKETEERING AND ILLEGAL ACTIVITIES.



The House of Representatives has decided to promptly initiate an investigation into the alleged illicit activities of Sterling Oil Exploration and Energy Production Ltd. These activities include contract splitting, the use of special purpose vehicles to bypass local content laws, contract racketeering, and violation of local content laws, among other allegations. This decision was made in response to a petition submitted by Hon. David Umar from Kaduna State during the plenary session on Tuesday, 3rd of October.

The petition was written by a leading civil society organization, the Social Justice and Civil Rights Awareness Initiative, the petition accused Sterling Oil of unwholesome activities aimed at undermining laws made for efficient running of the Nigerian Petroleum industry. The Social Justice and Civil Rights Awareness Initiative, a prominent civil society organization, wrote and submitted a petition accusing Sterling Oil of engaging in detrimental activities that undermine the effective operation of the Nigerian Petroleum industry.

The petition is by Social Justice and Civil Rights Awareness Initiative and it is signed by Mr Elozie Umegwa. "We want to lay this petition so that it can be investigated by the appropriate committee," he said.

According to the petition, some of the companies listed for investigation were Silver Star Environmental Nigeria Ltd, Geo Mud Nigeria Ltd, United Oil Production Systems Ltd, Parallel Runways Enterprises Ltd, Alacrity Production Systems Ltd, Cement Board Nig Ltd, Ashtavinayak Hydrocarbon Ltd, Prime Sources Construction and Infrastructure Ltd, Geo Seismic Survey Ltd and British Oil and Gas Exploration Ltd.

In his ruling, the Deputy Speaker, Rep. Benjamin Kalu referred the petition to the House Public Petition for further legislative action.

NIGERIA NAVY TACKLES SPONSORS OF OIL BUNKEERING IN RIVERS STATE



The Nigerian Navy has resolved that it would go after sponsors of oil theft and illegal refining of petroleum products in Rivers State. This came up as the Nigerian Navy Ship, NNS Pathfinder said it has destroyed a 3 million liters capacity illegal refinery, with six refining camps in Cawthorne channels 1 and 2 in Degema local government area (LGA) of Rivers State.

It was discovered that oil thieves operating in Degema LGA had been very systematic in their operations having installed a six-inch pipeline running over 2km from an oil wellhead to the 3 million liters capacity reservoir which distributes crude to the six illegal refining camps in the area. This indicates there are indeed big-time sponsors.

The Commander, NNS Pathfinder, Commodore Desmond Igbo, who conducted some newsmen around illegal camp, noted that the thieves steal the crude from a wellhead in Oil Mining Lease, OML18, operated by Nigeria National Petroleum Company Limited, NNPC and Sahara Energy.

Igbo further stated that the Navy would go after those who sponsor the illegal activities, adding that modalities were on going to engage community stakeholders for dialogue to end oil theft. This is very pertinent because putting an end to oil theft of this magnitude requires a holistic approach that goes beyond the efforts of security operatives alone.

He said: "We are engaging the community stakeholders to talk to their youths from engaging in oil theft. When I resumed command, all the Community leaders, Paramount rulers, have been visited and I have also told them to call their youths to order because the oil thieves cannot do this without the connivance of the youths. We have told them to refrain from that and look for alternative ways to earn a living".

"We are yet to make any arrest because the place is an open place, so the hoodlums fled on sighting us, but we are going to trace them and trace those who are sponsoring them because they cannot come here without having big people behind them to sponsor them. We will put down our intelligences in action and make such we trace their sponsors."

He also said that oil theft is not the best way to earn a living. there are other alternative acceptable means of making a livelihood instead of damaging the environment and also depriving the Federal Government of the needed revenue accrued from oil.

MODULAR REFINERY OWNERS SEEK GOVERNMENT'S APPROVAL FOR REFINING FUEL AT HIGHER CAPACITY



As Nigeria is laden with the issue of low supply of premium motor spirit (PMS), also called petrol, into the country due to scarcity of foreign exchange to boost importation, modular refinery owners are seeking the intervention of the government to increase their refining capacity thereby improving supply.

The refinery owners, under the aegis of Crude Oil Refinery-owners Association of Nigeria (CORAN) had a meeting with the minister of state, Petroleum Resources (Oil) Senator Heineken Lokpobiri in Abuja, advocated and called for the establishment of a Refinery Intervention Fund to assist local refineries expand their refining capacity from what it is currently at 27,000 barrels per day to about 400,000 barrels per day.

The chairman of CORAN Momoh Jimah Oyarekhua, who made this request known during a courtesy visit to the minister in Abuja, also solicited for the minister's intervention to boost crude oil supply to members of the association and also to assist and encourage them by reducing the fees they pay to the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) for every liter of product they refine in-country.

Oyarekhua also stated that the modular refineries that are producing currently are short of crude and even when the crude is available, they are required to pay the local producers for it in US dollars. In his words:

"We have met with the NUPRC, on the issue, because the matter is captured under the domestic crude oil supply obligation which is clearly stipulated in the PIA, we have intimated them with the production capacity of local refiners and also sought their commitment on domestic crude obligation to all modular refiners".

NIGER DELTA RESOURCE CONTROL AGITATION RESUMES OVER OIL PIPELINE CONTRACTS

There has been some form of apprehension in the Niger Delta region in the last few weeks, concerning the bottleneck in reinstating the pipeline surveillance contract to the Tantita Security Services Nigeria Limited, TSSNL, operated by the leader of the defunct Movement for the Emancipation of the Niger Delta, MEND, Government Ekpemupolo, alias Tompolo. The said contract is undergoing a process of renewal according to reliable sources. Some key stakeholders including some governors of Niger Delta, leaders, monarchs, parliamentarians, who believe the TSSNL, performed exceptionally well in the first year, echoed on the need for the Federal Government to restore it.

In the light of this, The Nigerian National Petroleum Corporation Limited, NNPC, which spearheaded TSSNL's inclusion in the pipeline contract, came under fire from stakeholders when it announced, recently, the award of pipeline contracts to some companies, which were labelled the 'Northern cabal,' exclusive of Tompolo's firm.

They went on to insinuate that the Group Chief Executive Officer of NNPC, Mele Kyari, 'quietly' awarded 'juicy' rehabilitation contracts for the nation's pipelines to four companies owned by northerners without due process. However, such allegations were debunked and the NNPC moved to douse tension when it observed the rising agitation recently It said:

"It is crucial to provide accurate information to address any misconceptions and ensure transparency in our operations. We would like to state categorically that these reports are fallacious and designed to bring the good name of the company into disrepute."

Furthermore, it was explained that the matter in contention is subject to a selection process via a competitive tender guided by the Bureau of Public Procurement (BPP) standards, Infrastructure Concession Regulatory Commission (ICRC) expertise, and also utilizes the active involvement of a Transaction Advisor.

Pointing out that it also had representations from NEITI and the Ministry of Justice in the project development team and the evaluation exercise, NNPC said the composition of consortium members per lot spread across the country, it explained that, for instance, LOT one taken by Oilserv Ltd, Chu Kong Steel Pipe Group Company Ltd, and Saupdi Crown Oilserv.

In the case of LOT two, it was awarded to MacReady Oil and Gas Services, COBRA Instalicios S.A, Control Y Montajes Industriales & International De Pipelines, Iron Products Industries Ltd, and Batelitwin Global Services Ltd.

Others involved were Bauen Empresa Constructora SAU, Sanderton Energy Ltd, and the Spanish National Association of Manufacturers.

INSURANCE FIRMS BREACH LOCAL CONTENT LAW CITING NAIRA DEPRECIATION



There has been a transfer of 63.4 per cent of the businesses generated in the second quarter of 2023, Q2'23, by Insurance companies operating in Nigeria to their foreign counterparts.

According to the Q2'23 report by the National Insurance Commission (NAICOM) insurers generated a total of N113.8 billion from oil and gas businesses. However, N81.6 billion of that amount was ceded to foreign insurers, leaving only N32.2 billion for local players to retain. The volume of transfers in the oil and gas sector is in violation of the local content law.

The law states that only 30% of oil and gas businesses should be allocated to foreign insurers, while the remaining 70% must be kept within Nigeria. This shows that those insurers generated a total of N113.8 billion from oil and gas businesses. However, N81.6 billion of that amount was ceded to foreign insurers, leaving only N32.2 billion for local players to retain. Experts attributed the development to the dollarization of the oil and gas business which is taking a huge toll on local retention.

According to Mr. Olasupo Sogelola, the Managing Director/Chief Executive Officer of International Energy Insurance, complying with the local content law is becoming challenging due to the ongoing devaluation of the Naira and the increasing difficulty in accessing foreign exchange

Mr. Sogelola also went further to explain that the oil and gas insurance business is conducted in dollars, and when the Naira depreciates, the retention decreases while the value of the risk increases. He also highlighted that insurance companies in Nigeria have limited capacity, as many are still struggling with a relatively low capital base to participate in the oil and gas sector.

The Nigeria Upstream Petroleum Regulatory Commission (NUPRC) is positive that oil and gas production in Nigeria will experience a significant boost in the months to come. Plans to reactivate shut-in wells were also disclosed by the commission as part of its initiatives to enhance and increase oil and gas production in the country. During the NAEC Yearly International Strategic Conference 2023, which was organized by the Association of Energy Correspondents of Nigeria (NAEC) in Lagos, the Chief Executive Officer (CEO) of NUPRC, Gbenga Komolafe revealed this information.

The theme of the conference was "Nigeria's Energy Transition: Enhancing Investment Opportunities and Addressing Challenges in the Oil and Gas Sector."

Komolafe, who was represented by the Head of the National Oil and Gas Excellence Centre (NOGEC) Department at NUPRC, Abel Nsa, stated that there are indeed plans to bring about a noticeable increase in the national oil and gas production volumes over the next few months as he expressed optimism in the outcome.

Additionally, he highlighted that the current mini bid round for seven deep offshore Petroleum Prospecting Licenses (PPLs) is projected to enhance Nigeria's reserves and deliver anticipated benefits to the country and other stakeholders.

Furthermore, in order to decrease unit costs per barrel and boost revenue, he emphasized the Commission's dedication to reducing the overall cost of conducting business in the upstream petroleum sector.

"NUPRC has also begun a review of all Crude Handling Agreements (CHA) with a view to promoting transparency and competitiveness, thereby reducing the cost of production while increasing government revenue from the sector," he said.

The commission also plans to introduce advanced cargo declaration to curb oil theft and resuscitate dormant oil wells to increase production.

He said that this initiative is geared towards ensuring that crude oil and gas cargoes exported from Nigeria have a unique identifier that confirms all documentation regarding the exported consignment. NUPRC had deployed key resources to the Special Investigative Unit of the Commission to prevent any cases of unscrupulous activities by persons operating in the sector. In his words:

"Quick-win strategies such as our aggressive drive to reactivate shut-in and declining wells will boost production prior to the onset of more long-term initiatives like operations from the new Marginal Field awardees. "Moreover, the Commission is working alongside security operatives to bring an end to the menace of crude oil theft, which has over the years contributed to a substantial loss of production,"



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