

Brief to Nigeria Governors' Forum (NGF)

On Nigeria's Crude Oil Production Situation, Impact of Market Forces on Petroleum Products Supply and the Interventions Required to sustain National energy Security

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GMD/CEO NNPC Limited

23rd March 2022

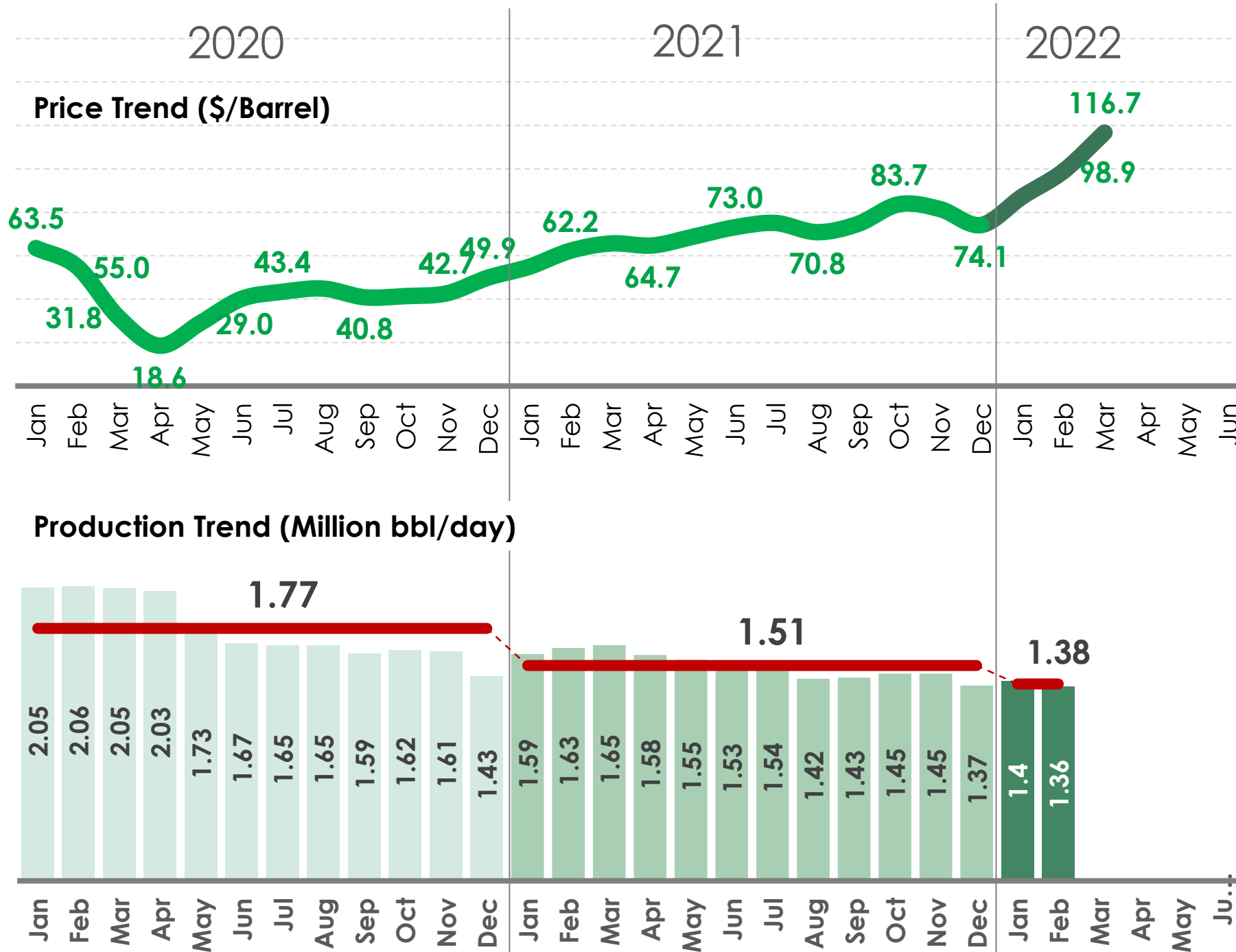
NNPC is transiting...



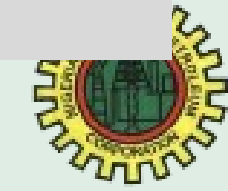
WATCHOUT

NNPC Limited | Energy for today,
Energy for tomorrow

Global crude oil price has been increasing while Nigeria's crude production decline



- The increase in crude oil prices has pushed gasoline and other petroleum products prices upward
- We are seeing the impact of high crude oil price on PMS costs under-recovery and the corresponding FAAC Remittances
- Daily average PMS evacuation has also increase



Nigeria's crude production decline is majorly due to industry-Wide Crude Oil Theft and Losses along key production corridors

Theft & Losses
Jan – Dec 2021

Theft & Losses
January 2022 –to-Date

Average loss of
120-200 kbd

Average loss of
250 kbd

\$2.6b-\$4bn

~\$1.5billion



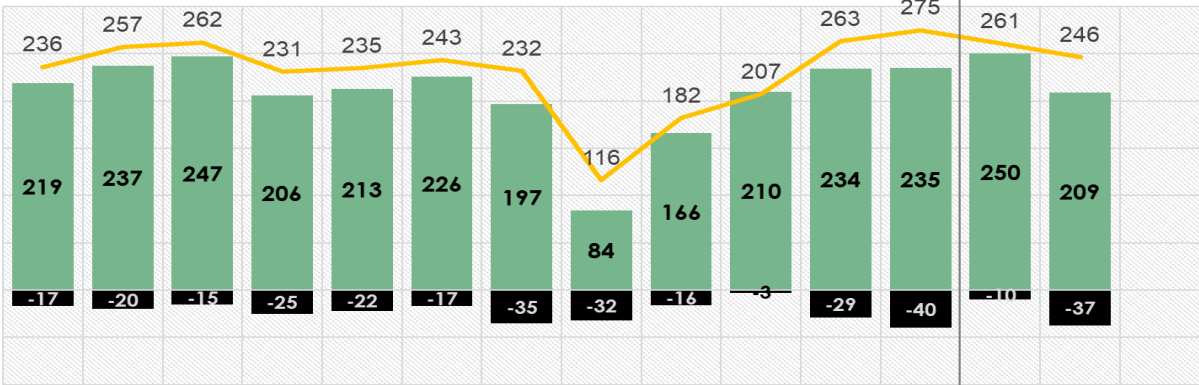
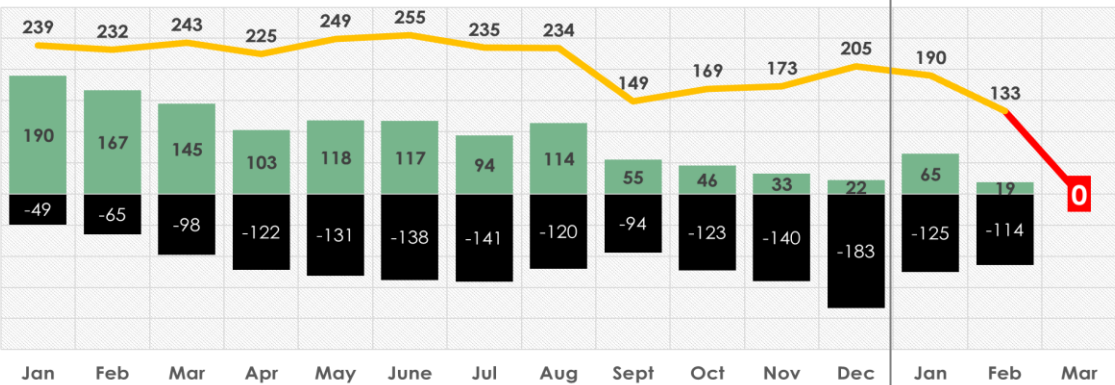
Gross revenue loss @ average crude oil price of \$65/bbl.



Gross revenue loss @ average crude oil price of \$100/bbl.

Crude oil production and terminal losses (000' bbl/day) along **Bonny Terminal**

Crude Oil Production And Terminal Losses (000' Bbl/Day) Along **Forcados Terminal**



2021

2022

2021

2022













Crude Oil Theft and Losses: Infracation at Santa Barbara axis- OML 29, NCTL Axes



Pic 1: High-pressure Hydrocarbon gushing out of the wellhead

Pic 2: Containment reinforcement

Pic 4: Top of the Barge

Crude Oil Theft and Losses



LAKE ATHABASCA CANADA
Latitude 5.948121° Longitude 5.051578°
LOCAL 10:22:46 SUNDAY 03.06.2022
GMT 09:22:46 ALTITUDE 24 METER



Opuama (Egbema 1), 331105, Nigeria
Latitude 5.948092° Longitude 5.051613°
LOCAL 10:24:34 SUNDAY 03.06.2022
GMT 09:24:34 ALTITUDE 24 METER

Pipelines Incidents And Crude Theft (Nkali – Imo River Line)



Some of the 41 illegal connections discovered on the 6.7km to Imo River Line (2.5km stretch) 5/6/2021

Sophisticated Theft at Bille with Huge Environmental Cost and Impact



Sophisticated Theft with Huge Environmental Cost and Impact



illegal refinery being destroyed

Crude Oil theft points under repair

Pipeline Incidents And Crude Theft (TNP Corridor)



16" Nun River TL blown up using explosive. (sabotage)

Sophisticated Theft at Owangai



NCTL – 18th October, 2021


Sophisticated Theft at Owangai



Vandalized NAOC Riser

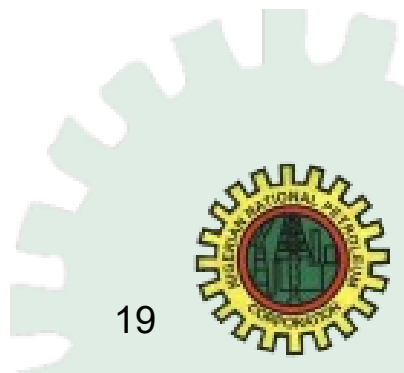


Execution Plan

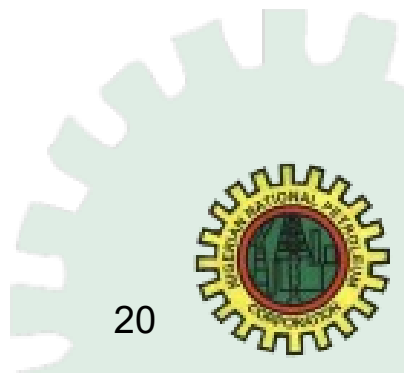
Feb. 7 - March 6, 2022	March 7 – 28, 2022	24 Months
<p>Control Coordination, Data Integration & Activation of Control Room</p>	<p style="text-align: center;"></p> <p>Full Digitalization and Upscaling of Surveillance Systems</p> <p>Integration of field operations and Command and Control centre</p>	<p>Coordination on overall capabilities and enabling law for prompt protection</p>

Integrated intervention strategy

- Government Security & Intelligence Agencies
- Industry Regulators
- NNPC Limited
- Other Oil & gas Companies
- Community Based Contractors



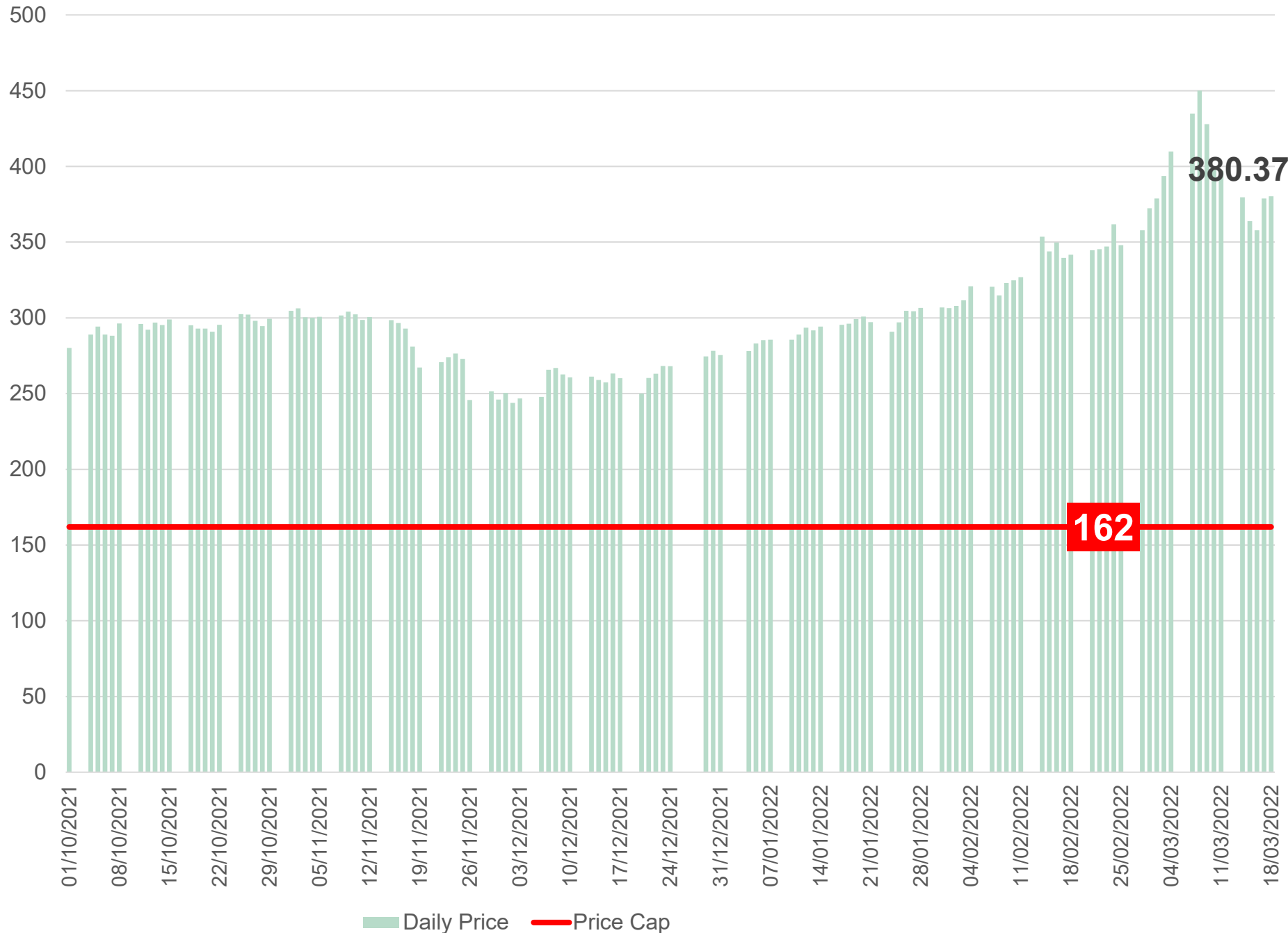
Video Display of Command and Control Centre



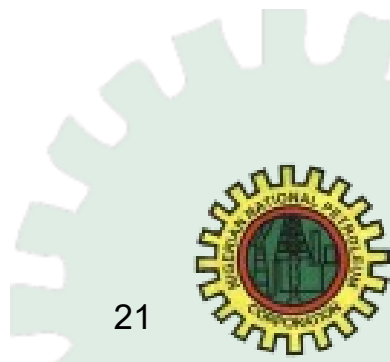
PMS open market price has significantly changed due to higher crude oil price, leaving huge cost under-recovery gap against the ₦162per litre retail pump price

PMS

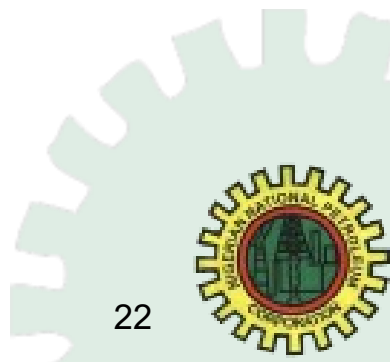
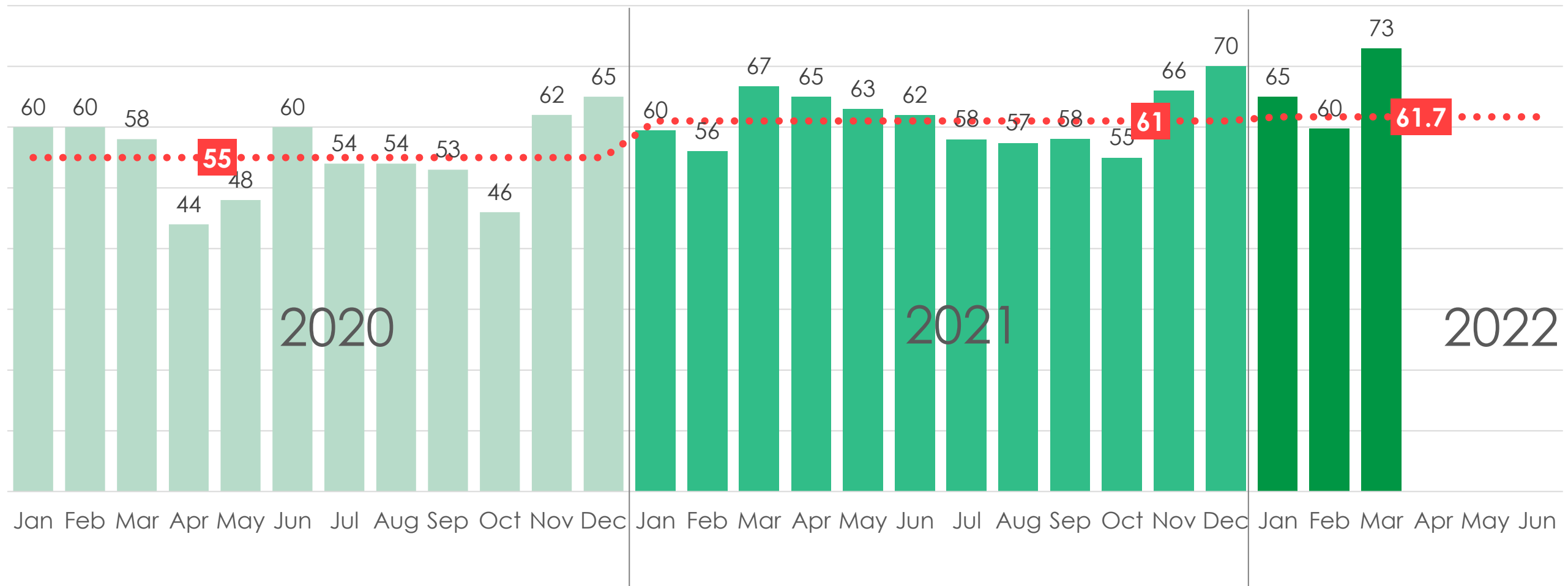
AGO N625/Ltr



- PMS price is significantly higher than regulated pump price due higher crude oil price
- AGO price has also skyrocketed to about 650 Naira/litre, thus threatening to disrupt our national supply chain
- The increase in AGO price is impacting transporters' ability to sustain regular services at the current charges



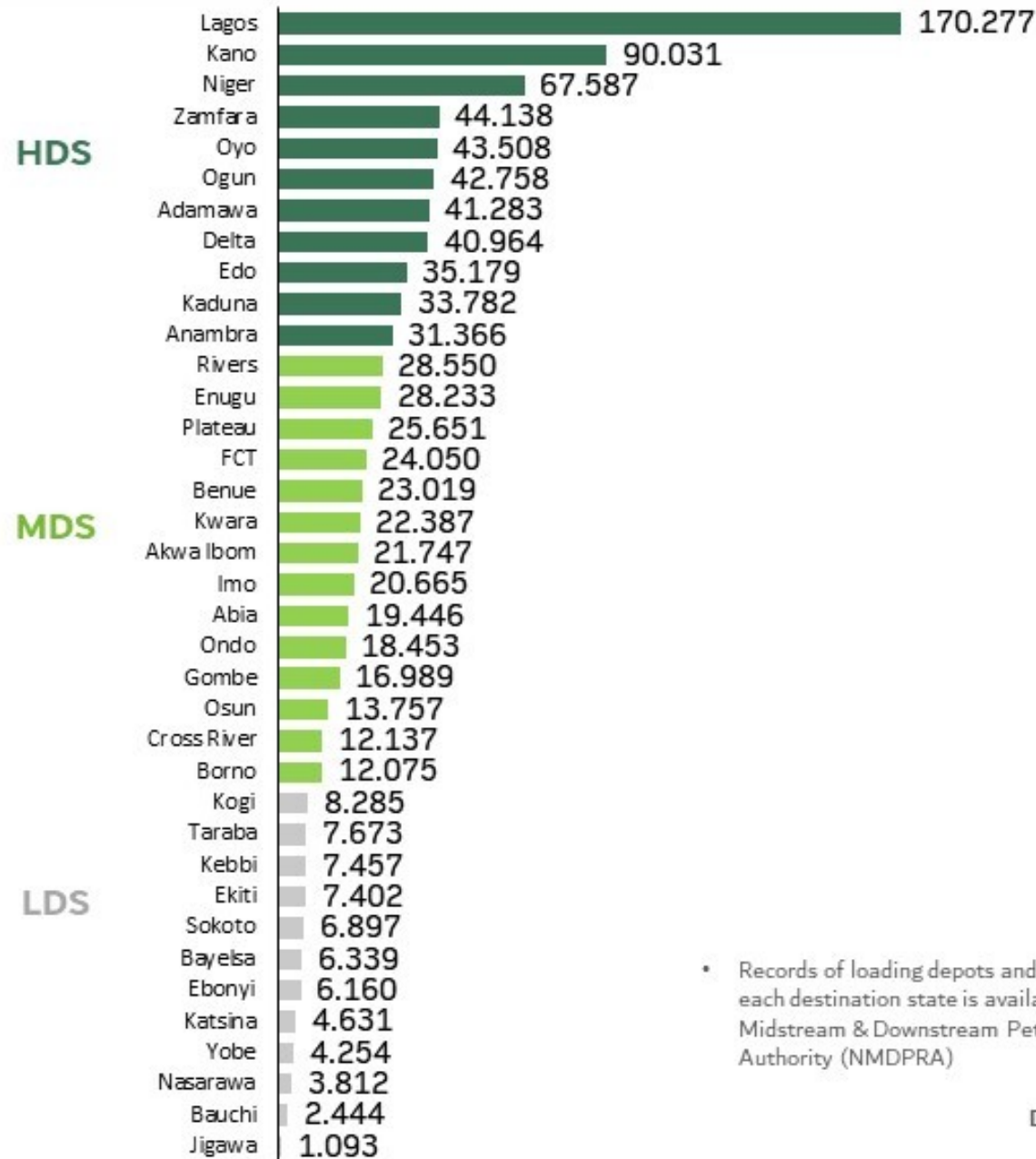
2020-to-Date Ave Monthly PMS Evacuation trend (Million Litres): Increasing PMS evacuation has significantly increases cost under-recovery burden especially as PMS open market price remained far above N162/litre price cap



PMS VOLUME LOADED & DESTINATION STATES

7th – 20th Mar 2022

PMS VOLUMES LOADED & DISTINATION STATES INCLUDING THE FCT (MILLION LITRES)



Records of loading depots and Marketers that loaded for each destination state is available with the Nigerian Midstream & Downstream Petroleum Regulatory Authority (NMDPRA)

Data Source: NMDPRA

Average National Daily Evacuation for the Period

71.03
Million litres

Average Daily Loading for The Top Three High Demand States (HDS)

Lagos	12.16 Million litres/day
Kano	6.43 Million litres/day
Niger	4.83 Million litres/day

Percentage of PMS volume loaded for different destinations across the 36 states and the FCT:

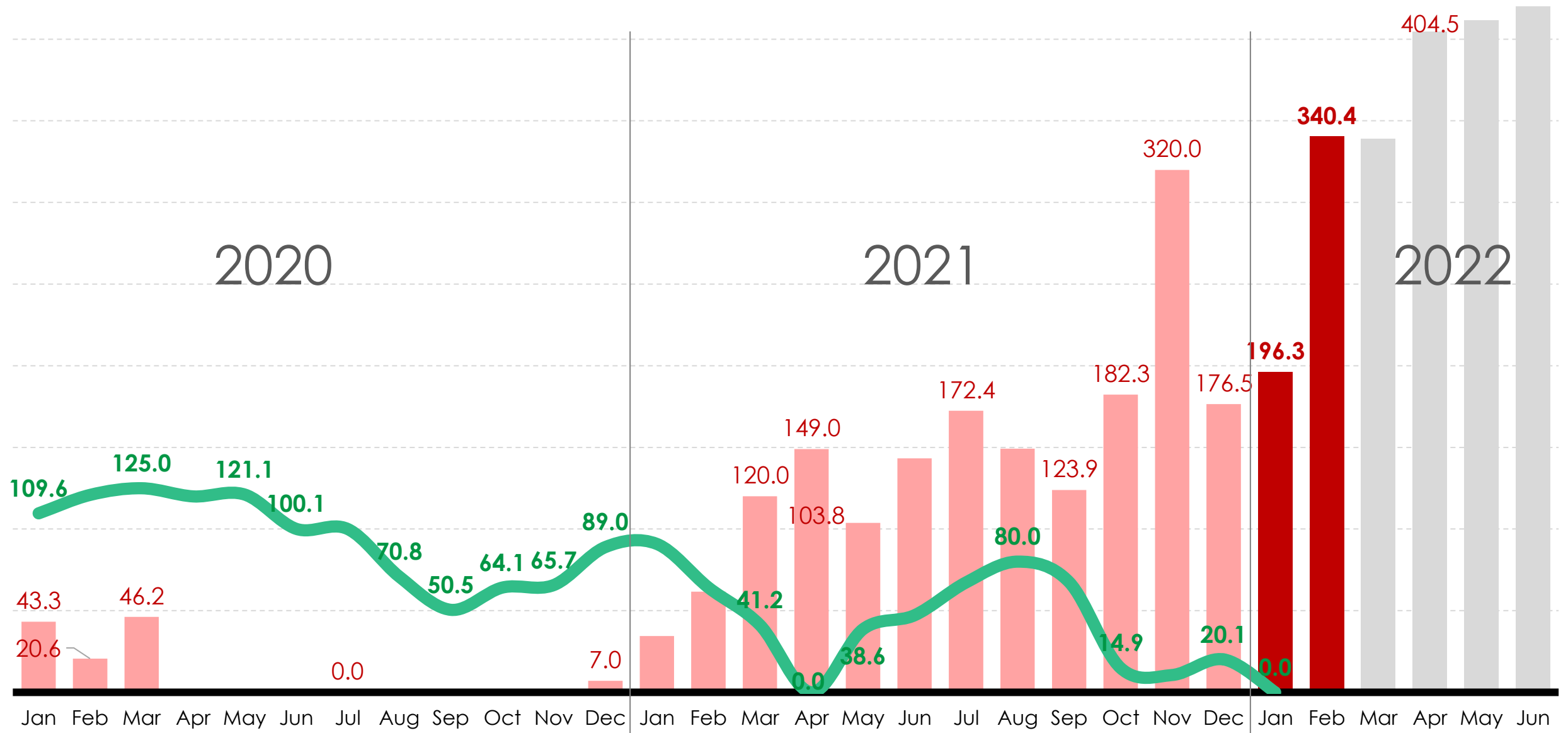
- 11 High Demand States; 64%
- 14 Medium Demand States; 29%
- 12 Low Demand States; 7%

HDS (High Demand States);
MDS (Medium Demand States);
LDS (Low Demand States)

NNPC is transiting...

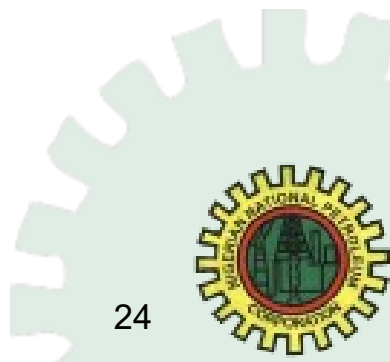


...as cost under-recovery burden increases, we see consequential impact on remittances to FAAC



— 2020-to-Date Monthly Remittances to FAAC (Billion Naira/Month)

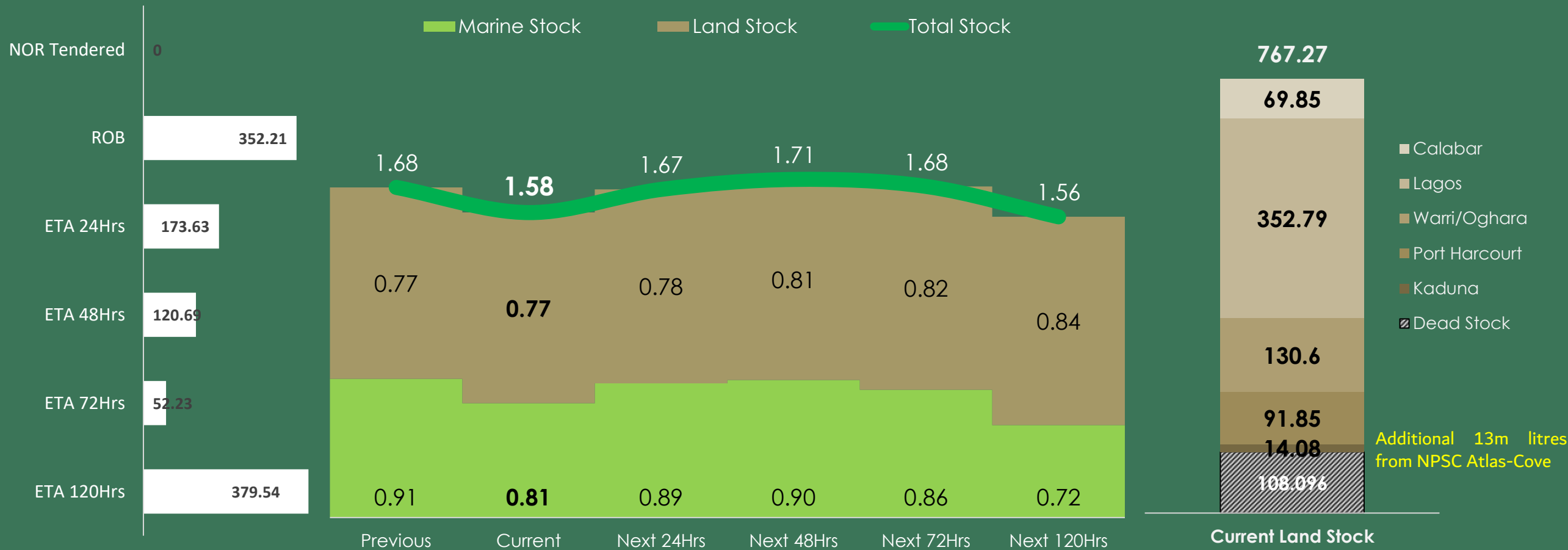
— 2020-to-Date Monthly Cost Under-recoveries Deductions Against FAAC Remittance (Billion Naira/Month)



MVs Arrival Quantities (Million Litres)

Current and Five-day PMS Stock Position (Billion Litres)

Land Stock by Loading Zones (Million Litres)



- **Current total PMS stock is 1.58 Billion litres, equivalent to 28 days sufficiency based on 60 Million litres per day evacuation**
- Lagos and Warri/Oghara loading zones hold the highest land stock (352 and 130 Million litres) respectively
- In the next five days, total stock position is expected to be at 1.56 Billion litres

Changes in Petroleum Products Stock and National Sufficiency

Days Sufficiency



Based on the following average evacuation per day:

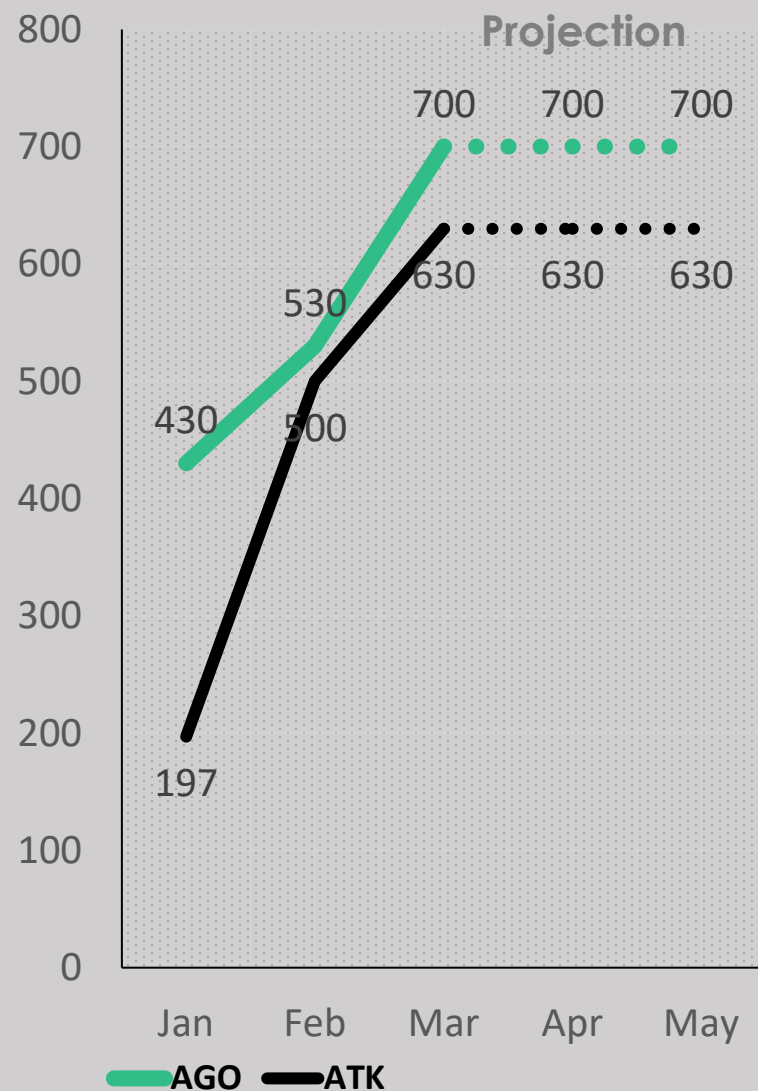
- PMS: 60Mltrs/day
- AGO: 14Mltrs/day
- ATK: 3Mltrs/day

Sufficiency is calculated based on the following average evacuation trend per day:

- PMS: 60Mltrs/day
- AGO: 14Mltrs/day
- ATK: 3Mltrs/day

AGO/ATK Supply Intervention Scheme

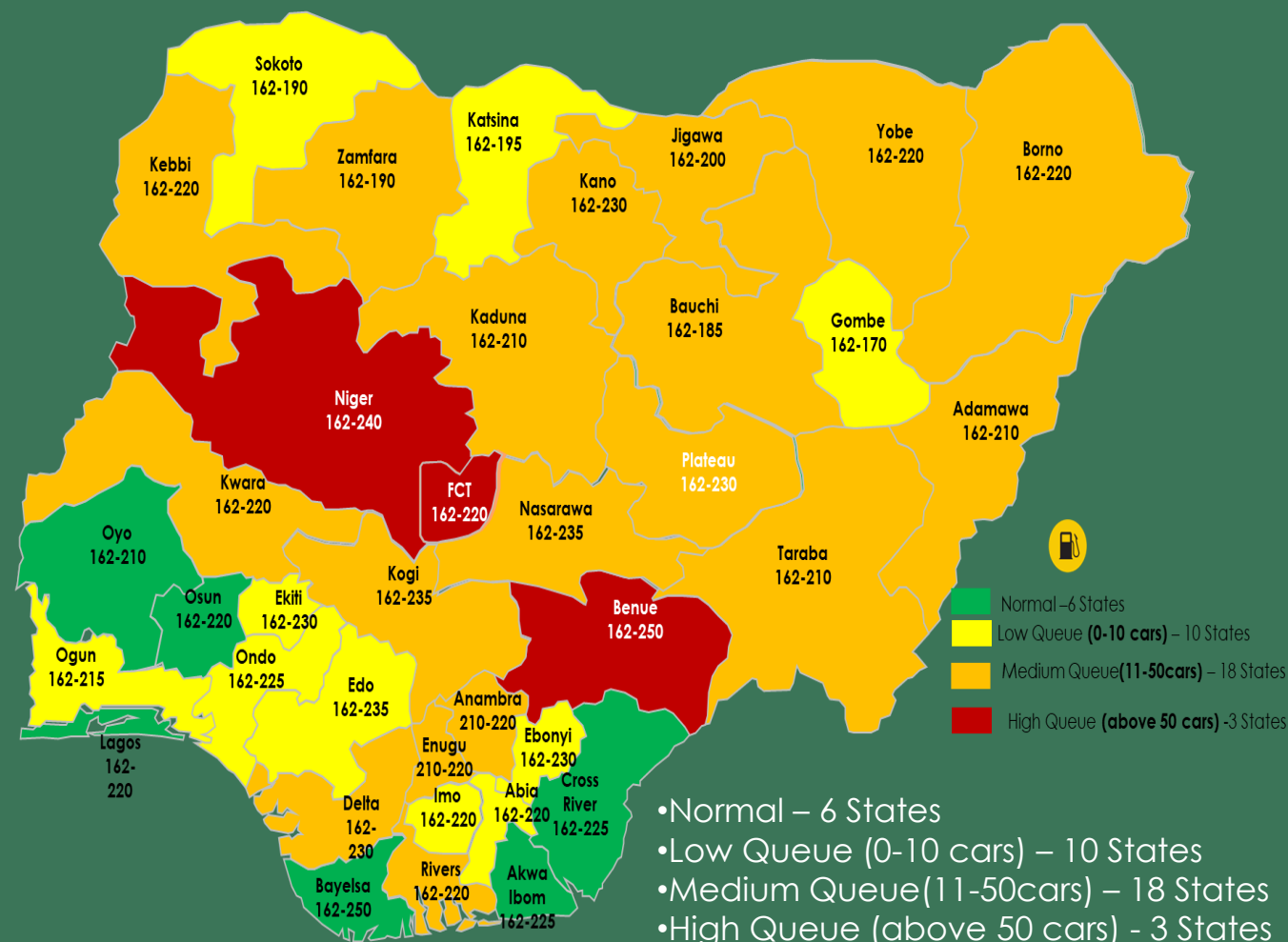
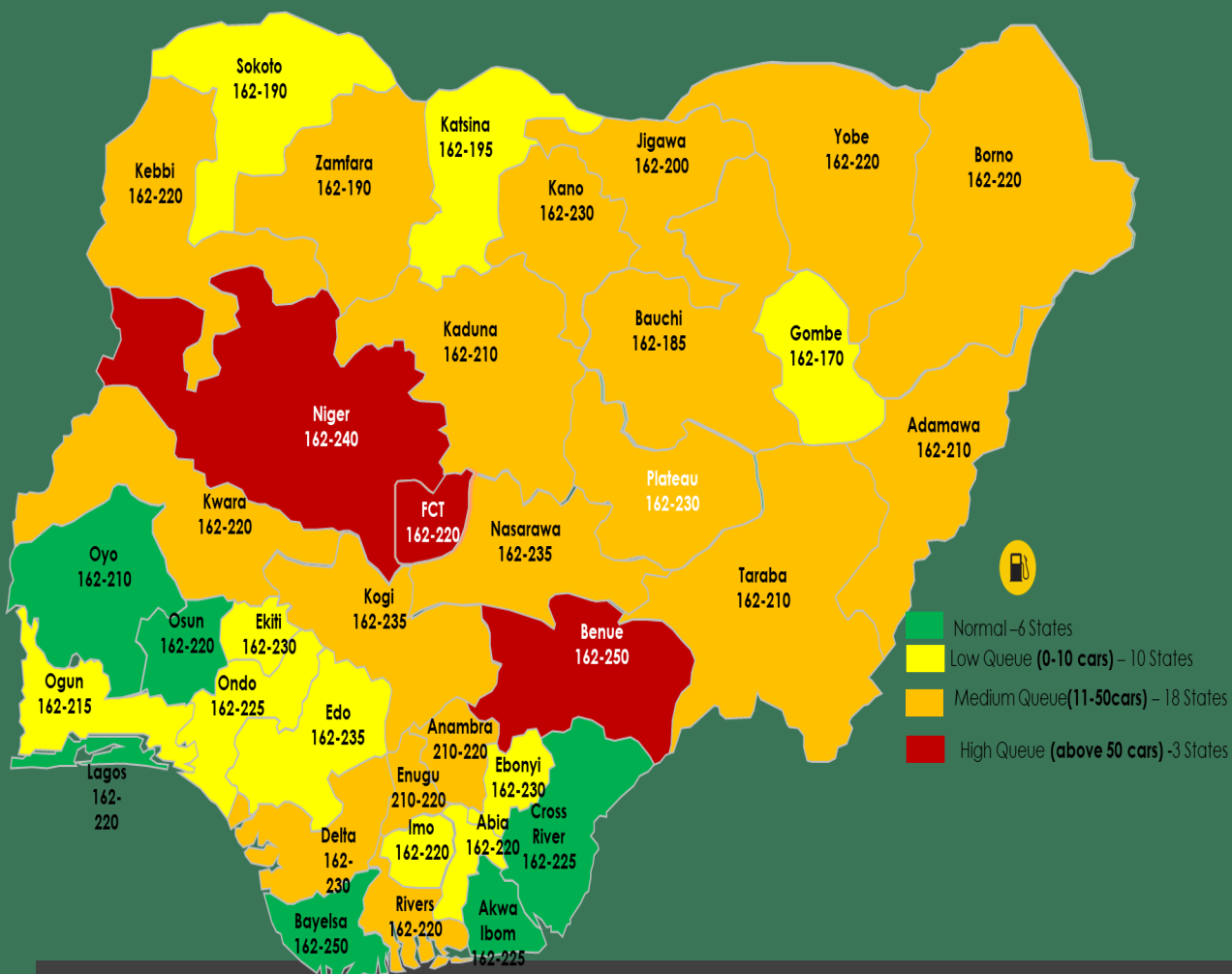
AGO/ATK Open market Price Trend (Naira/Litre)



- Current market realities have supported increase in refined petroleum products especially PMS, AGO and ATK
- Petroleum products price escalation is threatening the sustainability of major national logistic services including Airline operations, trucking of essential goods especially petroleum products across different parts of the country
- NNPC is working with the Nigeria Midstream & downstream Regulatory Authority for adjustment of equalization fund to reflect current AGO market reality
- NNPC has supplied two (2) AGO intervention cargoes to wvert the market and de-escalate the rising domestic cost
- **The AGO & ATK supply intervention needs to be sustained in order to achieve stability**
- **As there is no crude oil to back the intended supply, Forex Intervention from CBN will be required to guarantee AGO and ATK supply and avert the crashing of our national logistic services**

Queue Situation in Filling Stations as at
23/03/22 9:00am

Queue Situation in Filling Stations as at
23/03/22 4:00pm



- Inadequate truck presentation by Marketers due to freight cost associated with high AGO prices.
- HMFBNP, HMSPR, GMD/CEO NNPC and Authority Chief Executive are working with Marketers to provide cushion to the transporters for the increasing freight cost. This intervention has led to an uptick in the number of trucks presented by the transporters.

Financing Intervention required to guarantee continuous supply of Petroleum Products

Product	Volume Required Per Day	FOB Cost (USD)/MT	FOB Cost (Naira/Litre)	Estimated Retail Pump Price (Naira/litre)	Daily Import Cost (USD)	Total Import Cost for Nine (9) Months (USD)
ATK	3,000,000	1136	380.8	445.8	3,238,388.73	874,364,957.08
AGO	14,000,000	1063	377.2	442.2	14,988,613.20	4,046,925,563.52
PMS	60,000,000	1024	315.4	380.4	55,259,654.08	14,920,106,602.53

FX Requirement to sustain Nine (9) Months Supply (USD)

ATK	874,364,957.08
AGO	4,046,925,563.52
PMS	4,068,000,000.00*
Total FX Required	8,989,290,520.59

- * Equivalent to Four (4) crude oil cargoes required to supplement available crude oil volumes for DSPD conversion
- The estimated PMS cost under-recovery for Nine (9) months is ₦3,537,604,026,845.64, equivalent to USD 8,565,627,183.65 at ₦413/USD
- NNPC require estimated grant of USD 3.98 Billion (₦1.643 Trillion)**

FX rate: ₦413/USD

Other Delivery costs in Nigeria: ₦65/litre

ATK Conversion to litre: 1232

AGO Conversion to litre: 1164

PMS Conversion to litre: 1341

Thank you

