



INTERNAL MEMO

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To: Nigeria Governors' Forum  
From: Director General  
Date: 18<sup>th</sup> March 2020  
Subject: **Preparing for another round of falling oil revenues**

Your Excellency may be aware that since Friday March 6 2020, when OPEC and non-OPEC allies failed to reach an agreement on production cuts amid the coronavirus outbreak.

The price of oil has been on a sharp decline and has since declined to **US\$28.37 per barrel as at today (March 18, 2020) – the lowest since April 2016.**

The fall in oil prices has strong implications on both fiscal and monetary stability in the country.

1. Falling oil prices will see gross revenues from NNPC decline from N300 billion monthly to N200 billion if prices slide to US\$30pb.
2. In 2019, the price of oil averaged around US\$67 per barrel, gross revenues from oil was N3.7 trillion, out of which N1.1 trillion was remitted to the Federation account as net receipts.
3. State Government may see a lower gross allocation in 2020. State Government will further see a gross federation transfers decline by an average of N15 billion. federation transformation

The attached document provides scenarios for the Sub-National, on the on falling oil prices and the impact on the gross federation allocation of States.

Overall, States may record a revenue shortfall exceeding N800 billion in 2020 if oil prices fall to as low as US\$30 per barrel.

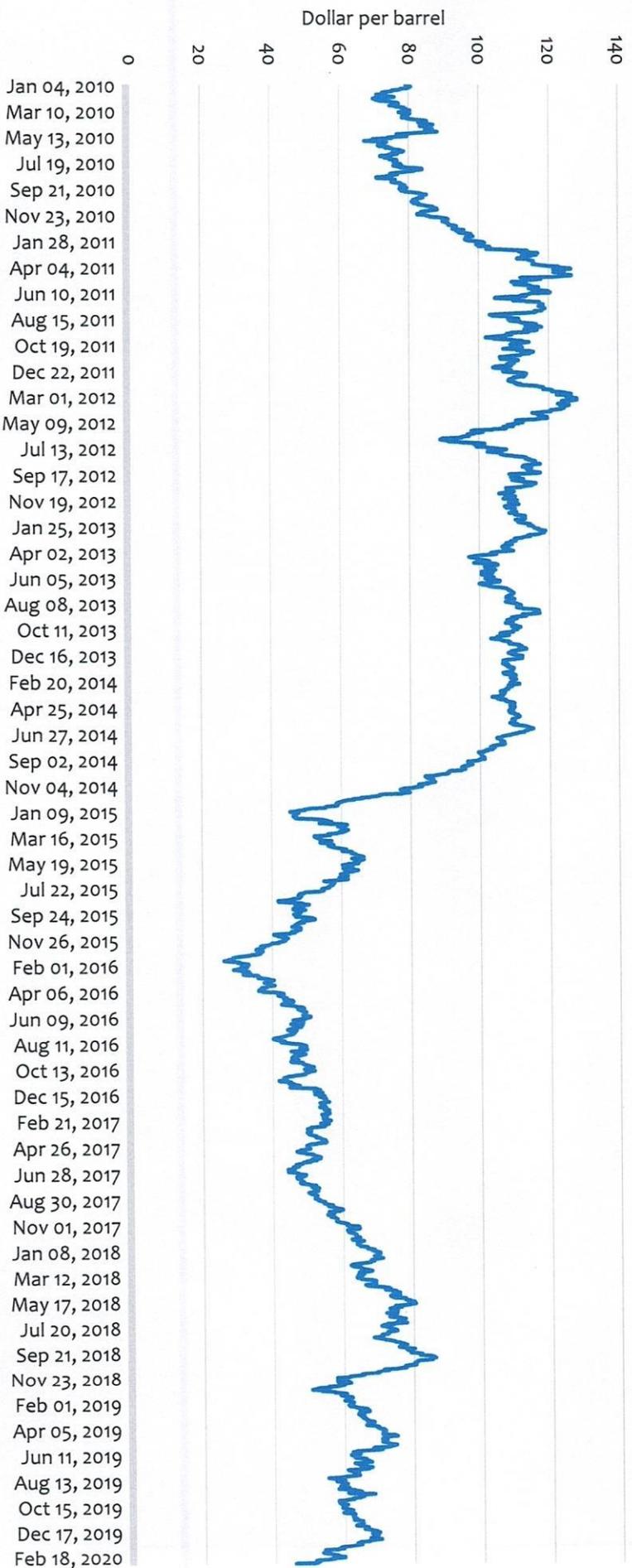
Director General

# Preparing for another round of falling oil revenues

A short perspective for sub-national governments

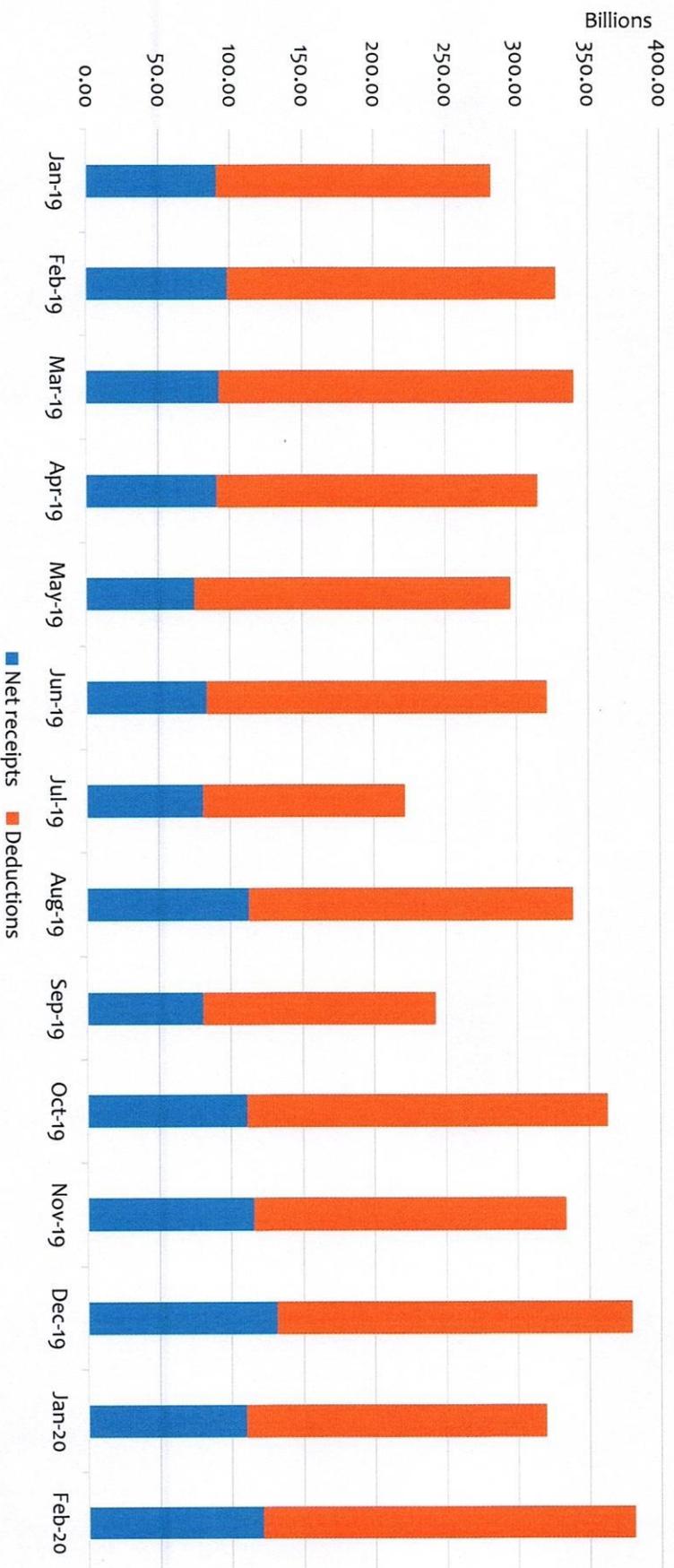
# Oil price on a new decline

- On Friday March 6 2020, OPEC and non-OPEC allies failed to reach an agreement on production cuts amid the coronavirus outbreak.
- Failure to reach a deal would mean that members can pump what they like starting April 1.
- Crude price is already on a decline. Brent spot price was US\$36 per barrel on March 16 2020, the lowest since April 2016.



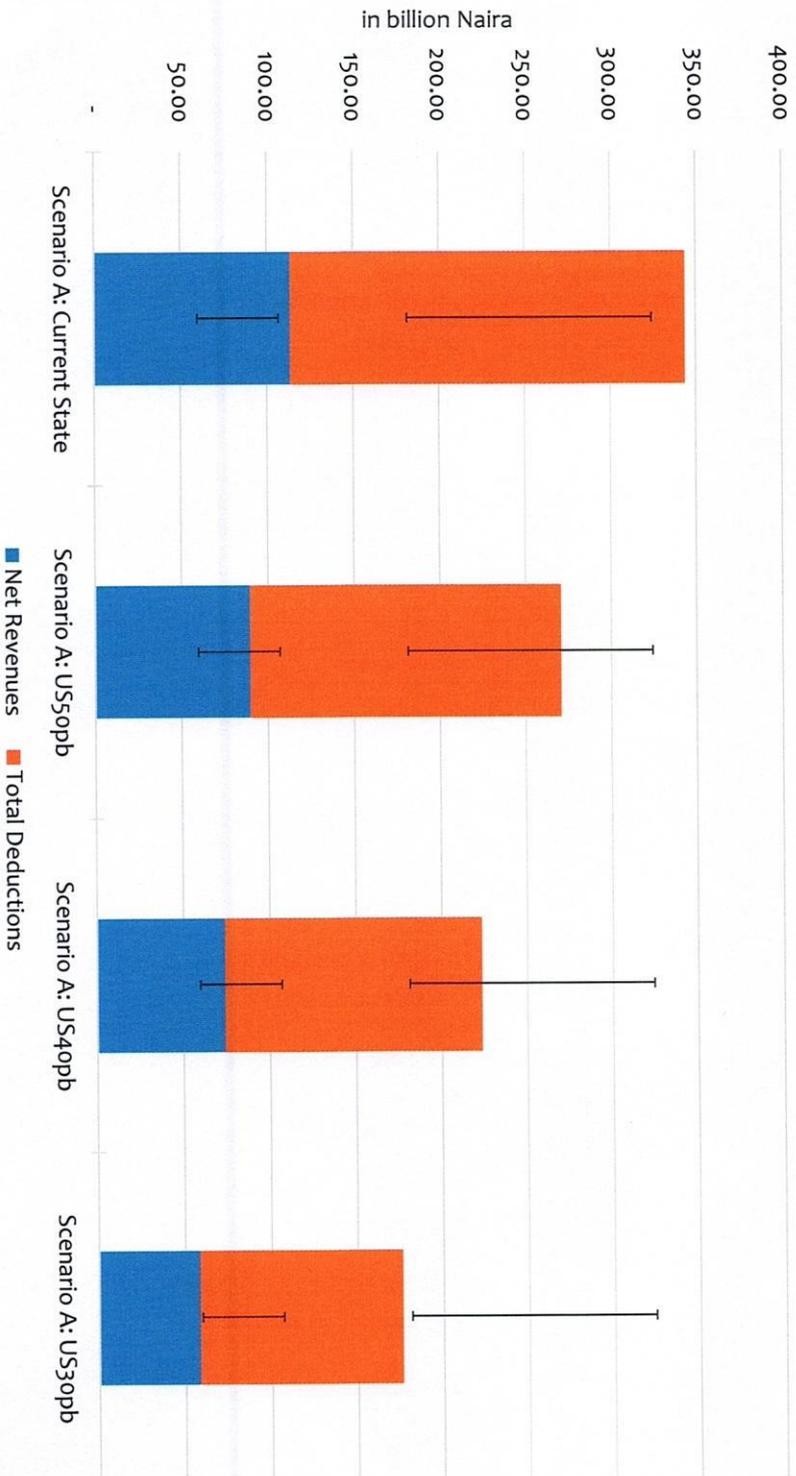
# Size of oil revenues from NNPC

- In 2019, the price of oil averaged around US\$67 per barrel.
- Gross revenues from oil was N3.7 trillion out of which N1.1 trillion was remitted to the federation account as net receipts
- N2.6 trillion was expended on deductions including JV cost recovery, priority projects, pipeline maintenance and subsidy.



## Falling oil prices will see revenues from NNPC decline sharply

- Falling oil prices will see gross revenues from NNPC decline from over N300 billion monthly to below N200 billion if prices slide to US\$30pb.
- Net revenues from NNPC operations available to the federation may decline to as low as N74 billion as deductions continue to take up the largest share of revenues.



# Lower Gross Allocation to States in 2020

- Previous forecasts for 2020 are set to decline significantly from N3 trillion to N2.2 trillion if oil prices continue to slide.
- State governments may see gross federation transfers decline by an average of N15 billion.
- Revenues are expected to perform better than the 2016 period as a result of the passage of the new Finance Act 2019 and the amendment of the Deep Offshore and Inland Basin PSC Act.

STATES	Base Case: Oil at US\$60pb	Scenario 1: oil at US\$50pb	Scenario 2: oil at US\$40pb	Scenario 3: oil at US\$30pb
Abia	62,922,972,609	55,716,105,162	51,037,753,107	46,358,493,937
Adamawa	61,439,710,969	54,402,728,535	49,834,657,667	45,265,701,068
Akwai Ibom	211,765,742,099	187,511,204,053	171,766,323,388	156,018,389,852
Anambra	63,066,832,135	55,843,487,772	51,154,439,694	46,464,482,429
Bauchi	72,909,182,272	64,558,546,717	59,137,715,364	53,715,832,933
Bayelsa	158,745,363,020	140,563,501,267	128,760,710,258	116,955,630,733
Benue	68,996,379,432	61,093,895,804	55,953,983,148	50,833,075,822
Borno	74,223,818,411	65,722,611,324	60,204,036,168	54,684,390,981
Cross river	61,568,534,980	54,516,797,720	49,939,148,727	45,360,612,146
Delta	178,126,408,499	157,724,743,390	144,480,962,704	131,234,614,101
Ebonyi	55,233,126,479	48,907,013,699	44,800,405,252	40,693,000,550
Edo	68,527,141,098	60,678,401,569	55,583,377,000	50,487,364,525
Ekiti	55,384,041,718	49,040,643,897	44,922,814,833	40,804,187,338
Enugu	62,686,973,608	55,507,136,250	50,846,330,829	46,184,621,696
Combe	57,650,872,915	51,047,844,131	46,761,475,122	42,474,275,001
Imo	69,951,762,889	61,939,854,648	56,738,908,791	51,536,954,491
Jigawa	68,894,788,328	61,003,940,412	55,881,584,102	50,758,228,586
Kaduna	81,041,436,784	71,759,375,426	65,733,907,196	59,707,270,652
Kano	101,019,976,706	89,449,678,110	81,938,796,217	74,426,457,992
Katsina	76,398,515,458	67,648,229,970	61,967,965,085	56,286,598,817
Kebbi	64,125,240,526	56,780,671,614	52,012,930,384	47,244,264,708
Kogi	67,078,495,065	59,395,675,859	54,408,358,791	49,420,074,702
Kwara	55,216,312,062	48,892,125,116	44,786,766,830	40,680,612,530
Lagos	202,001,460,078	178,865,271,711	163,846,369,922	148,824,556,024
Nasarawa	55,788,896,265	49,399,128,527	45,251,198,340	41,102,463,886
Niger	72,078,788,174	63,823,261,606	58,464,170,438	53,104,040,162
Ogun	59,893,081,986	53,033,242,329	48,580,164,040	44,126,222,316
Ondo	87,089,361,337	77,114,602,403	70,639,468,192	64,163,078,477
Osun	57,822,728,936	51,200,016,665	46,900,870,080	42,600,889,908
Oyo	74,553,736,064	66,014,741,938	60,471,637,252	54,927,457,779
Plateau	63,975,564,578	56,648,138,764	51,891,526,010	47,133,990,968
Rivers	188,809,010,870	167,183,816,482	153,145,779,380	139,105,020,356
Sokoto	67,059,463,839	59,378,824,370	54,392,922,282	49,406,053,447
Taraba	58,381,654,660	51,694,925,966	47,354,222,996	43,012,678,381
Yobe	59,915,766,980	53,053,329,102	48,598,564,174	44,142,935,483
Zamfara	61,419,667,863	54,384,981,061	49,818,400,408	45,250,934,312
<b>Total</b>	<b>3,005,762,809,693</b>	<b>2,661,498,493,368</b>	<b>2,438,018,641,171</b>	<b>2,214,495,457,089</b>