



Major Oil Marketers
Association of Nigeria

NEWSLETTER

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MOMAN is an acronym for Major Oil Marketers Association of Nigeria. It consists of 6 member companies.

PREVENTING MARKET ABUSE IN SELLING OF PMS

Ogechi Nkwoji, Head: Economic Intelligence Research & Regulation, MOMAN

It is our belief that by allowing the free market to operate in the Nigerian petroleum downstream over time, it will sanitize itself, creating efficiencies, better quality products and better customer service.

Given the recent history though of sharp practices in the Nigerian downstream petroleum industry, the challenge is how to move from price control to a free market without operators taking undue advantage of the buying population in the short term.

The debate regarding institution of price controls on commodity prices was one that occupied economists over several decades but has now been largely resolved with many economists and governments believing that price controls over the long term gives rise to arbitrage, market inefficiencies, product outages, corruption and sharp practices by creating gate keepers who end up being rent seekers and who distort the market for personal gain and benefit. Price controls discourage innovation and improvements in quality of goods and services as well as long term investments. Many economies have abandoned the practice and adopted free market principles with regulators overseeing competition and standards. Indeed, sharp practices in the petroleum retail business such as product adulteration, short selling to customers through manipulation of the pumps, product theft along the supply chain and smuggling of products is more of an aberration than the norm in most countries in Africa and around the world.



However, in Nigeria, these sharp practices appear to be more of a standard and is the result of price disparities resulting from deliberate inappropriate pricing of petrol by regulatory authorities in Nigeria over several years. The stated reason for these subsidies is to help the poor. Many countries that are poorer than Nigeria do not subsidize petroleum products in the name of their poor. These subsidies however have consistently created opportunities centrally for fraud and corruption at a massive level as well as opportunities for gate keepers to distribute patronage inequitably to the “not so poor”.

The overriding belief today in the international space is that the sanitation of markets is best left to market forces where the multitude of customers will and do, sustainably over time, sanction higher prices, poorer customer service, poorer quality products and marketers who engage in sharp practices with their wallets and purses rather than policing price regulations which is administratively expensive and operationally near impossible.

There are a few tools available to Government and the industry to influence fuel prices and limit and eventually eliminate sharp practices:

- **Federal Competition and Consumer Protection**

Commission (FCCPC): The FCCPC has as its mission, to ensure that marketers do not gang up to fix prices which diminishes the benefits of price competition and that no single player abuses its dominant position to the detriment of other stakeholders such as customers, suppliers or market operators. The involvement of the Commission as a competition watchdog will minimize market abuse while protecting market operators from the risks of price controls. Alternatively, the downstream regulator can be mandated to play this role without fixing price caps for the petroleum downstream industry.

- **Downstream Industry Regulator:** There remains a need for a strong downstream industry regulator whose primary mission will be to oversee downstream operations including ensuring the quality of products (imported or locally refined) throughout the supply chain up to the final consumer, monitor fuel consumption for tax and planning purposes, develop and oversee Health, Safety and Environmental protection policy implementation in the industry, lead the overall industry optimization process and as well as the evolution of the downstream petroleum industry technological development.

- **Self-Regulation:** Petroleum industry associations and professional bodies must and will take up their role of guardians of the professionalism of their profession by adopting the self-regulatory role evolved over time in professional guilds and associations such as the Nigerian Medical association (NMA) or the Nigerian Bar Association (NBA). As reputational risks and brand loyalty are considered important for the sustainability of any business, self-regulating their members will mean ensuring that members comply with set standards, norms and best practices and observe the duty of care to their customers to protect the integrity of the profession.

- **The Role of the Price Leader:** As the dominant operator in the country who is represented throughout the supply chain, NNPC occupies the position today of the

price leader and through this role is able to set indicative fuel prices, thereby influencing retail fuel prices of other marketers. However, it is worthy to note that the risk of predatory pricing could emerge, where the dominant player may lower their prices to levels that may be unsustainable for other Marketers. This is where the FCCPC will be required to play its role in the overall interest of the industry and the economy as a whole.

- **Economic/Administrative Tools:** The

Government has at its disposal several price-intervention tools such as the implementation of fuel consumption tax or charging VAT on refined products and adapting the tax rates to meet its strategic objectives. Introducing a fuel consumption tax is one of the simplest methods for Governments to influence prices apart from shoring up its revenues. Most countries in Africa and around the world charge such a tax which forms a significant part of country revenues. As with other commodities, government can also administratively intervene in influencing prices by introducing policies which impact the supply side or the demand side of petroleum product business **without fixing the price by fiat.**

- **Alternatives to PMS:**

- a. Developing and upscaling of mass transit will provide Nigerians an alternative to driving their vehicles and the need to purchase fuel for their automobiles.
- b. The development of competing alternative fuels in transportation and power generation particularly CNG, LNG or solar should be encouraged as a cleaner and cheaper source of fuel. This drive towards alternative fuels provides options to the consumer, thereby limiting exposure to fuel prices.

However, for these measures to be effective, the following elements need to be in place:

- Good governance
- Strong public awareness
- Improved regulatory agencies
- Improved technical staff and equipment

ENSURING PUMP INTEGRITY: MOMAN RE-ESTABLISHING TRUST AT THE FUEL PUMPS

Godwin Jarikre, Head: HSEQ & Technical, MOMAN



Driven by the strategic goal of promoting downstream petroleum industry transformation and standardization, MOMAN is set to deepen the culture of accountability and trust at its member retail outlets, all customer touch points and across its supply chain, with the resultant effect of raising consumer confidence. With the advent of the fourth industrial revolution and the proliferation of technology as a major driver in virtually all business operations which have been adopted as a standard in most developed economies, MOMAN is looking to continue to leverage and extensively deploy technology as a key component in achieving its petroleum industry standardization objectives. Re-invigorated by a new executive management team, various functional committees, including communications and engineering experts, MOMAN through its members, commenced intense sensitization of dealers and customer facing retail attendants on the negative impact of dishonest practices, the image projected on the industry as a whole and the brand of MOMAN members in particular. MOMAN member companies have proactively taken on the initiative to project a positive image using various communication tools at its disposal in addition to retraining personnel responsible for delivering customer value.

With the understanding that establishing trust requires robust and complete end-to-end optimization of processes to deliver sustainable value to retail consumers, the CEOs directed MOMAN's Engineering committee to make this a focus. Having considered a number of options, the team settled on deploying a myriad of complementary solutions, these include:

- Installation of metering equipment at receiving jetty to capture actual quantity received through a transparent product reconciliation process.
- Upgrade of the stock monitoring equipment by introducing Automatic Tank Gauges (ATGs) for better stock management and operational efficiency.
- Ensuring only trucks with proper calibration charts are loaded at the depot
- Exploring technology solution to control access to pilferage of products in trucks-in-transit.

To complement the effort of MOMAN Engineering committee, MOMAN CEOs mandated their teams to take definite steps at all customer touch points on the retail forecourt with deployment of relevant technology to checkmate unethical practices by some of the few bad elements tarnishing the image of the member companies. These measures include ensuring pump integrity, with regular spot checks to guard against tampering, installation of ATGs in underground tank for real time stock monitoring which can be remotely accessed by supervising manager located at the corporate office. With this in place, managers can conduct an impromptu reconciliation of stock against sales, this will flag discrepancies and curb tendencies of attendants to cheat customers. To further strengthen the customer experience at MOMAN members' retail outlets, a customer complaint platform is being developed to enable members of the public log their complaints directly on the portal, which is then made available to MOMAN member companies to continue to forge ahead with the commitment to remain at the forefront of driving change across the nation's petroleum downstream ecosystem. However, this requires huge financial resource commitment by the various companies which unfortunately is not sustainable under the current margin regime accruable to petroleum marketing companies. This is more than essential at this time, as Nigerians will demand for more value for money expended. MOMAN member companies are driven and committed to ensuring Nigerian consumer rights are protected always by deploying solutions that are fit for purpose.





Major Oil Marketers
Association of Nigeria

Industry WATCH

MACROECONOMIC INDICES



INFLATION

YEAR ON YEAR % CHANGE	12.26%
12 MONTH % CHANGE	11.62%

Source: NBS
*Year - 2020



CRUDE OIL PRICES

\$/bbl	APRIL 24	APRIL 27	APRIL 28	APRIL 29
Brent Crude	20.37	19.99	20.46	22.54
WTI Crude	16.94	12.78	12.34	15.06

Source: CNBC
*Year - 2020



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PPPRA GUIDING PRICE FOR PMS

	FEBRUARY	MARCH 19 - 31	APRIL	MAY
=N=/LITRE	135.00 - 145.00	125.00	123.50 - 125.00	123.50 - 125.00

Source: PPPRA
*Year - 2020



FOREX RATES - CBN I/E WINDOW

=N=	APRIL 24	APRIL 27	APRIL 28	APRIL 29
USD	383.00 - 387.00	383.00 - 387.00	383.00 - 387.00	383.00 - 387.00

Source: CBN
*Year - 2020



FOREX RATES - CBN INTERBANK RATE

=N=	APRIL 24	APRIL 27	APRIL 28	APRIL 29
USD	360.50 - 361.00	360.50 - 361.00	360.50 - 361.00	360.50 - 361.00

Source: CBN
*Year - 2020



FOREX RATES - PARALLEL MARKET

=N=	APRIL 24	APRIL 27	APRIL 28	APRIL 29	APRIL 30
USD	420 / 430	430 / 450	440 / 460	440 / 460	435 / 450
GBP	490 / 500	495 / 510	500 / 520	500 / 520	500 / 510
EURO	425 / 435	435 / 450	435 / 450	450 / 465	430 / 445

Source: CBN
*Year - 2020



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PMS

PPPRA PRODUCTS PRICING TEMPLATES - 6 MARCH 2020

Source: PPPRA

*Year - 2020

PPPRA PRODUCT PRICING TEMPLATE (PMS)			
FOB ROTTERDAM			
6-Mar-20			
		\$/MT	Import Parity Based Cost Naira/Litre
A	Cost Elements:		
1	Cost +Freight	466.43	106.78
2	Lightering Expenses		2.75
3	NPA		0.84
4	NIMASA Charge		0.22
5	Jetty Thru' Put Charge		0.60
6	Storage Charge		2.00
7	Financing		2.33
8	Landing Cost		115.52
B	TOTAL DISTRUBUTION MARGIN		19.37
C	Expected Open Market Price		134.89
D	Ex-Depot		125.63
E	Ex-Depot for Collection		133.28
F	Approved Retail Price Band		135.00 - 145.00

NOTE:

Conversion Rate (MT to Litres): 1341

Average Exchange Rate (N to \$): 307.00

Ex-Depot Price : Approved Retail Price Less Total Distribution Margins

Ex-Depot for Collection : Ex-Depot Price, Inclusive of Bridging Allowance, Marine Transportation Allowance (MTA) and Administrative Charge

AGO

PPPRA PRODUCT PRICING TEMPLATE (AGO)			
6-Mar-20			
		\$/MT	Import Parity Based Cost Naira/Litre
A	Cost Elements:		
1	Cost +Freight	425.68	112.27
2	Lightering Expenses		3.16
3	NPA		0.84
4	NIMASA Charge		0.22
5	Jetty Thru' Put Charge		0.60
6	Storage Charge		2.00
7	Financing		2.45
8	Landing Cost		121.54
B	Total Distribution Margins		11.82
C	Indicative OMP		133.36

NOTE:

Conversion Rate (MT to Litres): 1164

Average Exchange Rate (N to \$): 307.00

Indicative OMP: Indicative Open Market Price



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Industry WATCH



PPPRA TEMPLATES - 6 MARCH 2020

Source: PPPRA
*Year - 2020

ATK/HHK

PPPRA PRODUCT PRICING TEMPLATE (ATK/HHK)			
6-Mar-20			
		\$/MT	Import Parity Based Cost Naira/Litre
A	Cost Elements:		
1	Cost +Freight	442.68	110.31
2	Lightering Expenses		2.99
3	NPA		0.84
4	NIMASA Charge		0.22
5	Jetty Thru' Put Charge		0.60
6	Storage Charge		2.00
7	Financing		2.40
8	Landing Cost		119.36
B	Total Distribution Margins		11.82
C	Indicative OMP		131.18

NOTE:

Conversion Rate (MT to Litres):	1232
Average Exchange Rate (N to \$):	307.00
Indicative OMP: Indicative Open Market Price	

LPFO

PPPRA PRODUCT PRICING TEMPLATE (LPFO)			
6-Mar-20			
		\$/MT	Import Parity Based Cost Naira/Litre
A	Cost Elements:		
1	Cost +Freight	291.18	84.41
2	NPA		0.84
3	NIMASA Charge		0.22
4	Jetty Thru' Put Charge		0.60
5	Storage Charge		2.00
6	Financing		1.81
7	Landing Cost		89.88
B	Total Distribution Margins		11.82
C	Indicative OMP		101.70

NOTE:

Conversion Rate (MT to Litres):	1059
Average Exchange Rate (N to \$):	307.00
Indicative OMP: Indicative Open Market Price	



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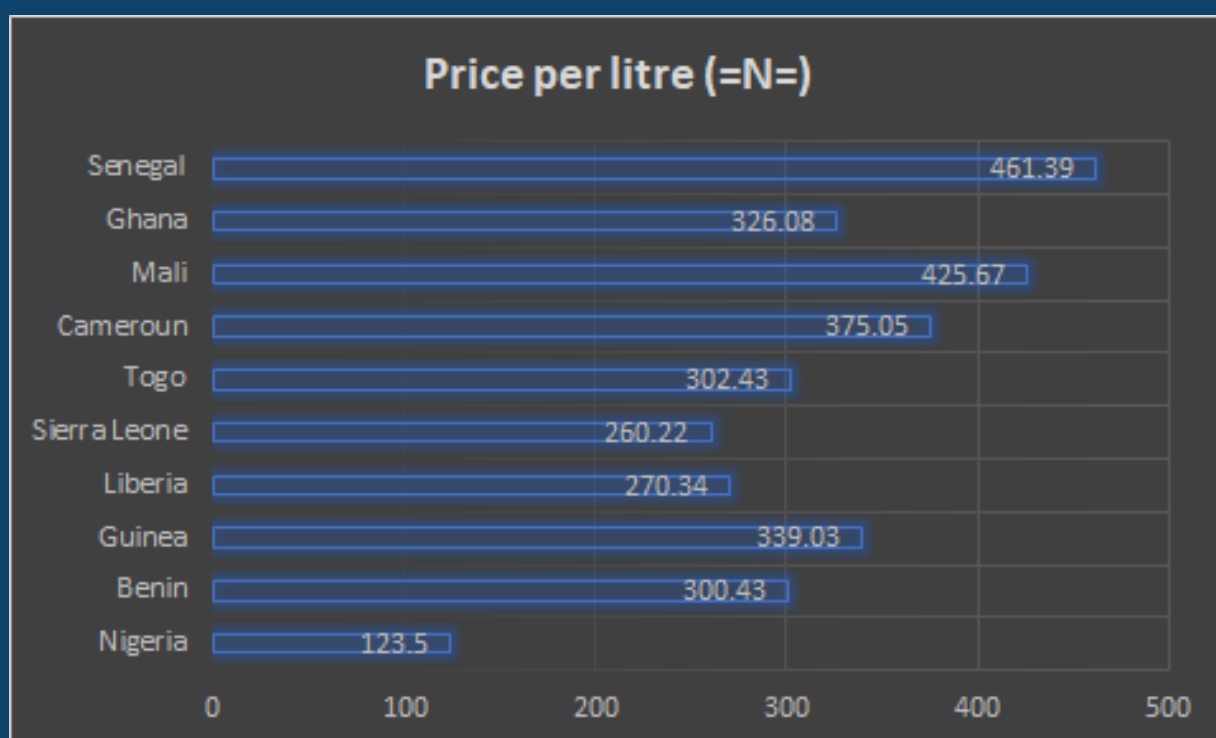
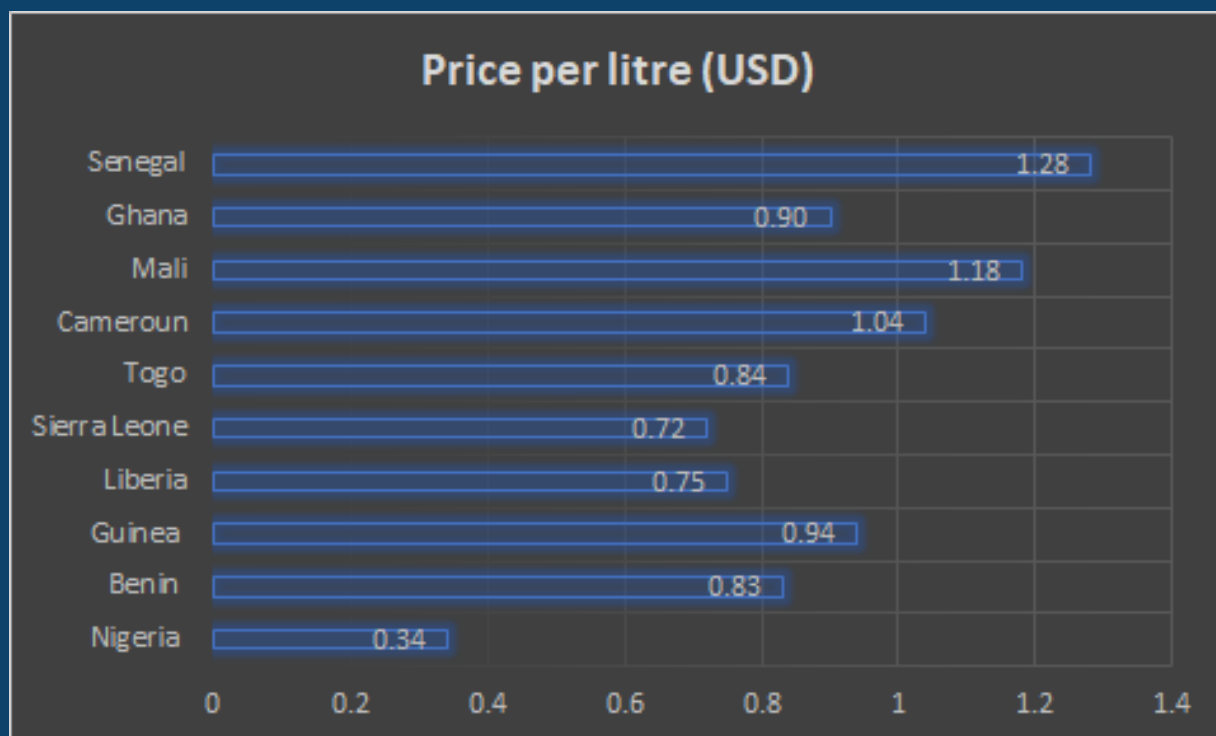
Industry WATCH



GASOLINE PRICES

**Average gasoline prices around the world: \$0.92 USD*

WEST AFRICA



Source: globalpetrolprices.com

*Year - 2020



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Industry WATCH



PLATTS

PMS

\$ (USD)	JAN 2	JAN 31	FEB 28	MAR 31	APR 30	2020 AVERAGE
FOB ROTTERDAM	630.000	543.750	459.250	206.750	208.000	397.500
FOB MED	597.000	545.750	454.000	180.000	175.250	392.375
CIF NWE	622.500	547.000	456.000	206.000	213.500	406.598

AGO

\$ (USD)	JAN 2	JAN 31	FEB 28	MAR 31	APR 30	2020 AVERAGE
CIF NWE	612.500	499.750	439.500	285.750	236.250	413.223

ATK

\$ (USD)	JAN 2	JAN 31	FEB 28	MAR 31	APR 30	2020 AVERAGE
CIF NWE	652.250	540.500	461.000	225.000	154.500	410.967



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EX-DEPOT PRICES

LAGOS, NIGERIA

=N=/Litre	APRIL 9	APRIL 17	APRIL 24
PMS	113.50-115.50	113.50-115.50	113.50-115.00
AGO	168.00-171.00	168.00-170.00	158.00-163.00

*Year - 2020

PORT-HARCOURT, NIGERIA

=N=/Litre	APRIL 9	APRIL 17	APRIL 24
PMS	113.80- 115.00	113.80-115.00	113.80-115.00
AGO	171	171	166

*Year - 2020



DELTA, NIGERIA

=N=/Litre	APRIL 9	APRIL 17	APRIL 24
PMS	117.00	114.00	113.00
AGO	167.50	170.00	165.00

*Year - 2020

CALABAR, NIGERIA

=N=/Litre	APRIL 9	APRIL 17	APRIL 24
PMS	113.28-116.50	113.28-116.50	113.28-116.50
AGO	176.00-183.00	176.00-183.00	176.00-183.00

*Year - 2020

Keep Our Workplace Safe!

Practice good hygiene



Stop hand shakes and use **non-contact greeting methods**



Clean hands at the door and schedule **regular hand washing** reminders



Disinfect surfaces like doorknobs, tables, and desks regularly



Avoid touching your face and cover your coughs and sneezes



Increase ventilation by opening windows or adjusting air conditioning

Limit physical meetings and non-essential travels

Use **video conferencing** instead of face-to-face meetings

When video calls are not possible, hold your meetings in **well-ventilated rooms and spaces**

Suspend all non-essential travels and trips



Stay home if...

- You are **feeling sick**
- You have a **sick family member** at home



SOURCE: CDC.GOV

Take care of your emotional and mental well-being

Outbreaks are a stressful and anxious time for everyone. We're here to support you! Reach out to info@moman.org anytime.

