MOMAN
Major Oil Marketers Association of Nigeria

NEWSLETTER

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THE WEEKLY POST

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

PRICE CONTROLS: MORE HARM THAN GOOD?

Oyinade Ademola

Imagine rice distributors being forced to sell 50kg bags of rice for N10,000 each versus the going market average rate of N25,000. You can expect consumers to 'rush' the product at this giveaway price, as they can now afford to buy double the amount they normally buy at the same price, or alternatively the same quantity at half the price. You can also expect reduced supply as sellers begin to ration supply to compensate for the effect of the lower price. Quality may also be compromised as various players along the value chain enter survival mode and begin to cut corners to reduce costs. Ultimately, the dual effect of increased demand and reduced supply brought about by price controls below equilibrium will certainly lead to shortages, quality issues, product theft, the emergence of black markets, amongst other inefficiencies.

This analysis is applicable across various commodities, products and services, including petroleum products. In Nigeria, Premium Motor Spirit (PMS) has long been a subject of various forms of price controls, as the government seeks to offer the lowest possible price to the average Nigerian. Whilst the intention may be for the good of the vulnerable Nigerian consumer, there may likely be unintended harmful consequences.

Price controls may be temporarily useful when a commodity is unaffordable, but this is clearly not the case for PMS in Nigeria. So ridiculously low are these controlled prices that they encourage smuggling activities to neighbouring countries because of the enormous PMS price differentials. With a PMS price ceiling of N123.50 per litre, the commodity in Nigeria is over N200.00 per litre cheaper than its neighbours (Chad N334.52 per litre; Ghana N352.69 per litre; Cameroon – N407.01 per litre; Benin - N327.70 per litre, Togo - N329.64 per litre; Niger – N374.00 per litre). These countries, mostly with much less GDP per Capita than Nigeria, are willing and able to buy PMS at much higher prices than Nigerians. With over N9.8 trillion spent on financing petrol subsidy between 2006 and 2018, it is safe to say that Nigerian taxpayers effectively subsidize petroleum consumption across West Africa. Price ceilings on PMS in Nigeria also mean limited margins for petroleum marketers who are therefore faced with the insurmountable hurdle of meeting minimum safety and control standards and regulations. With insignificant margins, it is impossible for downstream players to make substantial investments to improve the quality of assets and service in the industry, as they simply cannot afford to. The out-dated and dilapidated stations and depots are a testament to this, not to mention the aged tankers causing havoc on our roads and claiming lives. Private investors are also discouraged from investing in industries that are prevented from operating freely, and investor capital leaves to seek better returns elsewhere, further limiting the growth and capacity development of the downstream sector. Price ceilings are disruptive, stifle efficiency, limit innovation and lead to shortages. They are therefore not economically beneficial in the long run and lead to welfare loss (deadweight loss), as not enough of the product is sold, resulting in a permanent and irreversible loss to both buyers and sellers.

This has been seen repeatedly by economies that went down this route such as the US during the Nixon Administration whereby people who waited in long queues resulting from price ceilings traded off the savings made from price ceilings on PMS with the cost from the time lost queuing. Penny-wise, pound-foolish, some may say.

With price controls, oil marketers are discouraged from importing, leaving the associated risks of importation solely and perpetually with the state-run NNPC. This will eventually evoke a return to subsidy regime and a colossal loss in government revenue which could alternatively be used for much needed improvements to infrastructure and consequently standards of living in the economy.

It is no wonder price controls have been criticized by many as imposed by governments who care less about economic gains and more about political gain. Economists promote the concept of the 'invisible hand' in which market forces determine equilibrium prices from the free interaction of supply and demand. Market forces should be left alone such that market prices do their job of communicating information, serving as knowledge proxies, and informing the populace of the real condition of the availability of resources and desire for it.

We don't need a crystal ball to tell us where continued price controls for PMS will land us. All we need do is take a look at Venezuela!

MANAGING TRUCK PARKS AND DRIVER BEHAVIOUR DURING THE CORONAVIRUS (COVID-19) PANDEMIC

Godwin Jarikre, Head: HSEQ & Technical, MOMAN

In a bid to minimize exposure to the coronavirus (COVID-19), the Major Oil Marketers of Nigeria (MOMAN) is constantly looking into its processes to curtail the spread of the virus in its operation. Members through the Association's Health Safety Environment & Security (HSES) committee meets on a weekly basis to look at operational areas MOMAN staff and its major stakeholder (the Petroleum Tanker Driver) could be exposed in the course of carrying out these essential duties. The importance of petroleum products as the energy driver of the Nigerian economy cannot be over emphasized. To provide this energy requires the transportation of the product from the Depots to Retail outlets and consumer location by road. This requires MOMAN collaboration with Petroleum Tank Driver (PTD) and the Nigerian Association of Road Transport Owners (NARTO) to ensure uninterrupted deliveries to Stations and consumer locations. To ensure our drivers are sensitized on compliance to NCDC and other relevant Health Organizations protocols on COVID-19, the HSES Committee of MOMAN through its various depot management began to engage the unit executives of PTD and NARTO located at the loading depots on driver sensitization to comply with COVID-19 protocols as issued by NCDC et al.

New procedure on truck park management that will ensure social distancing, washing of hands, disinfecting with alcohol-based sanitizer and use of face mask was deployed at all MOMAN truck parks. The new procedure which is an addition to existing truck park safety procedure will help reduce the spread of COVID-19 while carrying out safe-to-load activities at the truck park.

The procedure specifies the following:

- All truck parks should display COVID-19 Personal Protection Equipment: washing of hands, disinfect hands with sanitizer, sign in register with own biro, maintain a distance of 2 meters and avoid shaking of hands signs at the entrance of the park.
- "If you or your family members show symptoms of COVID-19 such as dry cough or fever, immediately inform your manager or representative" should be displayed as additional information on the COVID-19 protocol board at the park

driver's details should be recorded in the Truck Register at the Park.

- Frequently touched areas (e.g. the truck door handles, steering wheels, driver cabin etc.) should be disinfected regularly with 60% alcohol based sanitizers (or appriopraite cleaning liquid solution) by the driver. Drivers are advised to stay in their truck for the period of stay at the Truck Park.
- Truck Park Coordinator or his representative should conduct regular walk through of the park to ensure social distancing and non-congregation of drivers /persons within the Truck Park.
- All washrooms at the truck park should be closed to drivers and toilets within the park should be disinfected regularly after use.
- Toilets within the park should be well ventilated at all times.

To avert the risk of contracting the virus through the use of alcohol testers usually applied to all drivers through the blowing into the tube of the alcohol tester, the use of the equipment was stepped down and Sobriety test used by the United States Police to check driver intoxicity with alcohol as a stop gap is being used until a tester that require no blowing is acquired by members.
The protection of our drivers is a major concern to MOMAN and we shall continue to seek ways of ensuring that all stakeholders that operate in our facilities are protected from COVID-19 while carrying out their assigned responsibilities in our facilities.

MOMAN Major Oil Marketers Association of Nigeria

Industry WATCH

MACROECONOMIC INDICES

INFLATION

	FEB	MAR	APR	MAY
Year on Year % Change	12.20%	12.26%	12.34%	12.40%
12 Month % Change	11.54%	11.62%	11.71%	11.79%
Month on Month % Change	0.79%	0.84%	1.02%	1.17%

Source: NBS
**Year - 2020*

CRUDE OIL PRICES

$/bbl	JUN 12	JUN 15	JUN 16	JUN 17	JUN 18
Brent Crude	38.73	39.72	40.96	40.71	41.51
WTI Crude	36.26	37.12	38.38	37.96	38.84

Sources: CNBC & Bloomberg
**Year - 2020*

MOMAN Major Oil Marketers Association of Nigeria

Industry WATCH

PPPRA GUIDING PRICE FOR PMS

	FEB - MAR 18	MAR 19 - 31	APR	MAY	JUN
=N=/Litre	135.00 - 145.00	125.00	123.50 - 125.00	123.50 - 125.00	121.50 - 123.50

Source: PPPRA
**Year - 2020*

FOREX RATES - CBN I/E WINDOW

=N=	JUN 15	JUN 16	JUN 17	JUN 18
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=	JUN 15	JUN 16	JUN 17	JUN 18
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=	JUN 12	JUN 15	JUN 16	JUN 17	JUN 18
USD	440 / 450	440 / 450	445 / 452	445 / 453	445 / 453
GBP	538 / 550	540 / 550	540 / 553	537 / 550	540 / 552
EURO	470 / 485	475 / 485	475 / 490	475 /490	480 / 490

Source: CBN
**Year - 2020*

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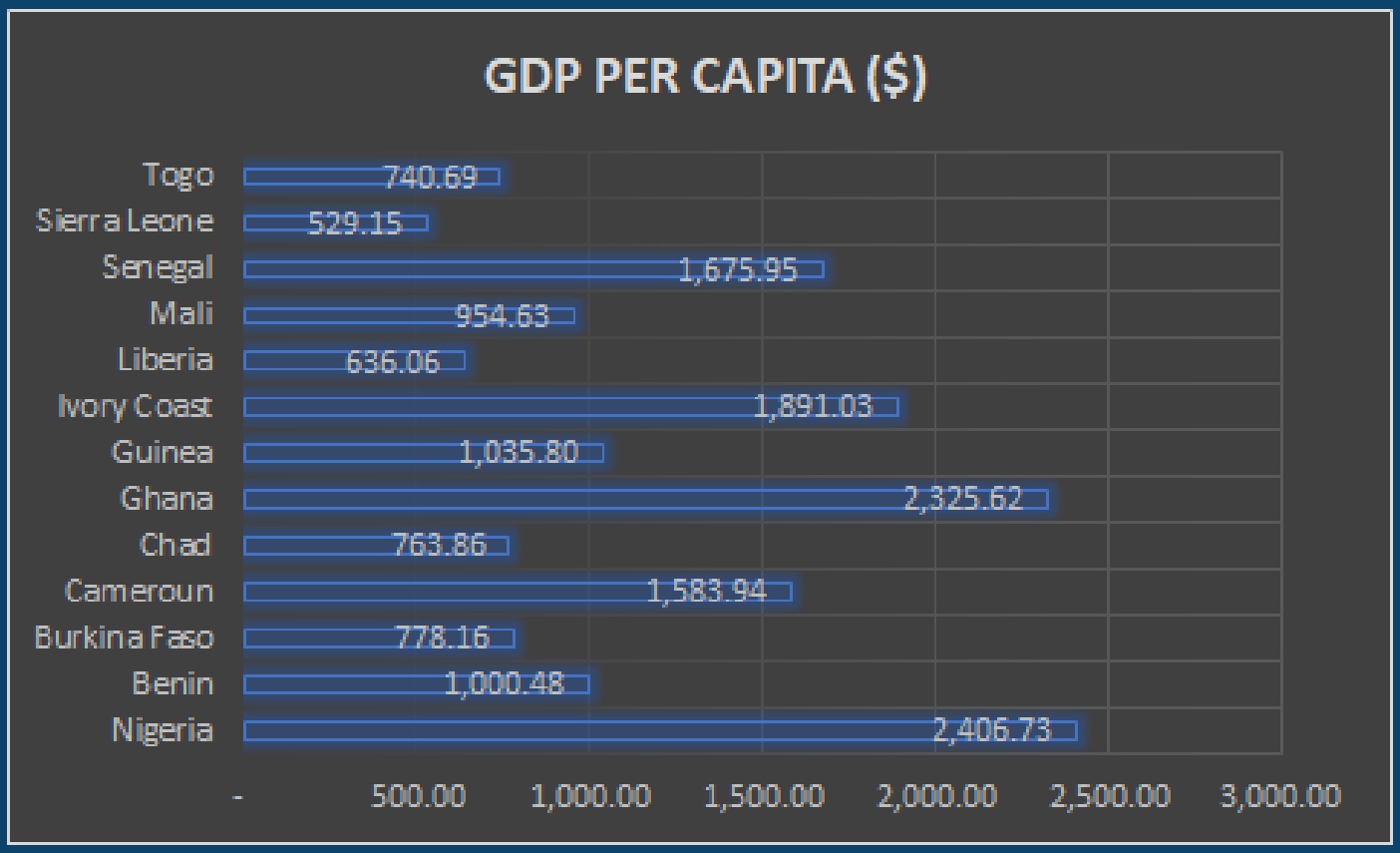
Industry WATCH

WEST AFRICA FOCUS



Source: globalpetrolprices.com
****Year - 2020***

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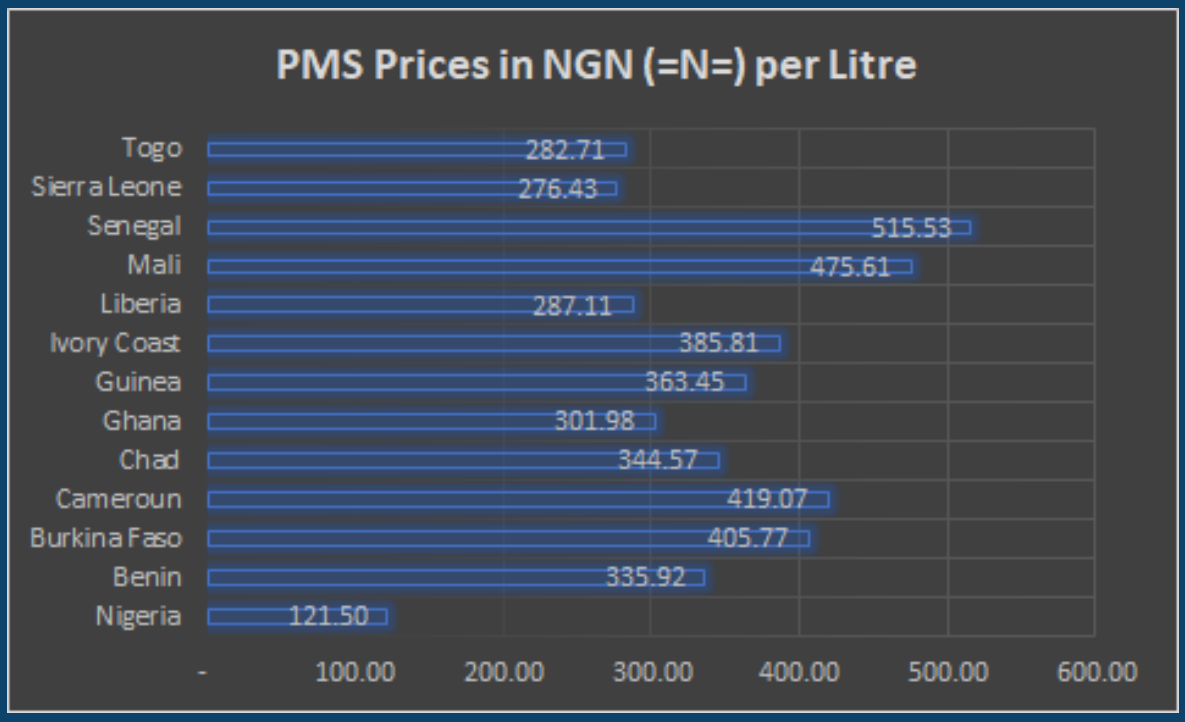
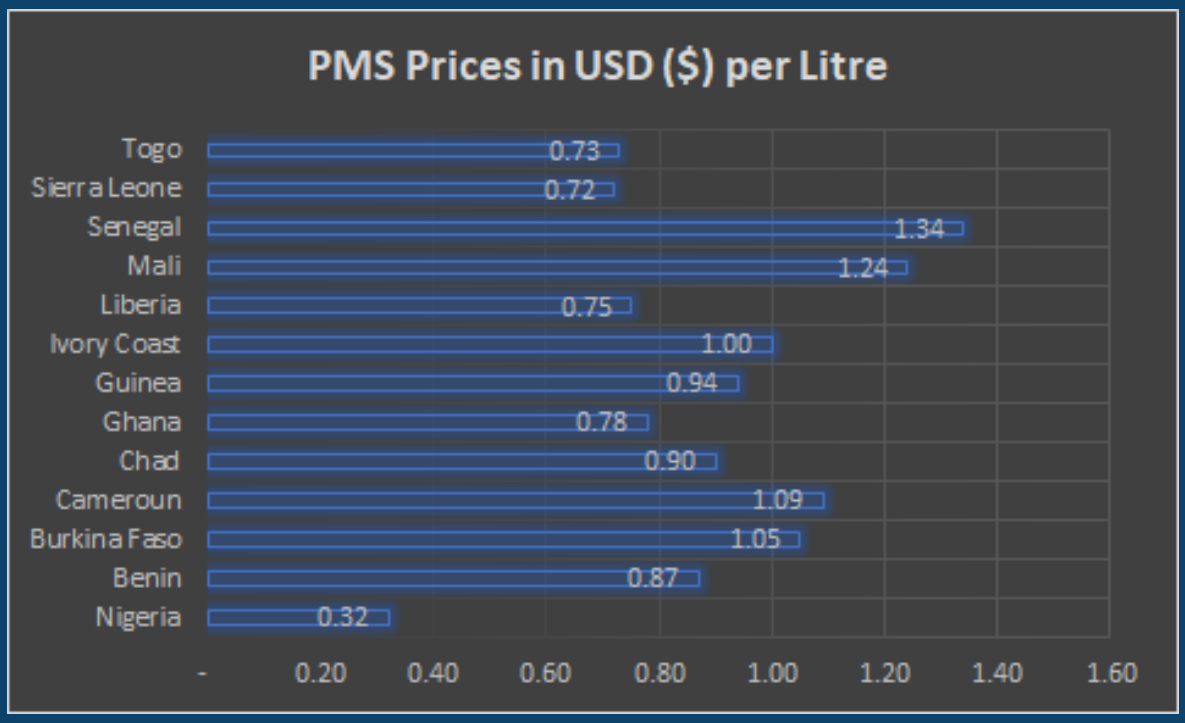
Industry WATCH

GASOLINE PRICES

Average gasoline prices around the world: =N=366.29 or $0.95 USD as at June 15 2020

WEST AFRICA (PMS)





Source: globalpetrolprices.com
Year - 2020

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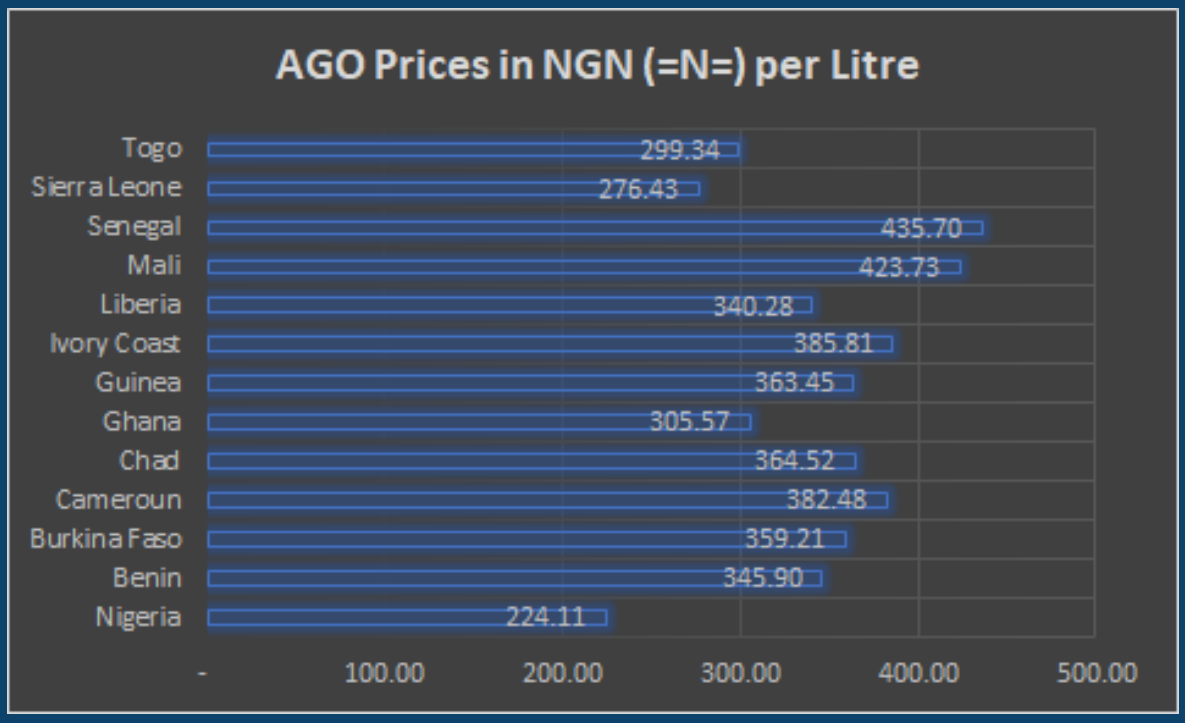
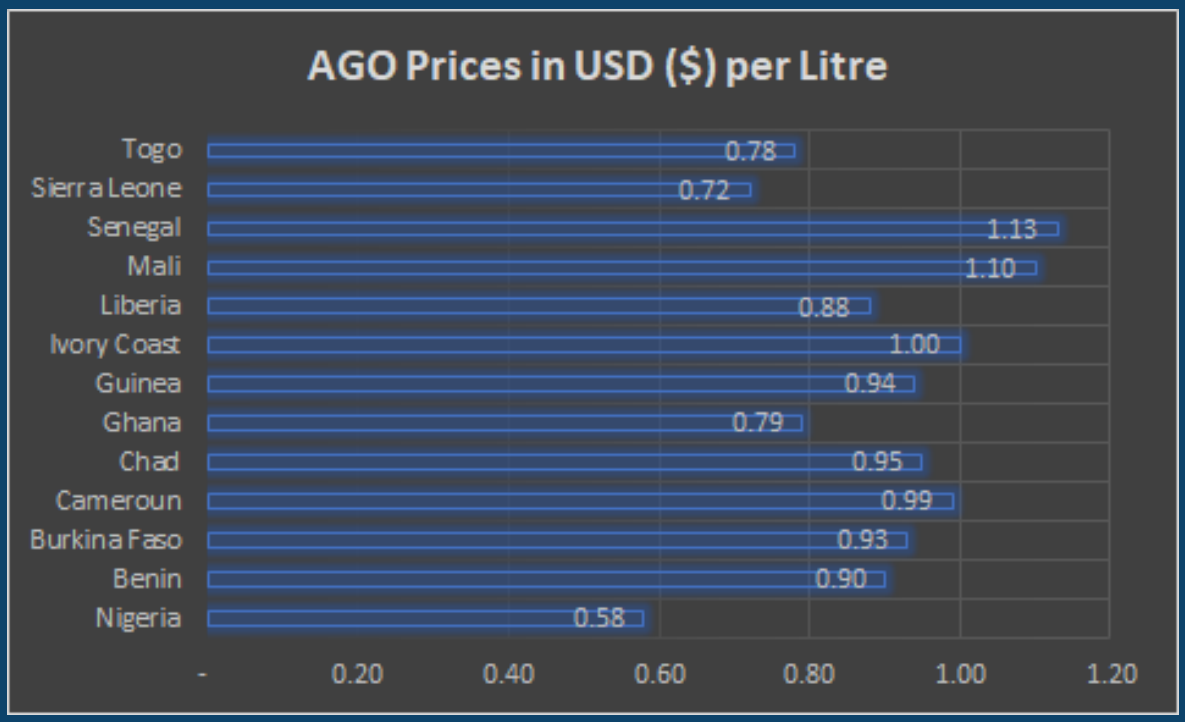
Industry WATCH

DIESEL PRICES

Average diesel prices around the world: =N=330.47 or $0.86 USD as at June 15 2020

WEST AFRICA (AGO)





Source: globalpetrolprices.com
Year - 2020

MOMAN Major Oil Marketers Association of Nigeria

Industry WATCH

PLATTS

PMS

$ (USD)	JUN 15	JUN 16	JUN 17	JUN 118	WEEK AVERAGE
FOB ROTTERDAM	338.750	358.250	372.250	380.500	357.200
FOB MED	350.000	365.500	374.500	382.500	363.150
CIF NWE	357.000	374.250	384.000	42.000	374.350

AGO

$ (USD)	JUN 15	JUN 16	JUN 17	JUN 18	WEEK AVERAGE
CIF NWE	326.000	341.500	344.750	349.500	337.100

ATK

$ (USD)	JUN 15	JUN 16	JUN 17	JUN 18	WEEK AVERAGE
CIF NWE	312.250	325.750	328.000	337.000	323.050

Source: S & P Global Platts
**Year - 2020*

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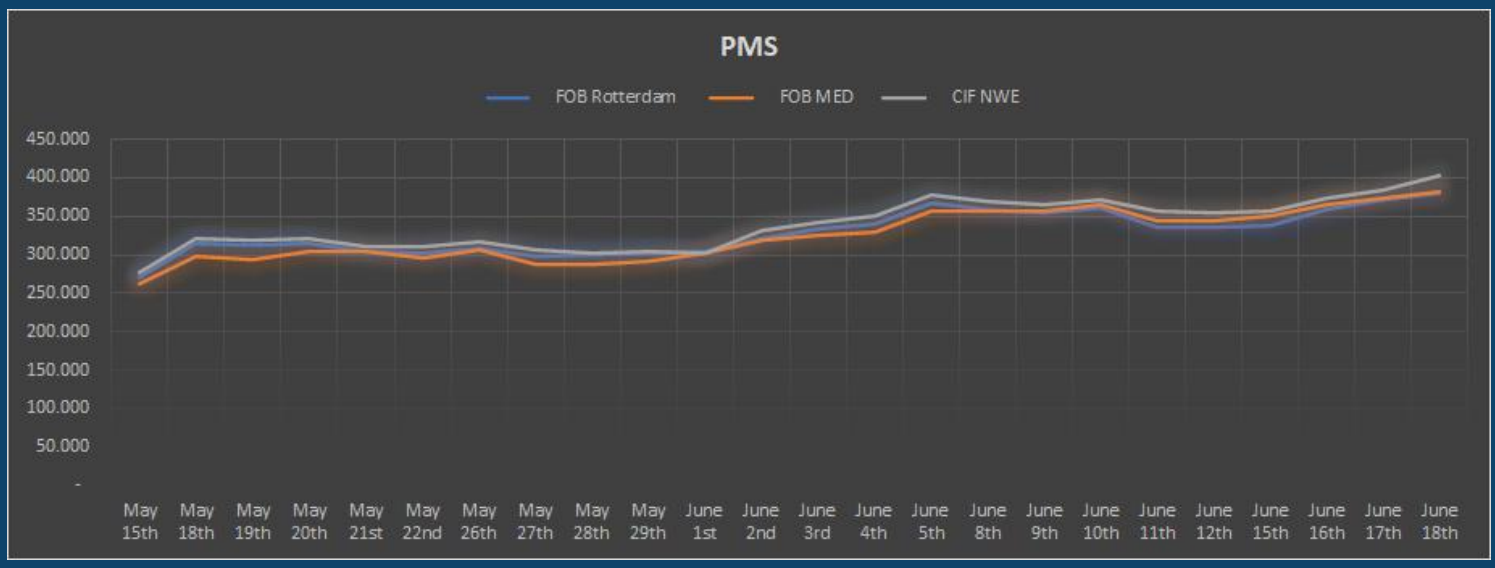
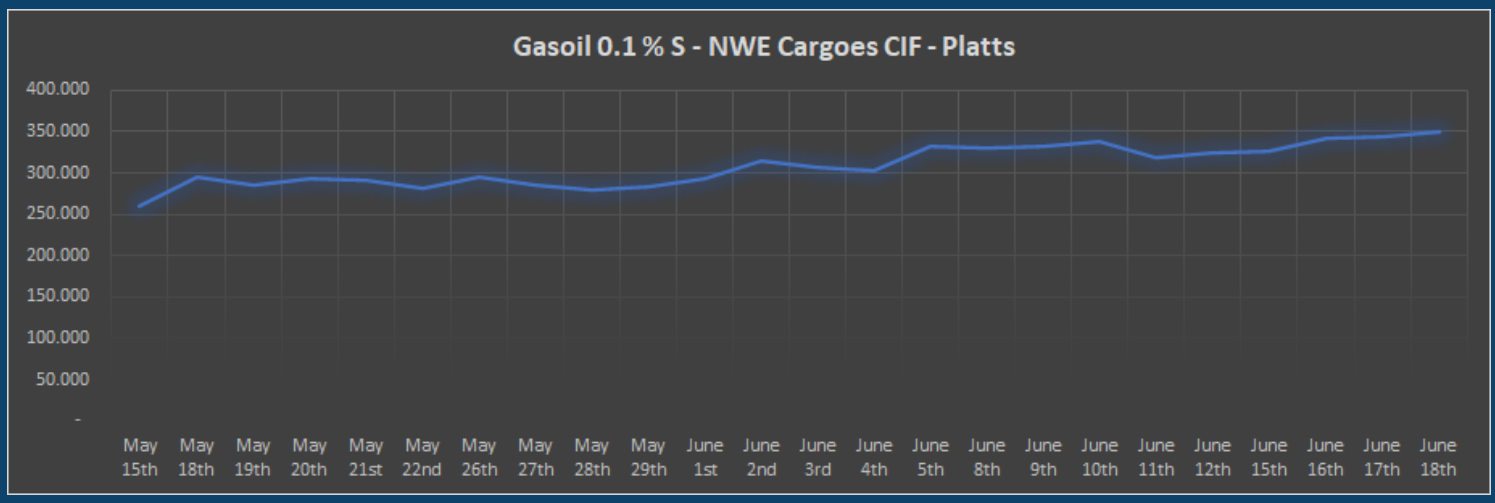
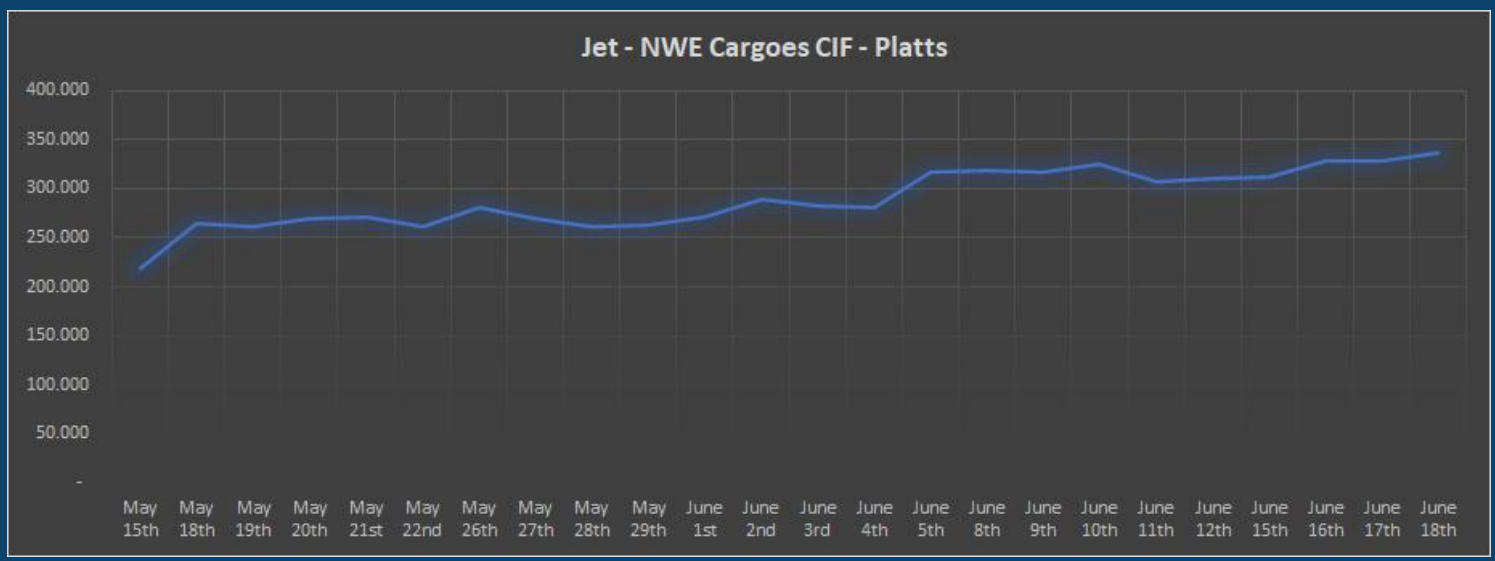
Industry WATCH

Source: S & P Global Platts
****Year - 2020***







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Industry WATCH

EX-DEPOT PRICES

LAGOS, NIGERIA

=N=/Litre	JUN 5	JUN 12	JUN 19
PMS	107.00-109.00	106.50-108.00	110.50-113.00
AGO	137.00-143.00	140.00-143.00	149.00-175.00

*Year - 2020

PORT-HARCOURT, NIGERIA

=N=/Litre	JUN 5	JUN 12	JUN 19
PMS	110.00-110.50	110.00	112.50
AGO	150.00-152.00	150.00	147.00-160.00

*Year - 2020

DELTA, NIGERIA

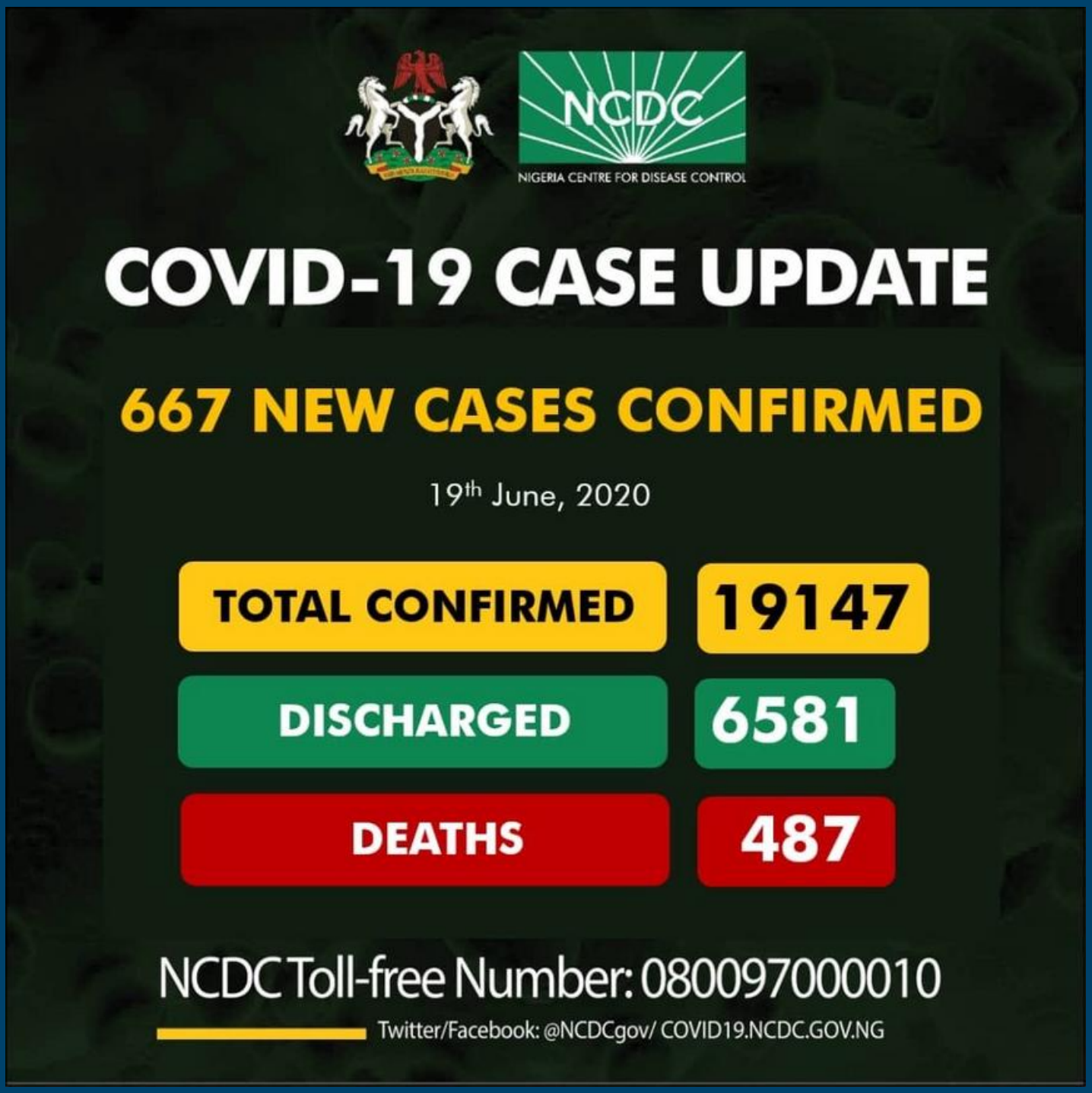
=N=/Litre	JUN 5	JUN 12	JUN 19
PMS	109.50	109.00	113.00
AGO	143.00-153.00	147.00-153.00	155.00

*Year - 2020

CALABAR, NIGERIA

=N=/Litre	JUN 5	JUN 12	JUN 19
PMS	111.00	110.00	114.00
AGO	155.00-156.00	154.00	113.00-115.00

*Year - 2020



Source: NCDC.GOV.NG
June 19, 2020

#StopTheSpread