MOMAN Major Oil Marketers Association of Nigeria

Press Release
For Immediate Circulation
Lagos: 9th May 2022

We empathise with all users of petroleum products; airline operators, private vehicle owners, logistics and transport companies, manufacturers, cooking gas users (in homes) and indeed all members of the public who are affected by the worldwide petroleum products price increases which impact logistics, transportation, distribution, and operation costs. The petroleum products downstream industry which is engaged in logistics and distribution is also suffering the impact of these higher costs brought about by the post-covid world economy and the war between Russia and Ukraine.

The escalating fuel price cycle we find ourselves in is unfortunate, MOMAN wishes to clarify to Nigerians that the situation in Nigeria is not country specific, but a global issue.

Aviation fuel (Jet A1), like other petroleum products used in Nigeria is not produced in-country and is subject to international price movements which are currently suffering the twin shock of increased post pandemic demand and the ongoing sanctions against Russia, a large producer of petroleum products. These shocks have seen international trading premiums, costs of vessel freight, and other transport costs skyrocket to worrying levels. Separately, international traders are exploiting the situation by selling only to the highest bidders.

With respect to aviation fuel, verifiable prices in West Africa range from $1.25 per litre in Ghana to as high as $1.51 per litre in Liberia and even then, the product remains scarce across the sub-region. Due to the intervention of NNPC over the last several weeks, aviation fuel is landed into marine terminal tanks in Nigeria at between N480 and N500 per litre depending on the logistics efficiency of the operator. Due to high costs of specific handling of Jet A1 (special transport and continuous filtration), the product is sold on the tarmac at Ikeja (our benchmark), between N540 and N550 per litre and across other airports at between N570 and N580 per litre. During this period of NNPC intervention, as NNPC uses the nominal CBN exchange rate, no independent importer would import aviation fuel as it is unable to access foreign exchange at the same rate, leaving NNPC as the major importer of aviation fuel for now, even though the product is deregulated. In comparative terms, the aviation industry is already benefitting from government's intervention when local prices are compared to West African regional prices, despite the

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deregulated status of aviation fuel. This situation is hardly sustainable given the already humongous N4 Trillion cost of the PMS subsidy.

These interventions are sometimes necessary to mitigate shocks and help the economy, operating environment and the public adjust to the new realities while efforts are being made and innovations introduced to optimize costs and increase efficiencies. These interventions cannot however be permanent in nature. It is our hope that the war in Ukraine comes to a speedy conclusion and the integration of products from the local refineries into the supply chain (Dangote, NNPC and modular refineries) will mitigate the high costs being borne by the government and Nigerians.

A return to cost recovery and free market and competitive economics (including access to foreign exchange at competitive rates) is inevitable for the sustainability of the production and distribution framework in the petroleum downstream industry. There is an immediate need to prepare the operating environment and indeed the larger economy for this eventual return.

MOMAN is committed to the institutionalization and sustainability of a viable Petroleum Downstream Sector in Nigeria and will continue to lend its support towards easing the burden of Nigerians at this difficult time.

Olumide Adeosun
Chairman
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