



Presentation Outline

- Background
- Discussing the sustainability of the industry
 - a) Supply and national logistics optimization
 - b) Consumer expectations
 - c) Corporate governance
 - d) Regulatory enforcement Ensuring a level playing field
 - e) Cost recovery and pricing under price deregulation
 - f) The future of gas as a transition fuel
 - g) The day after Identified risk areas
 - h) Key take aways
 - i) The way forward

Background



Nigeria's economy heavily relies on the oil and gas sector, accounting for 90% of foreign exchange earnings and 60% of government revenue. Despite being
Africa's largest oil
producer, the
industry has faced
challenges such as a
lack of
transparency, low
investment in
refining capacity,
and inadequate
infrastructure.

The Nigeria
Petroleum Industry
Act ("PIA" or the
"Act") was signed
into law in August
2021.

The PIA seeks to address these challenges by providing a clear legal and regulatory structure for the industry, promoting transparency, accountability, and fair competition, and allowing for private sector participation.

The Major Oil
Marketers
Association of
Nigeria (MOMAN)
plays a crucial role
in implementing the
Act and maximizing
the benefits for all
Nigerians.

MOMAN recognizes
the importance of
promoting
efficiency,
transparency, and
competition in the
sector and is
committed to
working closely with
the government
and other
stakeholders to
ensure effective
implementation.

The PIA's successful implementation will promote the development of local refining capacity, increase government revenue, and promote sustainable development by promoting gas as a cleaner energy source and creating job opportunities.



Supply and National Logistics Optimization

Provisions of the PIA

According to Section 108(2)(e) of the PIA, one of the functions of the National Midstream and Downstream Petroleum Regulatory Authority is to

"promote the optimization of the transportation, storage, and distribution of petroleum resources, including the development of national logistics infrastructure."

In addition, Section 102(2)(f) of the PIA requires the Minister of Petroleum Resources to ensure the optimization of the midstream and downstream petroleum sectors, including

"the development of logistics infrastructure and systems to support efficient and costeffective transportation, storage, and distribution of petroleum resources.

Supply and National Logistics Optimization

What MOMAN is doing

Supply framework

Imminent change in supply: MOMAN is recommending a transparent importation license guideline with rules on foreign exchange accessibility

Technology adoption

Product monitoring:
Adoption of the ATG
technology to monitor
availability.

The private sector is also investing heavily in logistics infrastructure

Digitized solutions: We witnessed Total Energies Plc, a member of MOMAN, launch a digitalized solution for managing its supply chain in 2020. This solution uses data analytics to optimize delivery routes and reduce transportation costs.

Policy and regulatory influence

MOMAN is recommending that the Authority determine local refining capacity. And for the balance of national requirements.

Deeper and more meaningful use of technology

Adopt advanced analytics/digital solutions to improve supply chain management which can reduce inventory cost by up to 10%.

Automation use in terminals and refineries which can improve operational efficiency and reduce the risk of accidents.

Investment in the extensive network of pipelines and open access to critical national infrastructure to reduce transportation costs and improve delivery times.

5

Consumer Expectations

Provisions of the PIA

The PIA establishes that the Authority shall, in developing customer protection regulations consider existing procedures, practices and standards issued by the FCCPC

Products must be of the highest quality and consumers are not to be exploited by petroleum product marketers.



Consumers must be treated fairly,

and their rights protected in all transactions with petroleum industry players.



Consumer Expectations

What MOMAN is doing



Sharing quality control processes and procedures: ensuring that petroleum products sold by its members meet the quality standards set by the NNPC Limited in consultation with relevant stakeholders.



- Pump integrity
- Whistleblowing
- Compliance checks



Customer Service:

- Prioritize customer satisfaction.
- Implementation of customer service training programs for staff at retail outlets, as well as the adoption of modern customer service technologies.
- Cleaner fuel....



Corporate Governance

Provisions of the PIA

01

Section 62 of the PIA requires that NNPC Limited shall ensure that an annual audit of NNPC Limited is conducted by an independent, competent, experienced and qualified auditor.

02

The title "Auditing and Reporting Requirements" establishes the requirement for downstream operators to submit regular audits and reports to The Authority.

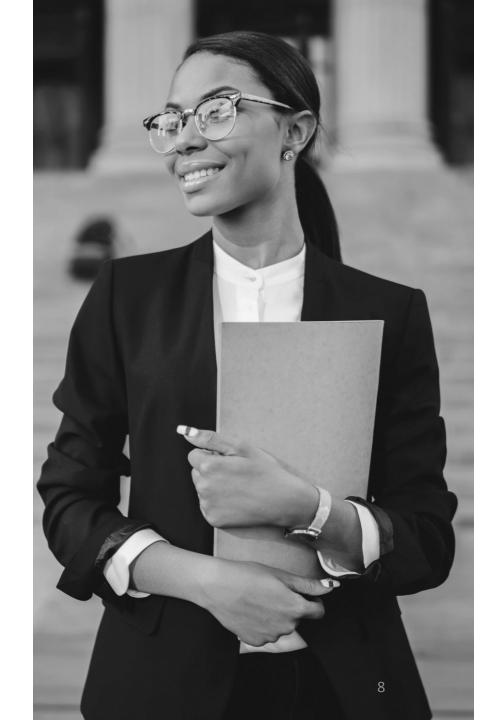
03

The PIA requires that every downstream petroleum industry operator in Nigeria to develop and implement a comprehensive risk management plan. Also, NMDPRA oversees and ensures compliance with safety and environmental regulations.

04

The Act emphasizes the need for downstream operators to conduct their operations in an environmentally sustainable manner, while also promoting social and economic sustainability.

NMDPRA is empowered to enforce environmental and social regulations and to impose penalties for non-compliance.



Corporate Governance

What MOMAN is doing

MOMAN engages with the industry regulators for an improved corporate governance structure for all MOMAN members. MOMAN has collaborated and had 2 workshops/seminars with the Federal Competition and Consumer Protection Commission (FCCPC) all in preparation for a fully deregulated downstream.

Carry out a Corporate governance workshop with MOMAN legal committee to review MOMAN's internal corporate structure.

MOMAN enlisted the help of an external consultant to help in restructuring the MOMAN Sub-Committees. There was a one-day event to re-energize the MOMAN committee, as they assume their revised roles and responsibilities.

Collaboration with Argus Media to increase transparency in product pricing. They have contributed to a workshop organized by MOMAN for the members of the press.

As part of our self-regulation, MOMAN has begun publishing a daily dashboard to effectively monitor supplies and truckouts.

Provides the regulators with real-time diagnoses of the industry

- Station wetness report
- Apapa supply hub dashboard
 Published weekly industry sheet



Regulatory Enforcement – Ensuring a level playing field.

Provisions of the PIA

A clearer approach to licensing and permits.

A stronger tone on enforcement and sanctions non-compliant operators



Establishment of specific regulatory bodies to promote a level playing field.

Transparency and disclosure from all operators via regular reports on their operations and financial activities.

Local content requirement to give preference to Nigerian companies in the award of contracts and in the hiring of personnel.

Regulatory Enforcement – Ensuring a level playing field

What MOMAN is doing

Supporting the development of a competitive market with zero monopoly and accessibility to national infrastructure

Supporting the development of innovation and technological advancement.

Promoting transparency and accountability

Engaging with policymakers

and other stakeholders to ensure that their interests are considered in the implementation of the Act and other regulations.



Engagement with the Authority and consultations on regulatory reviews investment and promoting fair competition among industry operators

Encouraging members to promote full **compliance** with the Act.

Identify areas of potential risk to trigger early action/mitigation

Advocating for fair and consistent policies and regulations, as well as providing input on issues that affect the industry.

Cost recovery and pricing under the PIA

Provisions of the PIA

1

Market-Based Pricing: Section 205 of the PIA mandates that prices of petroleum products in the downstream sector shall be determined by market-based principles.

2

Pricing Framework: Section 208 of the Act develops a pricing framework that will ensure reasonable returns to operators in the sector while protecting the interests of consumers.

3

Cost-Reflective Pricing: Section 207 of the PIA provides that the pricing of petroleum products shall be cost-reflective. This means that the price of a product should reflect the cost of producing, transporting, and distributing the product.

4

Price Monitoring: Section 169of the PIA monitors the prices of petroleum products in the downstream sector to ensure that they are in line with the pricing framework. The Authority will also have the power to sanction any operator that contravenes the pricing regulations.

Cost recovery and pricing under the PIA

What MOMAN is doing

Pushing for full deregulation of prices:

Petroleum products are currently being sold at partially deregulated rates in different regions of the country using prices currently determined by the Authority. MOMAN continues to advocate for the total removal of petroleum subsidy to reflect unit prices that is reflective of macroeconomic and market realities.



Promoting Cost Efficiency: MOMAN is promoting operational cost efficiency across the sector by encouraging the industry to adopt best practices and automation in processing, transportation, and distribution of petroleum products. This will help cost transparency and drive competitive pricing.

Advocacy and Stakeholder Engagement – From Strategy to Operations:

- Quarterly engagement with the Authority
- Supply Committee meetings to discuss joint logistics in cargo reception
- Bi-weekly meetings between MOMAN team and NNPC trading Limited and NMDPRA has improved jetty operational efficiency and optimization. (from Nov. 2022 Feb.2023, there was a reduced clearing time from about 38hrs to 28hrs respectively)

The future of gas as a transition fuel

Provisions of the PIA

The Act recognizes the importance of natural gas as a transition fuel towards a low-carbon future.

Prohibition of gas flaringWithin two years of the

Within two years of the commencement of the Act.

Development of gas infrastructure including the construction of pipelines, storage facilities, and other gas-related infrastructure. The use of natural gas for power generation and the establishment of a framework to support the sale of electricity generated from natural gas.



Development of the gas sector in Nigeria and facilitate the transition towards cleaner energy sources. **Commercialization of natural gas**

Determination of gas prices,

which is expected to promote the development of a competitive gas market and encourage investment in the sector.

The future of gas as a transition fuel

What MOMAN is doing in Natural Gas and LPG

Support for the implementation of the LPG Commercialization Program:

MOMAN, DAPPMAN and NGA control 100% of the LPG market share

Further advocacy/recommendation:

Promotion of gas-to-power: advocating for members' investments in gas-fired power plants e.g Sahara group.



Collaboration with relevant stakeholders:

Collaborating with relevant stakeholders such as the NNPCL, and other players in the gas sector to promote the efficient use of natural gas resources and the development of a competitive gas market.

Encouragement of LPG investments:

- Backward integration: Ardogreen
- Gas processing
- Storage capacity: Ardova's 20,000MT LPG storage
- Bottling capacity
- The use of CNG as PMS alternatives

Promotion of gas utilization:

Promoting the utilization of gas in other sectors of the economy, such as transportation, manufacturing, and agriculture.

The day after

Identified risk areas

Supply

• Changes in supply framework (pre-Dangote, post-Dangote)



Hoarding

- Artificial scarcity
- Increase in black market sale



PMS pump price

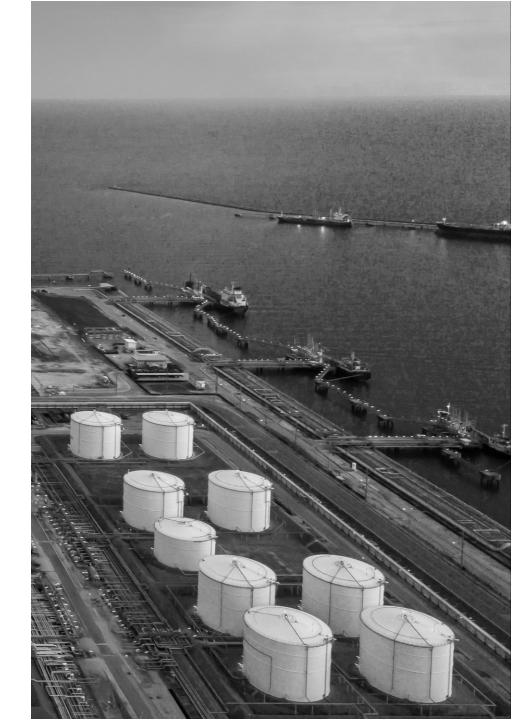
- Immediate increase in PMS pump price
- Public backlash



Product volumes

- Immediate decrease in the volume of PMS in circulation.
- Possible increase in unit margins to compensate for low volume







Key take aways

The full implementation of the Nigeria Petroleum Industry Act is expected to have a positive outlook for the downstream sector, leading to:

Supply and National Logistic Optimization

- Immediate publication of an importation license framework by the Authority
- Product monitoring
- Investment in infrastructure

Corporate governance

- MOMAN Argus collaboration
- Self-regulation
- Encourage inclusivity through MOMAN membership

Consumer Expectation

- Whistleblowing
- Compliance checks
- Managing public backlash, postderegulation.

Level playing field

- Supporting accessibility to national infrastructure
- Advocating for zero monopoly

Pricing

- Pushing for full deregulation of prices
- Promoting Cost Efficiency
- Stakeholder Engagement – from Strategy to Operations
- Reduction in fuel importation: Possible savings of \$15 billion per year on fuel imports after the implementation of the Act.
- Encourage investment: Free market pricing can encourage investment in the downstream sector, as it provides a level playing field for market players to compete fairly.
- Increased efficiency: In a free market system, suppliers are forced to be more efficient and innovative in order to remain competitive. This can lead to improvement in technology and processes which can ultimately result in cost savings for both suppliers and consumers.

The Way Forward



- Promoting best practices in HSEQ
- Managing customer expectation
- Supply, price volatility and exposure to international markets



- Palliatives (Public transportation & Agro transportation)
- Plan for and begin implementation of Net Zero
- Identify the potential pitfalls and plan to mitigate them
 - Access to FOREX/trade finance (opening LCs)
 - > Strategic stock
 - > Access to crude for refineries
 - Open access optimizing (funding, managing and operating) country logistics infrastructure (pipelines, pumping stations and storage depots



- Identify/highlight new jobs and opportunities
- Domestic stakeholders (operators, CSOs and the public)
- Communicate progress on palliative promises
- Connect regional markets (Nigeria as the regional refining hub)
- International markets (rating agencies, finance and governance institutions, COP)



- Increased job opportunities
- Growth of ancillary industries

