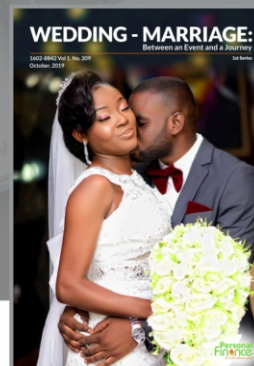
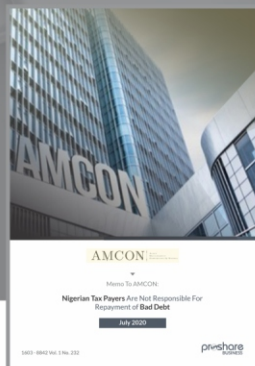
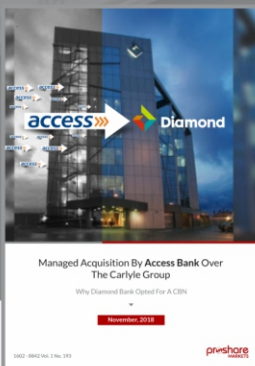
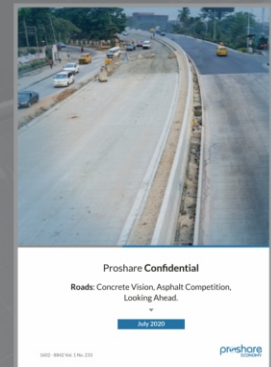
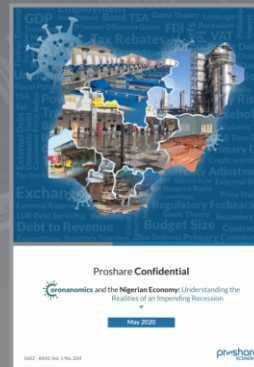
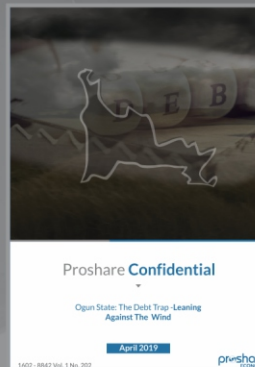
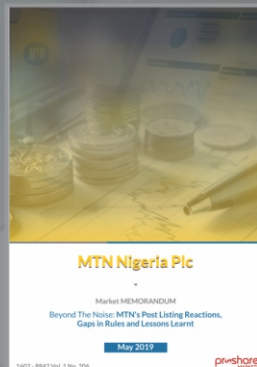
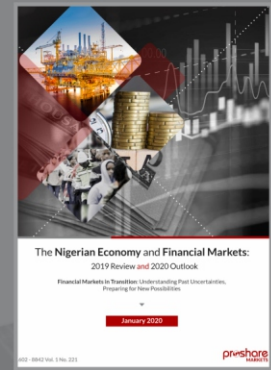
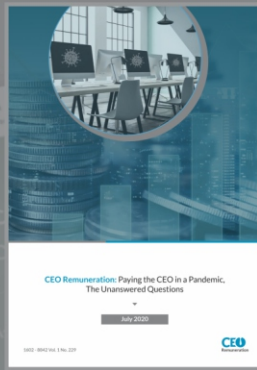
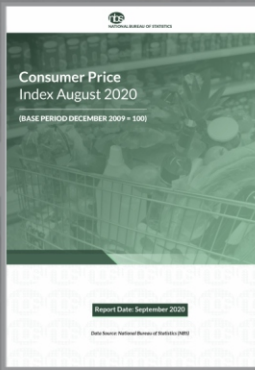


Memo To The Market

PPPRA and the Nigerian Gas Market: **Avoiding a Robinhood**



March 2021



Partnership Publication Partner

• Conceptualisation • Content • Compliance • Creatives

☎ 0700-PROSHARE 📞 +2349024075284

✉ market@proshareng.com 🌐 www.proshareng.com

🐦 @proshare 📘 ProshareNG 🌐 ProshareNigeria 📷 Proshareng 📺 Proshare Ng



Contents

🔍	Executives Summary	2
🔍	Section One: The New Gas Reality	6
	The LPG Mind Shift	9
	The Cobra Effect	11
🔍	Section Two: A New Model Beckoneth	13
	PIB and The Gas Sector: Shaping A New Model	13
🔍	Section Three: Engineering Sustainable Deregulation	20
	Gas Market Deregulation: The Nuts and Bolts	20
	Nigeria's LPG Market and The State of Play	21
🔍	Section Four: Oversight Clean As A Whistle	28
	The O&G Sheriffs Mandate	28
	The NLPGA vs PPPRA: Waiting for The Courts	28
🔍	Section Five: When LPG Fights For Breath	33
	PPPRA: The LPG Onslaught	33
	Understanding Best Practices and Pricing	33
	The Case for Appropriate Pricing	35
	Gas Pricing	36
🔍	Section Six: LPG And Friendly Feelings	37
	The Case for An Investor-Friendly Gas Market	37
	A Guide to An Investor-Friendly Regulatory Framework	38
🔍	Section Seven: Beyond COVID, The New Gas Age	43
	Conclusion: Wrestling COVID-19 and Lifting Gas	43
	Appendix	47
	References	48
	List of Tables, Charts & Illustrations	50
	Advice to Users of the Report	51
	Contacts	52

Executive Summary

Gas: A Matter of Global Best Pricing Practice

Always expect the unexpected. The oil and gas industry is terrible at predicting anything. Always have a back-up plan. -David Dixon

Dixon's quotation may be true, but the fact that the oil and gas (O&G) industry will undergo a major transition over the next decade, is not a bullet from nowhere, as crude oil demand dips and gas demand rises. The change in the composition of global energy demand would require a critical review of pricing templates to ensure that the pricing of the different energy sources is fit-for-investment. For example, gas pricing in Nigeria until recently has been determined by willing buyers and willing sellers, allowing for a price discovery process that is market-led rather than administratively determined.

The global march towards a less carbon-toxic environment has meant that companies and governments have started the great march towards friendlier power and energy sources such as gas, thereby raising the profile of this source of energy in the global economy and production matrix.

So far gas has not been trapped in the steely fingers of a cartel and pricing appears to be efficient in a conventional market sense. However, the economics of the gas market could become badly distorted if governments decide to interfere in the market price determination by introducing a battery of taxes, levies, and charges. The signs of these possibilities have started to appear in countries like Nigeria where the Petroleum Product Pricing Regulatory Agency (PPPRA) has introduced an administrative charge of N1.23k per litre of liquified petroleum gas (LPG).

Analysts have noted that the introduction of an administrative charge on local gas supply in Nigeria is an unfortunate imposition of fiscal drunkenness on economic sobriety. The major challenge with the charge is that it creates deadweight economic loss as well as discourages the demand and supply of gas, which is an outcome at variance with the federal governments proposed decade of gas policy set to increase gas use for commercial and private automobiles and domestic cooking (*see chart 1 on page 10*).

The imposition of charges on gas at a time when gas is being encouraged as a friendlier alternative energy source is counterintuitive and does not internalize the economic benefits from

“
The global march towards a less carbon-toxic environment has meant that companies and governments have started the great march towards friendlier power and energy sources such as gas, thereby raising the profile of this source of energy in the global economy and production matrix.
”

using gas rather than dual purpose kerosene (DPK) or local firewood, both of which emit environment damaging carbon. Economists have noted that charges on gas for obscure administrative reasons shift the marginal cost curve of the product upwards and lead to higher prices and lower consumer demand which combine to reduce the net present value (NPV) of gas use. The added effect would be to discourage investment in an industry that could grow employment along several value chains. Increasing product cost in an inflationary environment (domestic inflation for January 2021 was 15.57%) is ill-advised say oil and gas (O&G) economists (*see chart 2 on page 20*).

Letting the Market Speak – The Cobra Effect

The best approach to market development would be one that openly internalizes all costs associated with the sale of gas (LPG and LNG) and taxes chargeable are clear sales taxes rather than levies and charges that do not have clear paths of value addition by oversight authorities. These charges typically reflect what economists call the **cobra effect** or a situation where a solution breeds worse problems than it was meant to solve.

The charging of administrative levies on gas suppliers increases the burden on consumers and cuts back demand for cooking gas, for example. This results in consuming alternative sources of energy for cooking which could prove to be hazardous to health and a blight on the government's efforts at containing carbon emission and gradually achieving carbon neutrality. The adverse effect of carbon emission on health would play up in higher expenditure on public-sponsored healthcare and health infrastructure in addition to lost manhours resulting from the vulnerability of workers exposed to carbon-tainted workspaces.

The obvious option to dealing with these possible **externalities** would be for the government to remove administrative charges and create a friendlier market-determined price for domestic gas.

Moving forward, Cautiously

The gas age is inevitable as global demand for fossil fuel for public cars, factories, public transportation, and domestic cooking begin to decline and gas becomes the new oil. Nevertheless, fossil fuel will not disappear down a rabbit hole, the demand for fossil fuel (PMS, DPK, and AGO) will be with us for a while, but growth in demand will be

“
The gas age is inevitable as global demand for fossil fuel for public cars, factories, public transportation, and domestic cooking begin to decline and gas becomes the new oil.

”

constrained by the global pivot towards gas. For instance, Britain's carbon emissions are down by 44% while Germany's emissions are down by 29%. A trend showing that major western economies are winding down carbon-emitting fossil fuel as an energy source (*see illustration 1 on page 7*).

The gas market will expand rapidly over the next decade as oil gradually winds down, to integrate the gas future into its development plans for industry and domestic users, the pricing of the product must principally be market-determined, otherwise, price distortion emerging from official price intervention would disrupt investment, use, and supply, combined outcomes that would be unsavoury.

Section 1 of this report introduces readers to the oil and gas market and explains the dynamics of how the market works. Pointing the way forward in a gas-dominated world and how the leaning towards gas would shape the emerging global economy and its energy requirements.

Section 2 of the report visits the Petroleum Industry Bill (PIB) and examines in many strong points but draws attention to a few gaps that could prove knotty in the future, for example, a large part of the bill fails to make a distinction between the different types of gas: liquified petroleum gas (LPG), liquified natural gas (LNG) and condensed petroleum gas (CNG). While section 167 and 168 of the bill relates to LNG, the wordings are not explicit enough within the sections to clarify the meaning of the generic term 'gas'.

In section 3 the report dissects the import of deregulation and its impact on the gas market, insisting that for the market to evolve to its full potential the government must avoid the temptation of price regulation as has been the case with premium motor spirit (PMS). The market-distorting impact of price regulation could have severe consequences for investment, consumption, and business development.

Consideration of the regulatory mandate of oil and gas (O&G) oversight agencies was made in **section 4** where it was argued that it was an anomaly to charge an administrative fee for a commodity that had been price-deregulated and no service could arguably be attributed to the administrative charge of N1.23 per litre by the Petroleum Product Pricing Regulatory Agency (PPPRA), a cost which passes on to consumers and results in a 'deadweight'

“
For instance, Britain's carbon emissions are down by 44% while Germany's emissions are down by 29%. A trend showing that major western economies are winding down carbon-emitting fossil fuel as an energy source
”

economic/market loss (*see chart 1 on page*).

Section 5 of the report tackles issues of pricing of LPG and the need to keep the market both consumer and investor-friendly to enable the country lean successfully into the new gas age without the problems associated with the oil market. Keeping the gas business catholic by avoiding avoidable costs and unfriendly regulatory practices is critical to sustaining industry efficiency and competitiveness. This significance is underlined in **section 6** that makes the case for an investor friendly market.

The concluding section of the report, **section 7** reviews the impact of the global health pandemic on global supply and demand of gas, both LPG and LNG and looks at the future of the market in a more stable and less fragile global marketplace. The wrap-up section emphasizes that the market was the best arbiter of price and supply/demand and the less the potential distortions that could arise from public sector bureaucracy the healthier the market.

“
Keeping the gas business catholic by avoiding avoidable costs and unfriendly regulatory practices is critical to sustaining industry efficiency and competitiveness
”



Section One: The New Gas Reality

Introduction

With COVID-19 presenting a great cover story to avoid facing the pre-existing issue of cleaner global energy production and greener use of the environment with lower levels of industrial waste and higher rates of recycling, the journey of gas as an energy source has moved from backroom gossip to boardroom slide decks. The new pivot towards cleaner energy opens unexpected opportunities for Nigeria's fledgling gas market.

Nigeria produces both associated and non-associated gas with a reserve estimated at 202trn standard cubic feet (Tcf) of gas in the ground. Oil and gas analysts project that the country has an extra 650Tcf to 700Tcf of unaccounted gas reserves because of the low base of gas exploration activities in the country, with most associated gas (AG) produced by the oil majors being flared off. However, gas flaring has been reduced from over 65% of production in the late 1990s to less than 20% in more recent sector audits.

Nigeria is ranked ninth in the size of proven global gas reserves. The current size of the nation's gas reserves is expected to last the country at present rates of production and consumption for another 60 years.

Between 1999 and 2019 the Nigerian Liquefied Natural Gas (NLNG) Company converted 193.6Bcm (billion standard cubic metres) or 6.84Tcf (trillion cubic feet) of AG to export products showing the rising importance of gas as an export earner and an export earnings risk diversification strategy. As the world goes green with the environment becoming more of a business concern to C-suite executives across the globe, Nigerian boardrooms will also have to address the matter of increasing the proportion of gas use relative to coal and sundry 'white' oils. The rise of the environmental, social, and governance (ESG) framework as part of the boardroom planning process indicates a post-COVID-19 reality that centres on more balanced approaches to business expansion. While profitability will remain an important part of the enterprise puzzle it will not be the only piece that will create the corporate picture of the future.

The world of gas will grow exponentially as commercial and private vehicles shift from premium motor spirit (PMS) or automotive gas oil (AGO) to compressed natural gas (CNG) to power their engines as families move from dual-purpose kerosene (DPK) to liquefied petroleum gas (LPG) to cook daily meals. The new world of gas would

“Nigeria is ranked ninth in the size of proven global gas reserves. The current size of the nation's gas reserves is expected to last the country at present rates of production and consumption for another 60 years.”

be cleaner, cheaper, and more sustainable as fossil fuel gradually but predictably loses energy market share.

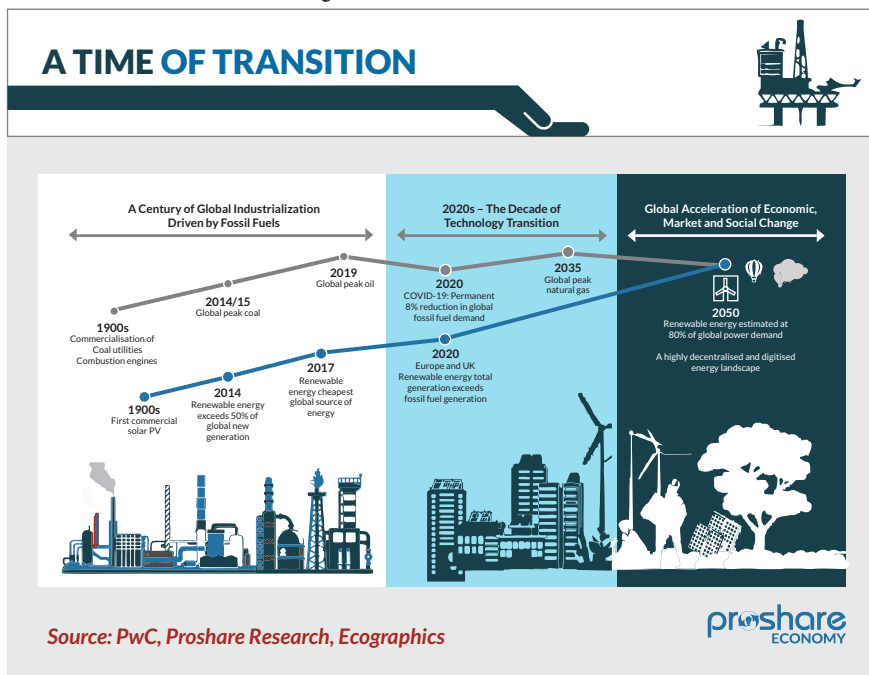
In its report on the oil and gas sector in 2020, **Proshare’s Confidential Report** on the sector noted on **page 76** that “The notion that the oil industry will suddenly disappear is wrong, but so also is the belief that oil-producing countries have time to scrape by as the world pivots to new energy sources. The reality would seem to lie somewhere between both outcomes.

Oil and gas companies will need to change their business models with less dependence on revenues from oil over the next decade while they also would need to ramp up their development of gas and its various uses in both industrial and domestic settings. With companies increasingly concerned about environmental, social, and governance (ESG) matters, the business environment will sashay towards friendlier environmental and social practices with higher emphasis placed on corporate governance and its consistent attention to best corporate practices” (see *Illustration 1* below).

“Oil and gas companies will need to change their business models with less dependence on revenues from oil over the next decade while they also would need to ramp up their development of gas and its various uses in both industrial and domestic settings.

”

Illustration 1: A Time of Transition




The **Proshare Report** further observed on **page 77** that “Forward-facing technology will require forward-facing management, the key managerial imperatives in 2021 in the O&G sector will be imagination, strategy, and rethinking. The O&G models of the past will have to be unlearned; the present realities will require new approaches to be learned while the future would need managerial


relearning. The big industry agendas of 2021 will gravitate around the energy needs of a climate-sensitive ecosystem that disavow the clunky smokestack factories of the past.

The new business mindset would need to address the cost efficiencies that would make cleaner manufacturing and power generation practical and affordable. Therefore, O&G firms will have to drive operational models that cut costs, reduce time to market, and integrate horizontal and vertical value chains to deliver goods in a cheaper, cleaner, and safer manner. This is not impossible, but it is a massive request to ask from companies that are not familiar with such levels of technological innovativeness, operational efficiency, and cost-effectiveness” (see Illustration 2 below).

“The big industry agendas of 2021 will gravitate around the energy needs of a climate-sensitive ecosystem that disavow the clunky smokestack factories of the past.”

Illustration 2: Reimagining Oil, Gas, and Technology

TECHNOLOGY AND THE NEW O&G APPROACH				
Ways of working	Promote	Improve	Lighten	
Rationalize activity	↑	↗	↘	Reduce nonvalue-adding activity lists and frequency of each activity when it is not required.
Simplify workflows and centralize activities	↑	↗	↘	Task delivery is improved through simplification. Centralizing onshore workflows enables dynamic resource allocation
Execute maintenance activities in campaigns	↑			Carrying out maintenance in planned campaigns increases flexibility
Transition into agile	↑	↗	↘	Carrying out maintenance in planned campaigns increases flexibility
Multi-skilling	↑	↗	↘	Maintenance hours and costs can be reduced by training workers in a variety of skills.
Outsourcing and strategic partnerships with suppliers	↑	↗	↘	Outsourcing offshore FTEs' and strategic partnerships can reduce overall spending and increase resource flexibility
Data-driven production optimization				
Apply advanced analytics for maintenance	↑	↗		The use of analytics can cut losses through better equipment maintenance and productivity improvements.
Improve well and reservoir management	↑	↗		Greater waterflood and gas-lift efficiency can increase production

Source: McKinsey, Proshare Research, Ecographics 

Deriving from emerging issues with the industry's major oversight bodies such as the department of petroleum resources (DPR), the Petroleum Product Pricing and Regulatory Agency (PPPRA), and National Petroleum Investment Management Services (NAPIMS), the managers of these agencies must buy into a new forward-thinking mindset devoid of old biases and ancient loyalties. The template for this new thinking might be seen in the local cooking gas (LPG) market.

The LPG Mind-Shift

The liquified petroleum or cooking gas (LPG) market is a mind-shifter and game-changer. Nigeria's gas industry will need to grow quickly, efficiently, and effectively if the local cooking gas market is to move the carbon-reduction needle towards carbon-neutrality within the decade and nudge users of wood, coal, and kerosene to switch to domestic gas. The local gas market will have to stand on its haunches and brave the challenges of mid-stream distribution difficulties as it attempts cost-reflective pricing. ***This is the critical microeconomic reason for this current memo to the market.*** Proshare's extensive research and public policy engagements suggest that the pricing of gas products could make or mar the O&G industry. If gas is priced in a way that does not reflect cost plus an operating margin, then no new investment in the domestic gas value chain can be expected over the next decade and this would slow down the race towards carbon-neutrality by 2030.

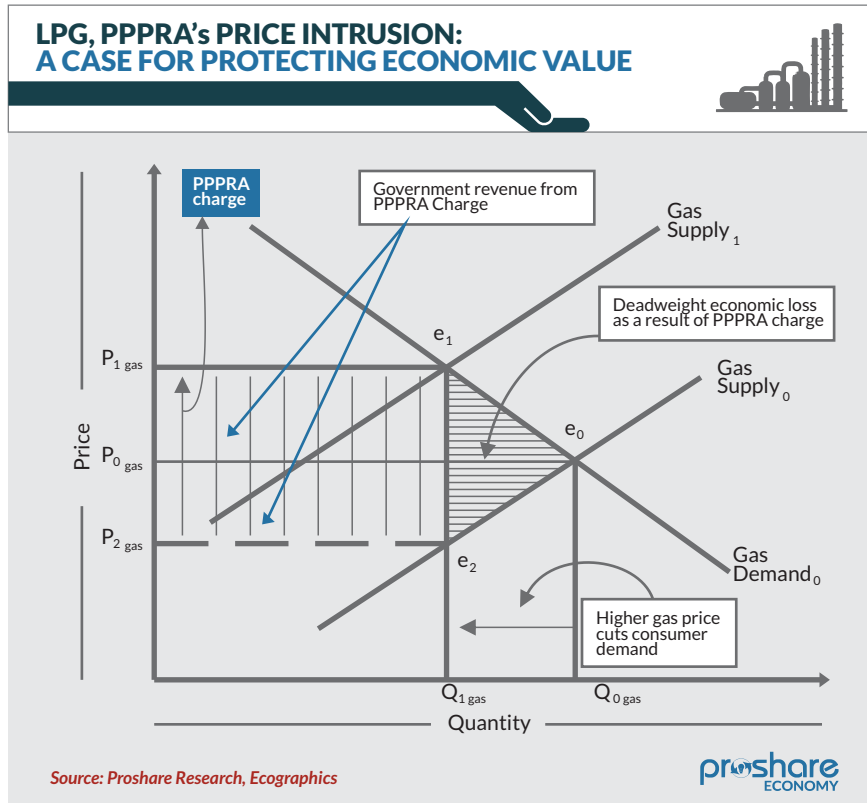
This brings to the fore the need to understand the Petroleum Pricing and Regulatory Authorities' (PPPRA's) slapping of an 'administrative charge' on the sale of LPG in the domestic market. Given the fact that the sale of LPG operates within a price-deregulated market framework, the PPPRA's charge on sales is a technical, market, and administrative oddity, which appears to be inconsistent with global best practices and is suggestive of value-destroying market distortion. The PPPRA's administrative charge claws at the consumer's microeconomic surplus and transfers value from consumers to a government agency that provides no identifiable service-for-fee.

As shown in the illustration below an administrative charge on LPG by the PPPRA would shift the product supply curve northwest and would raise product price and reduce product sales. The combination of these two effects, assuming that the quantity of gas demanded remains constant, would create 'deadweight' economic loss as represented by the triangle e0, e1, and e2 in the policy illustration below. This shows that the PPPRA charge would shrink both consumer and producer surplus (not illustrated in the diagram) as a fall in the product supply leads to a rise in price and a reduction in the quantity of gas demanded hence denying Nigerian consumers the market-determined value of domestic cooking gas that existed before the PPPRA decided to impose an administrative charge in Q3 2020 (*this would be the consumer's accrued benefit from cost-reflective pricing of cooking gas before the PPPRA introduced its administrative charge in September 2020*).

“Proshare's extensive research and public policy engagements suggest that the pricing of gas products could make or mar the O&G industry.”

”

Chart 1: LPG: Implication of PPPRA's Revenue Mongering



“*Negative externalities are the unintended or unseen or unmeasured consequences of a government or its agencies' policies or activities designed to influence the price or quantity of a good or service.*”

Analysts note that at a time global economies have increasingly encouraged citizens to engage in the climate-friendly use of energy, the PPPRA administrative charge introduces to the local gas market what economists have enigmatically called a **negative externality**. Negative externalities are the unintended or unseen or unmeasured consequences of a government or its agencies' policies or activities designed to influence the price or quantity of a good or service. For example, a rise in the cost of cooking gas would discourage poor communities from using cooking gas to prepare their meals and this, in turn, would encourage families to cook with firewood or kerosene which are less environmentally-friendly forms of energy. The use of firewood would worsen the already debilitating consequences of deforestation (pastoralists and farmers perennial conflict) which would not only lead to climate change but also damage arable farmland thereby causing a rise in the cost of food which in turn would push food inflation up and worsen local poverty.

The narrow fiscal consideration of PPPRA’s administrative charge ignores the wider and more complex microeconomic outcome beyond augmenting the agency’s treasury. Also, since the PPPRA budget is fully-funded by the federal government to ensure that its pricing template is unaffected by revenue and operational

considerations, its decision to place an administrative charge on a product it performs no function in determining price is alien to global best commercial practices. The agency's intrusion into the price determination of local gas conflicts with the concept of a market-determined price mechanism and sends mixed signals to prospective investors in the sector.

Passage and approval of the petroleum industry bill (PIB) would eliminate the need for the PPPRA as a price regulator in the oil and gas sector, in particular, the PPPRA has no administrative function in a price-deregulated product market. The gas operators in the system should be regulated by the department of petroleum resources (DPR) which would set operational standards for market participants and allow prices to be determined by the forces of demand and supply.

Steering clear of the cost and price determination function of the market would lead to fewer misgivings about the government's sincerity in encouraging private sector investment in the domestic gas business.

The PPPRA may need to sidestep avoidable conflicts that are not shaped by its statutes which prescribes its standard operating procedures (SOPs). The PPPRA is not expected to be part of the cost or price formation process for entities doing business in the price-deregulated local gas market, it is that simple, and needs not to be crafted to appear more complex.

The Cobra Effect

PPPRA's administrative charge may prompt what behavioural economists call a '*cobra effect*' where the medicine is worse than the disease and the official charge creates avoidable disincentives and breaches the codes of fiscal optimization that require that a charge prices-in the marginal value-addition to the marginal cost of the service rendered. Since the PPPRA does not provide measurable value-addition in the LPG price discovery process, the administrative charge is sub-optimal and reflects a deadweight loss borne by gas consumers. In other words, consumers get bitten by the Cobra's fangs.

LPG: What the Fortune Cookie Says

The LPG market has immense headroom for growth as gas use in the domestic Nigerian economy is still relatively low. How fast and how

“*Passage and approval of the petroleum industry bill (PIB) would eliminate the need for the PPPRA as a price regulator in the oil and gas sector, in particular, the PPPRA has no administrative function in a price-deregulated product market.*”

large the growth will depend on the administrative and pricing environment that buyers and sellers find themselves. In a market that is price-competitive with no regulatory distortions and the industry-standard operating procedures (SOPs) set by the DPR, the gas market would likely flourish and lead to a diversification of the O&G sector as gas variants become choice sources of domestic and industrial power generation, domestically and industrially.

If economies of scale and scope can bring prices down, then the demand for gas would rise and gas producers would be able to scale up revenues and output over the medium to long-term. This should be the likely outcome in 2021 as the government signs-off on the petroleum industry bill (PIB), and price-distorting regulatory action is nipped at the root. The signing of the PIB should incubate new life in the local O&G sector and allow larger cash flows into the business as investors see private market-influenced opportunities. Actions taken between 2021 and 2022 will shape the contours of the industry over the next decade.

Though the PIB as currently drafted has some conflicts, which may create a more challenging operating environment for the LPG industry, the specific provisions for the creation of the Nigerian Midstream and Downstream Petroleum Authority (the “Authority”) at least removes some of the regulatory overlaps that are currently crippling the industry by merging functions of the DPR with the defunct PPPRA

“
If economies of scale and scope can bring prices down, then the demand for gas would rise and gas producers would be able to scale up revenues and output over the medium to long-term.
 ”

The PIB And the Gas Sector-Shaping A New Model



Section Two: A New Model Beckoneth

The PIB And the Gas Sector - Shaping a New Model

The PIB has several proposals which could alter Nigeria's straggly oil and gas industry. A large part of the new regulation would be borne by the Midstream and Downstream Regulatory Authority which would be created by **Section 52 of the Bill**.

The responsibility of the new regulator would be to provide oversight over technical, operational, and commercial activities and ensure the safe, efficient, and sustainable infrastructural development of midstream and downstream businesses. The proposed body would also implement the Nigerian Gas Transportation Network Code by developing open-access rules for the transportation of petroleum liquids and natural gas. The Bill additionally authorizes the Authority to create a Midstream Gas Infrastructure Fund for making equity investments of Government-owned participating or shareholder interests in infrastructure related to midstream gas operations. Industry professionals hope that the activities of the Fund would not only increase private investment but also boost domestic consumption of natural gas in Nigeria in projects partly financed by private investments. **Section 52 (16)** goes further to shield the Fund from the reach of the Fiscal Responsibility Act, Infrastructure Concession Regulatory Commission Act, and the Public Procurement Act. It however would be subject to the Midstream Gas Infrastructure Fund procurement and fiscal regulations.

The bill creates the Nigerian National Petroleum Corporation Limited under **Section 53** as a successor to the Nigerian National Petroleum Corporation (NNPC) and will commence operations within six months of the bill becoming law. Therefore, under subsection c, the NNPC will cease to exist once its assets, liabilities, and interests are transferred to NNPC Limited. **Section 64 (d)** gives the new company rights to natural gas under production sharing contracts which were entered into before the bill was passed into law.

Section 70 (c) of the proposed law specifies that the petroleum mining lease may be granted to qualified applicants, permitting them to 'win, work, carry away, and dispose of crude oil, condensates, and natural gas'. The Nigerian Upstream Petroleum Regulatory Commission would, under the new arrangement, have the responsibility to grant the relevant licenses.

A notable feature of the Bill is the penalizing of gas flaring except in the case of an emergency, where doing so would constitute a safe practice under acceptable regulations, and where it was done in

“*Section 70 (c) of the proposed law specifies that the petroleum mining lease may be granted to qualified applicants, permitting them to 'win, work, carry away, and dispose of crude oil, condensates, and natural gas'.*”



consideration of an exemption granted by the Commission.

In the meanwhile, natural gas licensees would be required to install metering equipment to measure the amount of gas being flared at a facility and by virtue of **Section 108**, submit a natural gas flare elimination and monetization plan within 12 months of the Bill's effective date. Following a regulation or guideline enacted under the Bill, the Commission would impose on a lessee (i.e., a holder of a petroleum mining lease) a domestic gas delivery obligation before the 1st of March of each year depending on the domestic gas requirements. Lessees may also choose to exercise the option of entering a contract with wholesale customers of the strategic sectors or wholesale gas suppliers which supply the sectors for delivery of marketable natural gas to the customers or suppliers.

Once this is done, they are required to notify the Commission. Where the volume of gas to be transacted is equal to or higher than its domestic gas delivery obligation, the lessee will be deemed to have satisfied its domestic gas delivery obligation. However, further amounts of natural gas may still be supplied to the domestic markets. Lessees may also be required upon the Bill's implementation, to implement works and operations geared at increasing production and channeling some to the domestic market. The requisite amount to be allocated to the domestic market shall be determined by the Commission in consonance with the Authority to support infrastructure availability.

A fraction of the natural gas is also required to be allocated to a wholesale customer to be determined by the domestic gas aggregator. Failure to discharge these duties will incur a penalty under **Section 110 (8)**. Lessees are additionally required to now submit a marketable natural gas production and supply plan which is consistent with the plans of the Authority.

By **Section 110 (11)**, the Commission may discontinue imposing domestic gas delivery obligations where in its opinion, the natural gas market has obtained full market status. Lessees who however fail to comply with domestic gas delivery obligations will be held liable to pay a fine and also will not be entitled to supply natural gas to any midstream gas export operations. They are also required to obtain a license for several activities in the gas industry which include establishing, constructing, or operating a facility for either the processing or storage of natural gas, a gas transportation pipeline or a gas transportation network.

“
The requisite amount to be allocated to the domestic market shall be determined by the Commission in consonance with the Authority to support infrastructure availability.
”

Other activities requiring licensing include engaging in bulk transportation of natural gas by rail, barge, or other transportation means, the wholesale supply of gas, construction, or operation of petrochemical or fertilizer plants, and lastly, establish, construct, or operate a terminal, jetty, or other facilities for the export or importation of natural gas. Licenses are also required for retail trading of natural gas, establishment, construction, or operation of a facility for a gas network, or the supply or trading of natural gas. The Authority may also via regulation prescribe additional activities which may be carried out with a license.

Under **Section 125 (4)**, the Authority may penalize a party who does any of these activities without a license or permit by seizure of the premises where the activity is carried and/or seizure of the facilities by which the activities were undertaken, among others. Any subsisting holder of a license is also required to obtain a new license within 24 months of the Bill becoming effective. The Midstream and Downstream Regulatory Authority also are empowered under the Bill to issue new regulations on midstream and downstream gas operations.

Section 129 states the facilities which a licensee may operate and maintain. These include gas processing plants, gas conditioning plants, gas to liquids plants, liquefied natural gas plants, ethane extraction plants, and other plants requiring a license in the Authority's opinion. **Section 132, 135, 138, 142, 148, 153** provide for the grant of licenses for bulk gas storage, gas transportation, gas transportation network operator, wholesale gas supply, retail gas supply, gas distribution, and gas aggregation.

*Another provision of the Bill that would significantly affect gas pricing appears in **Section 167** which empowers the Authority to determine the domestic base price for the power sector, commercial sector, and gas-based industries for each year. It would continue to wield this power for as long as in its opinion, the control of natural gas prices for the strategic sector is required. However, the price control and role of the domestic gas aggregator will not be required where willing buyers and sellers contract for free market-based natural gas dominate the domestic market and the transactions for producer and consumer clients represent less than 20% of total transactions. The domestic gas aggregator would also establish procedures based on the Authority-determined prices. This in turn would be the determiner for the aggregate price of gas for a month.*

“
Licenses are also required for retail trading of natural gas, establishment, construction, or operation of a facility for a gas network, or the supply or trading of natural gas.
”

The marketable natural gas price applicable to the power sector will be the domestic base price at the marketable natural gas delivery point. **Section 167 (7)** also provides that gas retailers and distributors are not considered part of the strategic sectors and hence, shall negotiate the supply and pricing of their natural gas directly, insofar as the applicable price for gas distributors for the marketable natural gas at the delivery point is less than that of the commercial sector. **Sub-section 7** on the other hand states that wholesale customers of those in the strategic sectors, gas retailers, and gas distributors will bear the transportation costs from the marketable natural gas delivery point to their facilities. These customers also have the option to either use existing transportation networks or obtain a license to transport their natural gas.

The Bill also lays down a new pricing formula in the **Fourth Schedule** which will regulate prices for gas-based industries. **Section 168** further gives more provisions as regards pricing, namely: that the floor price for gas-based industries will be \$0.90 per MMBtu and the ceiling price shall be the domestic base price applicable for any particular year. The Authority may additionally regulate prices where it determines that a certain licensed service is a monopoly activity, existing competition is not at a level beneficial to consumers, and that a particular licensee is a dominant provider. It may also conduct periodic pricing methodology reviews. **Section 172** states that the body also has the power to impose a **public service levy** on consumers for the recovery of costs incurred in satisfying public service obligations if in its view, doing so is in the interest of the public. It also is charged with a responsibility to fix a domestic gas demand requirement which will be the total amount of marketable natural gas required for all wholesale customers of strategic sectors. For clarification, 'strategic sectors' are defined under **Section 318** as the power sector, gas-based industries which consist of firms using gas as a feedstock or industrial raw material, and commercial sectors (consisting of industries which the Authority determines use gas as an energy source). Wholesale customers of this sector are permitted to negotiate with suppliers or lessees regarding their supply contracts. On the other hand, it may also choose to not do so where it thinks that the contracts are satisfactory for its requirements. Following this, it is duty-bound to inform the Authority that there is no need to be a customer client of the domestic gas aggregator. It is also required to furnish the Commission with information about the lessees from which the required marketable natural gas has been acquired. (*See Illustration 3*).

“For clarification, 'strategic sectors' are defined under Section 318 as the power sector, gas-based industries which consist of firms using gas as a feedstock or industrial raw material, and commercial sectors (consisting of industries which the Authority determines use gas as an energy source).”

Illustration 3: Provisions in PIB 2020




“
The PIB creates opportunities for public sector intrusion into the price determination process for the gas and may not have addressed the underlying problems of a price-deregulated O&G sector.
 ”





The PIB creates opportunities for public sector intrusion into the price determination process for the gas and may not have addressed the underlying problems of a price-deregulated O&G sector. The PIB appears to simply change nomenclature rather than changing the substance of the market framework. Setting the terms for the lower band of gas pricing creates downward stickiness for the pricing of gas and establishes a template that is subject to administrative whims and perhaps caprices.

Taxes, levies, fees, and charges (*see illustration*) are already disrupting market pricing and distorting product prices. The insertion of public policy charges into an O&G product pricing model serves to raise costs and burden consumers, the extent of the consumer burden depends on the sensitivity of consumers to changing prices, or put differently, it would depend on how consumer's buying preferences are influenced by what economists usually call a product or service's price elasticity of demand. *It should, however, be noted that the pricing structure for gas that the petroleum bill refers to is liquified natural gas (LNG) and not liquified petroleum gas (LPG), but the reference to gas in the Bill sometimes leads to confusion over which particular gas type is being referenced.*


Illustration 4: A Guide to Taxes, Fees, Levies, and Charges

LPG; THE DIFFERENT INTERPRETATIONS GOVERNMENT LEVIES, SINS OF THE DICTIONARY



<div style="text-align: center;"></div> <p>Taxes</p> <p>A tax is an involuntary pecuniary burden laid upon individuals or property to support the government and exacted by legislative authority. It also is an umbrella term for any contribution imposed by government upon individuals, for the use and service of the state, whether under the name of toll, impost, duty, custom, excise, subsidy, aid, supply, or other name. To this extent, fees, levies, charges are considered forms of tax.</p>	<div style="text-align: center;"></div> <p>Levies</p> <p>A levy is the legislative function and declaration of the subject and rate of the amount of taxation. It may also refer to the rate of taxation.</p>
<div style="text-align: center;"></div> <p>Fees</p> <p>A fee is a charge fixed by law for services of public officers or for the use of a privilege under control of government. It refers to a recompense for an official or professional service or a charge or emolument or compensation for a particular act or service. It may be paid for a service which already has been done or is yet to be done.</p>	<div style="text-align: center;"></div> <p>Charges</p> <p>A charge is an obligation or duty which a party is liable to satisfy. It also refers to a price required to be paid for providing goods or services.</p>

Source: Black's Law Dictionary Revised 4th Edition, Proshare Research, Ecographics



“*The struggle to keep gas and non-PMS oil prices uncomplicated is arguably a reason why associations such as the Nigerian Liquefied Petroleum Gas Association have gone to court over the PPPRAs administrative charge.*”

The struggle to keep gas and non-PMS oil prices uncomplicated is arguably a reason why associations such as the Nigerian Liquefied Petroleum Gas Association have gone to court over the PPPRAs administrative charge. The courts are yet to determine the appropriateness or otherwise of the charge, but the economic impact assessment suggests a rise in deadweight loss and an upward adjustment in the consumer retail cost of gas (see illustrations 5 & 6).

For all Economic, Business, Market & Personal Finance Updates

Connect with us & #ASKPROSHARE


LIKE
 ProshareNG


FOLLOW
 @proshare


TEXT ADD ME
 +2349024 075284


JOIN
 +2349024 075284


FOLLOW
 Proshareng


SUBSCRIBE
 Proshare Ng


CONNECT
 Proshare Nigeria

for more info, Call: 0700PROSHARE
www.proshareng.com/market





Illustration 5: NLPGA vs PPPRA

NIGERIA LIQUEFIED PETROLEUM GAS ASSOCIATION LTD/GTE V. PETROLEUM PRODUCTS PRICING REGULATORY AGENCY (PPPRA) AT A GLANCE

Court: Federal High Court, Lagos Division

Plaintiff:
Nigeria Liquefied Petroleum Gas Association (NLPGA)

Defendant:
Petroleum Products Pricing Regulatory Agency (PPPRA)

CASE:

- PPPRA imposes an ad valorem administrative charge on liquefied petroleum gas as a petroleum product.
- The NLPGA files an originating summons on 12 January 2021, challenging the administrative charge.
- The NLPGA asserts that the price of gas is deregulated and thus the PPPRA has no power to impose a pricing policy in respect of it.
- It additionally argued that the Agency renders no service which justifies the imposition of an administrative charge.
- The case remains pending and is yet to be heard at the court.

Source: Proshare Research, Ecographics

Illustration 6: Summons of NLPGA

THE ORIGINATING SUMMONS OF NIGERIA LIQUEFIED PETROLEUM GAS, DISTILLED

ISSUES	SUPPORTING ARGUMENTS	RELIEFS SOUGHT
Whether the PPPRA can, under its Establishment Act (the Act) and the Petroleum Commercial Framework Regulations (the Regulations) impose administrative charge on liquefied petroleum gas without rendering any services.	As the defendant may only impose an administrative charge for services which it has provided in the petroleum industry, the charge is unjustified because it offers no services to the plaintiff.	A declaration that the administrative charge imposed by the PPPRA on liquefied petroleum gas of the plaintiff's members and traders is null and void.
The Agency's ability to generate revenue from the plaintiff for the performance of its statutory functions.	The Act only permits the Agency to generate revenue for services which it provides in the petroleum industry.	A declaration that the defendant lacks the powers to impose sanctions due to failure to pay the administrative charge.
Whether the Regulations as subsidiary legislation can confer additional powers on the Agency which are not in the Act.	The Regulations are unable to confer any powers inconsistent with the Act.	An order setting aside all steps taken by the PPPRA to enforce the administrative charge.
The PPPRA's ability to provide any services as those stated as part of its statutory functions under Section 7 of the Act.	The Act does not empower the defendant to impose any administrative charges for the performance of its statutory functions.	A declaration that 'service' as used under Section 10(d) of the Act is not the same as the lawful functions for which the Agency can generate revenue.
The PPPRA's failure to publish a comprehensive list of its functions as a violation of the Presidential executive order 001 of 2017 on ease of doing business.	The Agency's failure to state the basis of the administrative charge as well as the services offered violated the transparency requirement of the Order.	An order of perpetual injunction restraining the defendant and its affiliated parties from further demanding for the administrative charge.
The legality of the N1.23k administrative charge.	The administrative charge is illegal as the Agency is incapable of unilaterally introducing an administrative charge to alter its revenue base.	An order of perpetual injunction restraining the PPPRA from interfering with the business operations of the plaintiff's members for failing to pay the administrative charge.

Source: Proshare Research, Ecographics

Proshare Confidential
Goodbye 2020, Hello 2021: Understanding the Mega Trends of a Crucial Year for an Economy
January 2021

Out Now

0700-PROSHARE | +2349026075284
 market@proshareng.com | www.proshareng.com
 @proshare | #proshare | #proshareng | #proshare | #proshareng

Section Three: Engineering Sustainable Deregulation

Gas Market Deregulation: The Nuts and Bolts

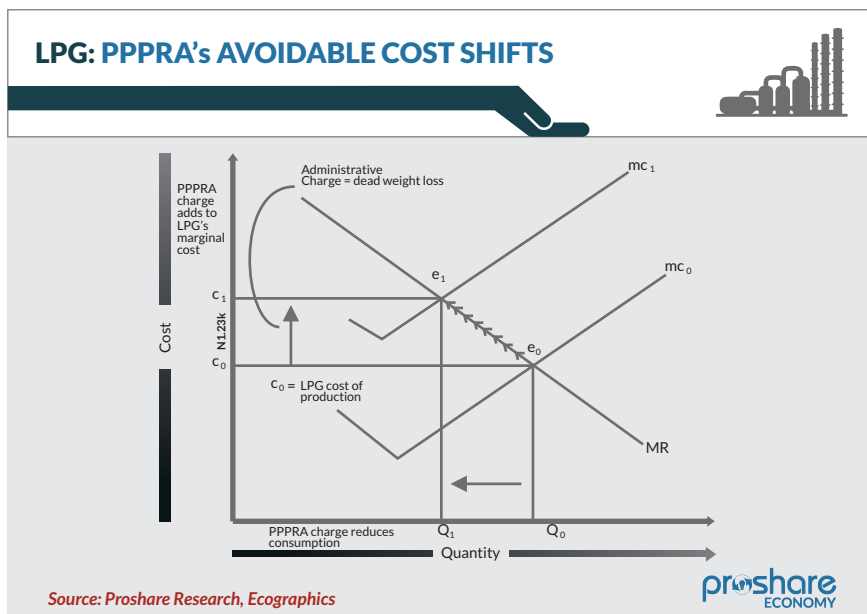
The Nigerian gas market is broadly deregulated meaning that the price of the commodity is determined by the market or at least should be. The determination of the price of LPG, for example, is expected to be the result of an alchemy of product cost pricing plus a margin and the economist favourite market construct of demand and supply. To muddy the pool a bit the market operator would add the cost of logistics and storage. A lot would also depend on what the end-user would be willing to pay at prevailing retail prices as demand falls as retail prices rise and rises the lower the minimum price the sellers are prepared to sell.

A problem of market distortion emerges when regulatory bodies decide to muscle in on the price determination mechanism by introducing charges, fees, and levies. This would push up the marginal cost of the product and pass higher costs to the users of gas, by how much? This would depend on how important the gas is to the consumer, if consumers find LPG gas the preferred source of cooking, then demand would be said to be 'inelastic' meaning that most of the additional cost (such as the PPPRA's N1.23) would be passed to the consumer, but if a cost price results in a shift to near substitute products such as kerosene, wood, and coal, then demand becomes more elastic and most of the incidence (weight) of the PPPRA charge would fall on gas retailers. The current total industry cost of the PPPRA administrative charge comes to roughly N2.5b (US\$5m) annually which is passed on to the consumer as is part of the industry's 'deadweight' loss (see Chart 2 below).

“A problem of market distortion emerges when regulatory bodies decide to muscle in on the price determination mechanism by introducing charges, fees, and levies.”

”

Chart 2: PPPRA Revenue Drive and The Cost Monster



Source: Proshare Research, Ecographics

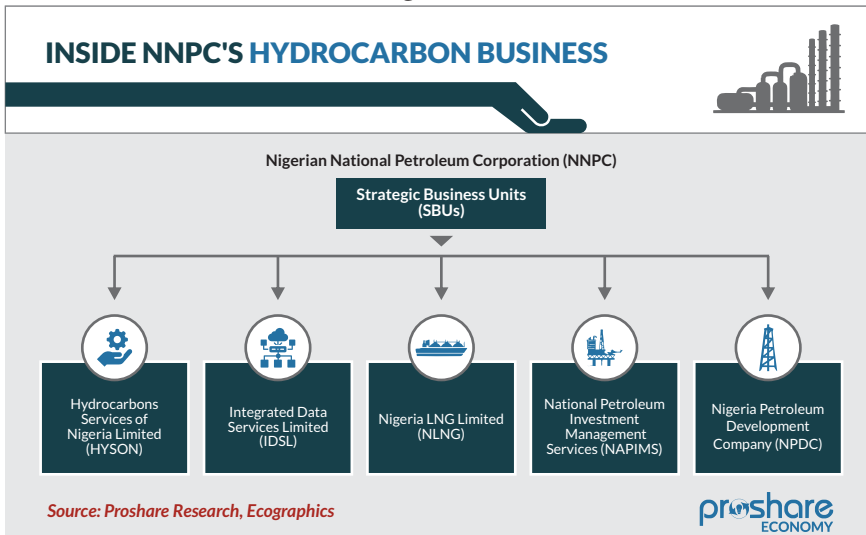
The cluttered nature of charges in the O&G business is the consequence of a delay in the passing of the PIB and its signing into law. The signing of the Bill into law would allow for the unbundling of the Nigerian National Petroleum Corporation (NNPC) which is one of the world's most amorphous and incandescent corporations bundling regulatory and market competing functions in the same entity. Nigeria's petroleum Godzilla needs to be cut to size and allowed to run in ways consistent with a future-facing structure that tears regulatory and operating functions apart from provisions for annual audits by independent auditors.

The various new companies created out of the NNPC should be listed on the trading floor of the Nigerian Stock Exchange (NSE) and a likely dual listing on either the New York Stock Exchange (NYSE) or London Stock Exchange (LSE) in five years. The SBU structure of the NNPC should be broken with the different divisions hived-off as independent companies along the oil and gas value chain. The government should sell-off 45% of its holdings in the companies to the general public while it retains 55% with 4% held in trust for the local communities from which the oil and gas resources are mined (see Illustration 7 below).

“The various new companies created out of the NNPC should be listed on the trading floor of the Nigerian Stock Exchange (NSE) and a likely dual listing on either the New York Stock Exchange (NYSE) or London Stock Exchange (LSE) in five years.”

”

Illustration 7: NNPC & its Hydrocarbon Business



Nigeria's LPG Market and the State of Play

Supply of LPG

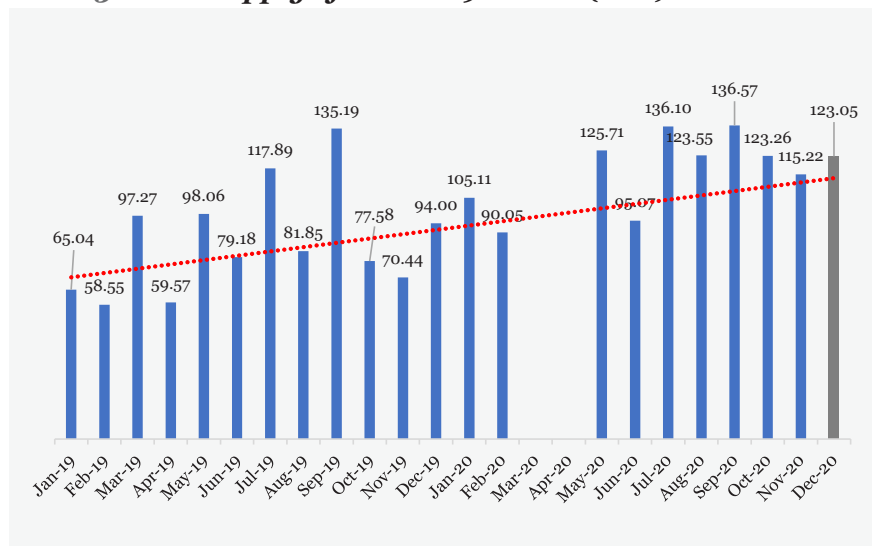
From recent data released by the Petroleum Products Pricing Regulatory Agency (PPPRA), one benefit of the COVID-19 lockdowns and restrictions has been the reduction in the country's reliance on Liquefied Petroleum Gas (LPG) imports. In 2019 the composition of

import: local supply ratio was 72:28, however, in 2020 data reveals the ratio reduced to 56:44. Various factors are responsible for the increase in the local supply of LPG, an increase in the production of LPG in the local market, deregulation of the gas market. In 2020, the imported supply of LPG accounted for 56% of the total supply of the product while 44% was sourced locally. This was a significant improvement against the 2019 figures. In 2019, 71.67% of LPG was imported majorly from the USA, while local supply accounted for 28.33%.

In 2020, the total LPG supplied was 1.17m MT (Metric Tonnes) which was a +13.44% increase from 1.03m MT recorded in 2019. No data was released in March and April 2020 (see Chart 3).

“
In 2020, the imported supply of LPG accounted for 56% of the total supply of the product while 44% was sourced locally.
”

Chart 3: Total Supply of LPG 2019 – 2020 (000)



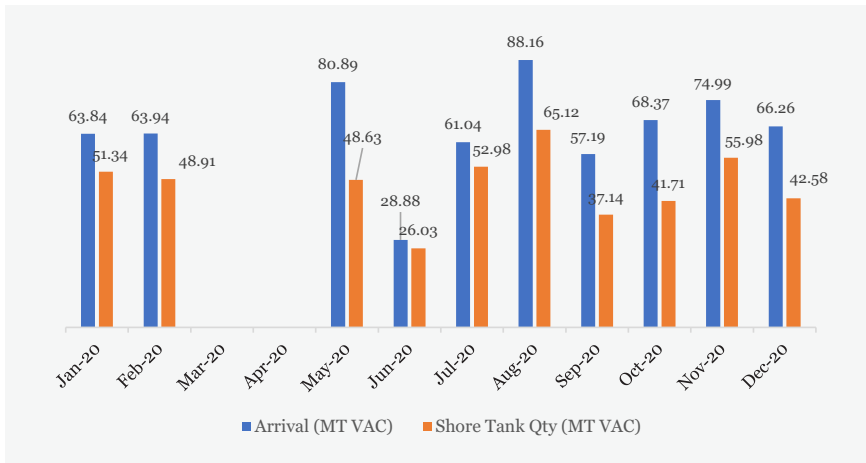
Source: PPPRA, Proshare Research

Import Supply of LPG

A further breakdown of the supply of LPG for 2020 showed that 71.98% supplied was reserved in shore tanks. In 2020, 653,560.00 MT of LPG was imported against 773,710.00 MT imported in 2019 which represented a -15.53% year-on-year (Y-o-Y) decline in LPG imports. The product origin was majorly from the USA, followed by Chile and then Argentina.

Data was unavailable for March and April 2020 at the peak of the COVID-19--induced lockdowns and restrictions. August 2020 recorded the highest import of the product with 88,157MT which led to a higher volume of shore tank volume. While June 2020 saw the lowest import at 28,879 MT (see Chart 4).

Chart 4: Import Supply of LPG Jan -Dec 2020 (000)



Source: PPPRA, Proshare Research

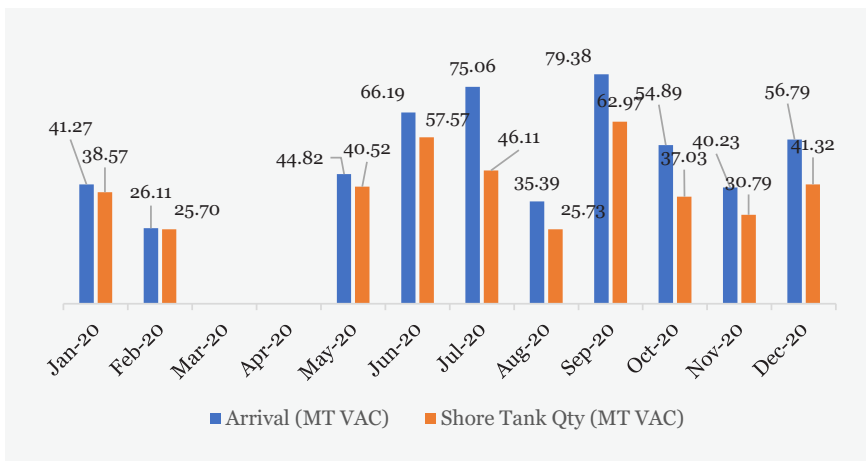
Local Supply of LPG

The local supply of LPG rose in 2020. The supply grew Y-o-Y by **+77.48%** from 293,060.00 MT recorded in 2019 to 520,130.00 MT in 2020. 78.12% was reserved while 21.88% of the total supply was distributed to different regions. The major suppliers of the product in 2020 were Nigeria Liquefied Natural Gas (NLNG) and Bonny River Terminal, however, NLNG supplied the majority of the product.

September 2020 recorded the highest local supply of LPG with 79,381.34 MT while February 2020 recorded the lowest quantity of 26,108.14 MT supplied by local operators in the gas market (see Chart 5).

“September 2020 recorded the highest local supply of LPG with 79,381.34 MT while February 2020 recorded the lowest quantity of 26,108.14 MT supplied by local operators in the gas market (see Chart 5).”

Chart 5: Local Supply of LPG Jan -Dec 2020 (000)

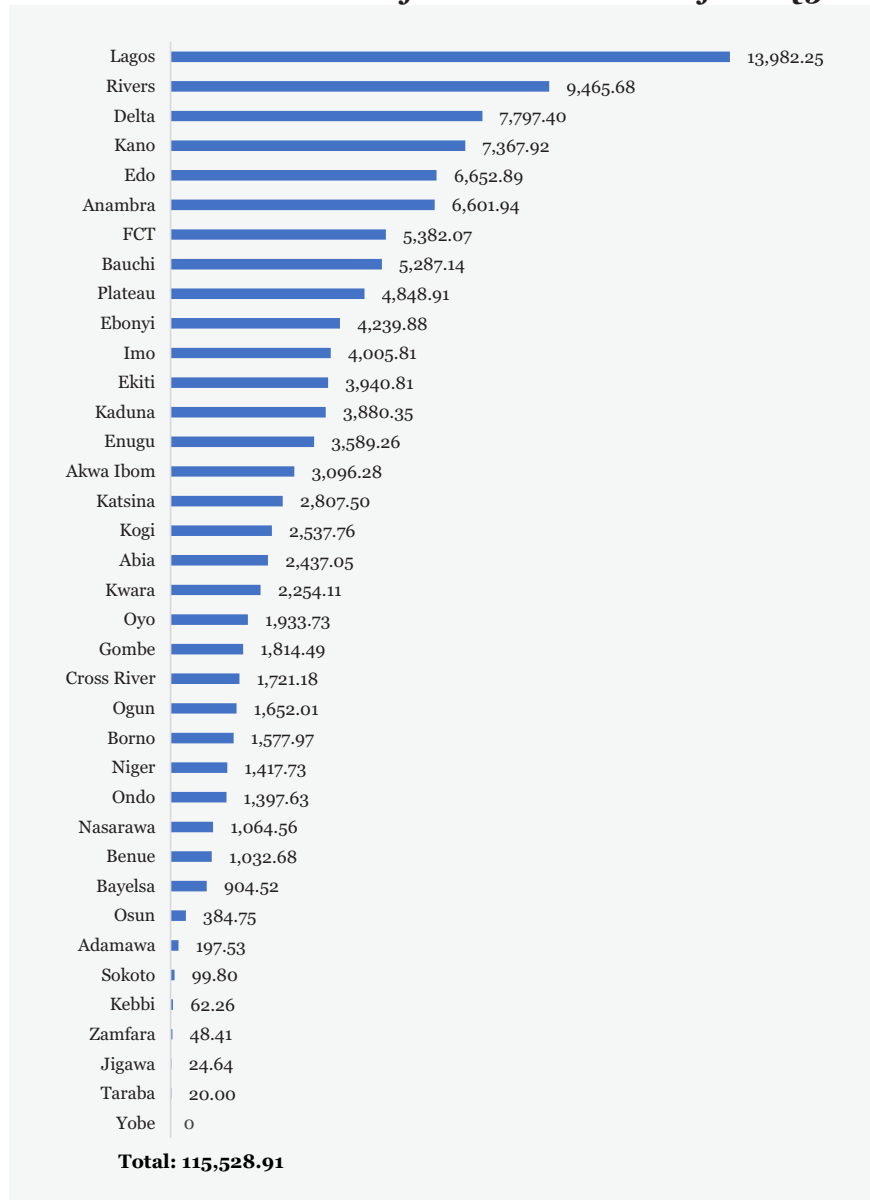


Source: PPPRA, Proshare Research

State Distribution of LPG

Available data for state distribution of LPG released by NBS reveals that the total volume of LPG distributed to all states including FCT was 115,528.91 MT as of Q3 2019 against 89,868.70 MT distributed in Q2 2019, which is a +28.55% increase. For Q3 2019, Lagos state had the highest demand for the product at 13,982.25 MT truck out-volume, then Rivers and Delta followed next at 9,465.68 MT and 7,797.40 MT truck out-volume, respectively. There was no distribution of the product in Yobe state, while Taraba, Jigawa, and Zamfara recorded the lowest quantity distributed (see Chart 6).

Chart 6: State Distribution of Truck Out-Volume of LPG Q3 2019



Source: PPPRA, Proshare Research

“ Available data for state distribution of LPG released by NBS reveals that the total volume of LPG distributed to all states including FCT was 115,528.91 MT as of Q3 2019 against 89,868.70 MT distributed in Q2 2019, which is a +28.55% increase.

”

Zonal Distribution of LPG

The total zonal distribution of LPG as of Q1 2020 was 165,852 MT which is over a **+100%** increase from Q1 2019. For Q1 2020, the South-West recorded the largest volume of LPG of 55,334 MT while the North-East region received the lowest quantity of 3,154 MT of LPG.

South-east recorded the highest percentage growth of **+316.31%** Y-o-Y while North Central recorded the lowest percentage change of **+84.67%** Y-o-Y growth in the volume of LPG distributed.


Some states in the South-east, South-South, and North-East regions were not captured for Q1 2019 data, available data were used for this analysis (see Table 1 below).

“South-east recorded the highest percentage growth of +316.31% Y-o-Y while North Central recorded the lowest percentage change of +84.67% Y-o-Y growth in the volume of LPG distributed.”

Table 1: Zonal Distribution Of Truck Out Volume Of Lpg

ZONAL DISTRIBUTION OF TRUCK OUT VOLUME OF LPG, Q1 2020				
ZONE	Q1 2020 Volume (MT)	Q1 2019 Volume (MT)	FY 2019 Volume (MT)	% Change (Q1 2020 and Q1 2019)
NORTH CENTRAL	24,111	13,056	68,504	84.67%
NORTH EAST	3,154	816	11,461	286.47%
NORTH WEST	18,865	10,122	45,297	86.37%
SOUTH EAST	24,475	5,879	68,847	316.31%
SOUTH SOUTH	39,913	15,280	134,396	161.21%
SOUTH WEST	55,334	21,410	91,043	158.44%
TOTAL	165,852	66,564	419,548	149.16%

Source: NBS, Proshare Research



Average Price of 12kg Gas – 2020

The total average price of 12kg of gas across all states in 2020 declined by **-1.54%** from N4,204.03 in 2019 to N4,139.17 in 2020.

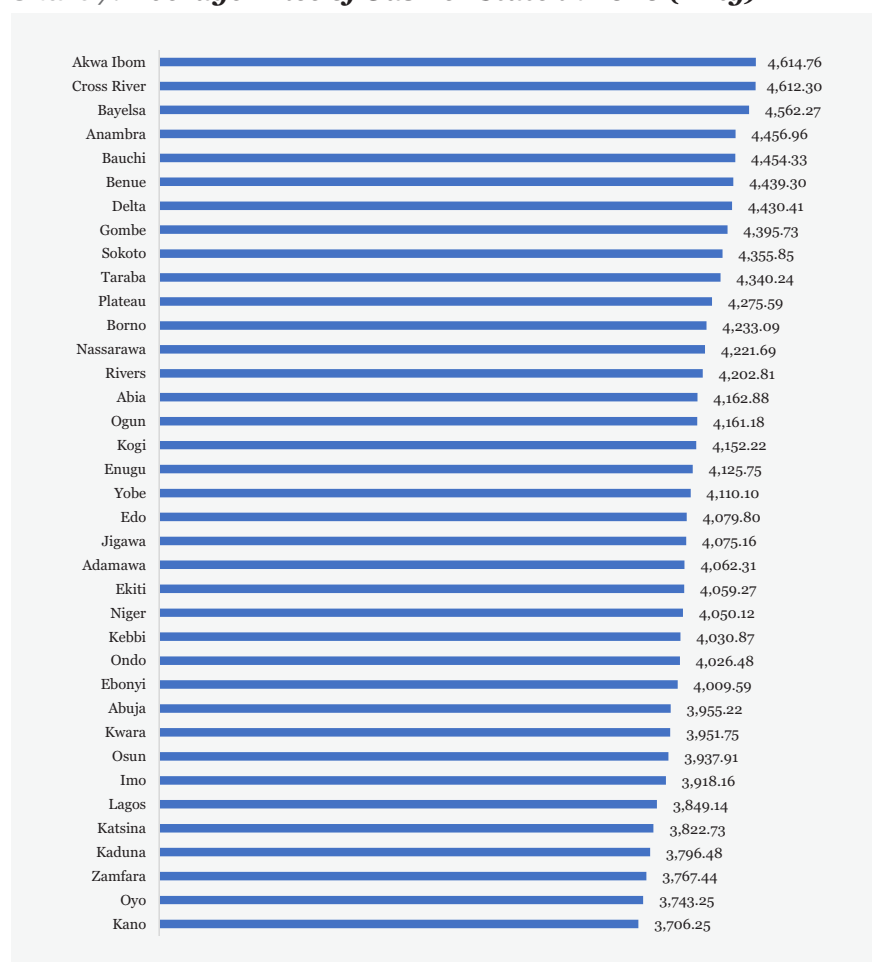
According to data made available by NBS, it shows that Akwa Ibom, Cross River, and Bayelsa had the highest average price for the period. With an average price of N4,614 for Akwa Ibom, N4,612, and N4,562 for Cross River and Bayelsa, respectively.

While Zamfara, Oyo, and Kano recorded the lowest average price of gas for the period. With Zamfara at N3,767 while Oyo and Kano had N3,743 and N3,706, respectively.

The top three states with the highest percentage increase in its average price for 12kg gas were Ekiti with a **+1.25%** Y-o-Y increase,

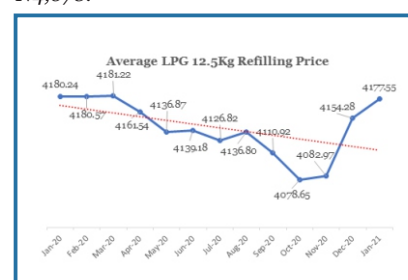
Taraba and Gombe recorded **+1.09%** and **+0.69%** respectively. The states with the highest percentage decline in the average price of 12kg gas were Jigawa, Imo, and Abia. Average prices declined Y-o-Y by **-6.47%** for Jigawa while Imo and Abia state declined by **-7.24%** and **-8.24%** respectively (see Chart 7 below).

Chart 7: Average Price of Gas Per State in 2020 (12kg)



Source: PPPRA, Proshare Research

Between January 2020 and January 2021, average price of 12.5kg LPG declined marginally by **-0.06%**, March 2020 had the highest price of N4,181 while October 2020 recorded the lowest price with N4,078.



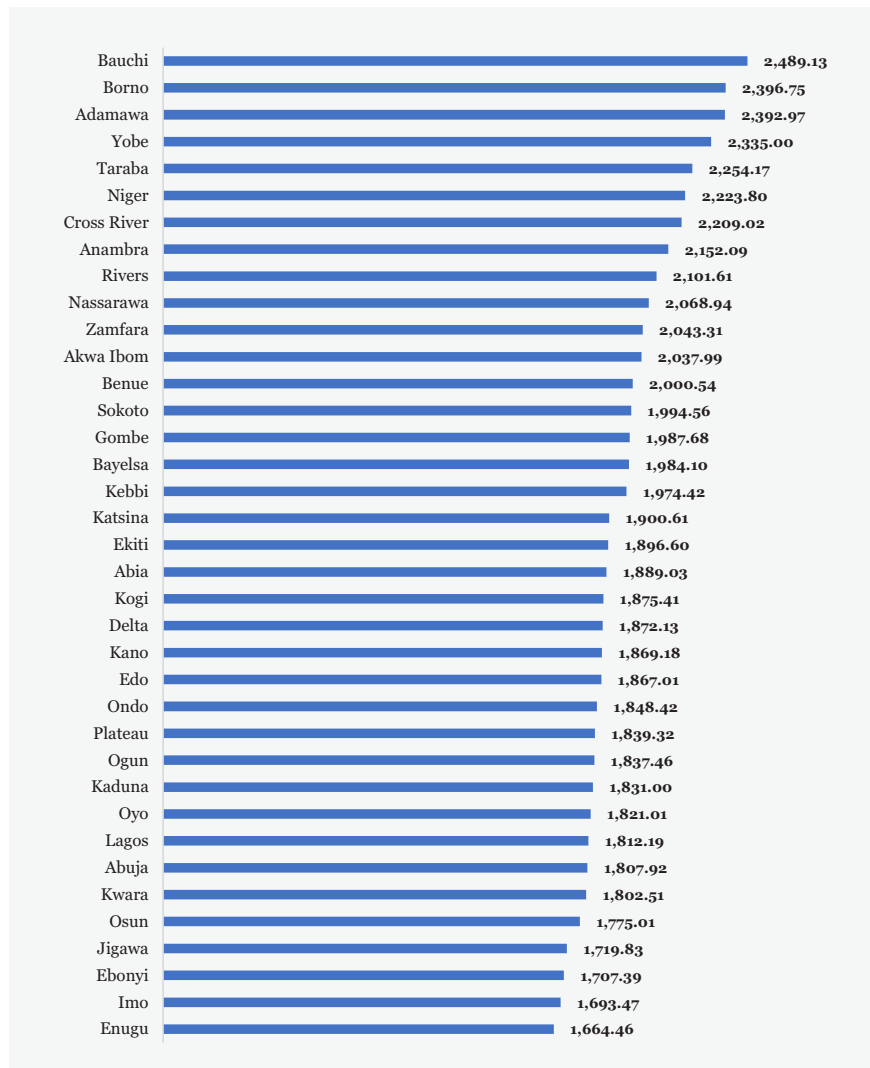
Average Price of 5kg Gas – 2020

The total average price for 5kg of gas for 2020 was N1,972.33, total average price declined Y-o-Y by **-2.32%** from N2,019.13 in 2019. Bauchi, Borno, and Adamawa recorded the highest average prices for 2020 amongst all states, with average prices of 5kg gas at N2,489 for Bauchi, N2,396, and N2,392 for Borno and Adamawa, respectively. Ebonyi, Imo, and Enugu states recorded the lowest average price for the period. Their average prices for the states were N1,707, N1,693, and N1,664, respectively.

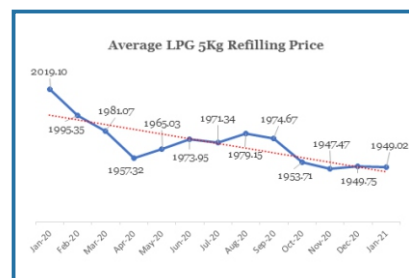
The states with the highest decline increase in their average prices for the period were Niger, Zamfara, and Benue. Average prices for 5kg of gas increased Y-o-Y by **+6.05%** for Niger while Zamfara and Benue increased by **+2.11%** and **+1.86%** respectively.

States with the highest percentage decline in its average prices for the period were Ekiti, Jigawa, and Imo. Average prices declined Y-o-Y by **-7.47%** for Ekiti while Jigawa and Imo state declined by **-11.64%** and **-12.59%** respectively (see Chart 8 below).

Chart 8: Average Price of Gas Per State in 2020 (5kg)



Between January 2020 and January 2021, average price of 5kg LPG declined by **-3.47%**, January 2020 had the highest price of N2,019 while January 2021 recorded the lowest price with N1,949.



Source: PPPRA, Proshare Research

Engage with **Facts and Data**

www.proshareng.com/economy

Section Four: Oversight Clean as a Whistle

The O&G Sheriffs Mandate

The statutory functions of the Petroleum Product Pricing Regulatory Authority (PPPRA) have been the subject of much dispute because of a court case filed against the Agency by the Nigeria Liquefied Petroleum Gas Association (NLPGA). The Explanatory Memorandum of the Act states that the agency is an autonomous one whose primary responsibility shall be to determine the pricing policy of petroleum products and oversee their supply and distribution.

Under its establishment Act, the PPPRA Act, **Section 7** outlines other functions which the body is empowered to perform and they include: determining the pricing policy of petroleum products, regulating the supply and distribution of petroleum products, establishing an information and data bank through liaison with all relevant agencies to facilitate the making of informed and realistic decisions on pricing policies, moderating volatility in petroleum products prices while ensuring reasonable returns to operators, overseeing the implementation of the relevant recommendation and programmes of the federal government as contained in the white paper on the Report of the Special Committee on the Review of Petroleum Products Supply and Distribution, establishing parameters and codes of conduct for all operators in the downstream petroleum sector, maintaining constant surveillance over all key indices relevant to pricing policy and periodically approving benchmark prices for all petroleum products, identifying macro-economic factors with relationship to prices of petroleum products and advice the federal government on appropriate strategies for dealing with them, establishing firm linkage with key segments of the Nigerian society and ensuring that its decisions enjoy the widest possible understanding and support, prevention of collusion and restrictive trade practices harmful in the sector, and exercising a mediatory role as necessary for all stakeholders in the sector.

The NLPGA Vs PPPRA: Waiting for the Courts

The background of the ongoing dispute between the Nigeria Liquefied Petroleum Gas Association and the Petroleum Product Pricing Regulatory Agency at the Federal High Court is rather easy to grasp in contrast to the legal issues which belie it. The claim of the NLPGA emanates from the PPPRA's imposition of an ad valorem administrative charge of N1.23k per litre of liquefied petroleum gas which the former alleges is ultra vires the PPPRA's statutory powers

“*The background of the ongoing dispute between the Nigeria Liquefied Petroleum Gas Association and the Petroleum Product Pricing Regulatory Agency at the Federal High Court is rather easy to grasp in contrast to the legal issues which belie it.*”

for a few reasons argued by the Association in its written address. In addition to the plaintiff's arguments, it presents varying issues stemming from the scenario.

The first issue raised by the NLPGA was whether the Petroleum Product Pricing Regulatory Agency (PPPRA) can under the PPPRA Establishment Act 2003 ("the Act") and Petroleum Commercial Framework Regulations 2020 ("the Regulations") impose an administrative charge or any other levies on the Nigeria Liquefied Petroleum Gas Association Ltd./GTE in respect of liquefied petroleum gas as a petroleum product without rendering any services to the NLPG that justify such charge. The NLPG argued that under the statutory functions of the Agency stated under **Section 7** of the Act, nothing is empowering it as a body to collect any administrative charge, fee, or tax for the government. Additionally, an administrative charge arises usually from a management service or other service unrelated to the defendant's core function. However, it provides no service to the traders or members of the Association, and even if it did, a few lawyers argue that it would be necessary that an agreement be established stating the service being provided and other attendant terms. The PPPRA appears to have failed to do this.

Secondly, the NLPGA raised the issue of whether subject to **Section 10** of the **PPPRA Establishment Act**, the Agency may generate revenue from the NLPG for the performance of its statutory functions listed under Section 7 of the Act. Section 10 of the Act was cited by the plaintiff which states: 'The Agency shall establish and maintain a Fund into within shall be paid and credited: (a) the take-off from the Government (b) annual subvention from the Federal Government (c) loans and grants-in-aid from national, bilateral, and multilateral agencies (d) rents from the Agency's property, fees and other internally generated revenue arising from the services provided by the Agency (e) all other sums accruing to the Agency from time to time'. Based on this provision of law hence, it is clear that the intention of the legal draughtsman was not to endow the body with the powers to collect an administrative charge. This submission was buttressed by the decided case of **Olaniyan v University of Lagos & Anor (1985) LPELR -2565 (SC)** where the Supreme Court held that a corporation or company which is established by a statute is precluded from doing anything which such law does not either expressly or impliedly permit.

The third issue raised was whether the Petroleum Commercial Framework Regulations 2020 may, as subsidiary legislation impose

“*The first issue raised by the NLPGA was whether the Petroleum Product Pricing Regulatory Agency (PPPRA) can under the PPPRA Establishment Act 2003 (“the Act”) and Petroleum Commercial Framework Regulations 2020 (“the Regulations”) impose an administrative charge or any other levies on the Nigeria Liquefied Petroleum Gas Association Ltd./GTE in respect of liquefied petroleum gas as a petroleum product without rendering any services to the NLPG that justify such charge.*”

any powers on the PPPRA which are inconsistent with its Establishment Act. Firstly, the Regulations arise from **Section 24 of the Act** which state that: 'the Agency with the approval of the President, make such regulations as in its opinion are necessary or expedient for giving full effect to the provisions of this Act and for the due administration of its provision'. The plaintiff raised **Section 5 (3) of the 1999 Constitution (as amended)** which states that the executive powers of the federation will be vested in the President and will: be subject to the Constitution and laws of the National Assembly and extend to the execution and maintenance of the Constitution, all the laws made by the President, and all matters concerning which the National Assembly, for the time being, has the power to make laws on. More importantly, the plaintiff noted that the powers of the President are subject to the Constitution and other laws of the National Assembly. In other words, in exercising his or her constitutional powers, the President must not deviate from other constitutional provisions or those in a law made by the National Assembly. The 1999 Constitution grants lawmaking powers to the legislature, and thus, lawmaking does not lie within the President's remit. Thus, the President has no powers to make laws or issue directives or proclamations to another party to make any other laws. Consequently, the Regulations made under these powers are ultra vires and null and void as the President cannot delegate powers that are contrary to the Constitution.

A fourth issue as to whether based on the interpretation of Section 10 of the PPPRA Establishment Act, the Agency may dispense any functions not captured within the ambit of its statutory functions under Section 7 of the Act, was raised. The plaintiff said that while under **Section 10 of the PPPRA Establishment Act**, the PPPRA may provide services from which it can derive revenue, not only does it provide no service to the plaintiff, but it also failed to state the service which it allegedly provided. While the PPPRA on the other hand claimed that the service which it rendered was the provision of market data, the plaintiff alleged it neither received nor made use of such and that it was imposed without it being allowed to choose whether it was a service it intended to use.

The fifth issue was whether the Agency's failure to publish a comprehensive list of the services which it provides and the basis for the administrative charge is not in violation of the Presidential executive order of 2017 on ease of doing business. The Order, according to the plaintiff, was released to foster transparency in doing business. Hence, the defendant's failure to comply with this

“
The fifth issue was whether the Agency's failure to publish a comprehensive list of the services which it provides and the basis for the administrative charge is not in violation of the Presidential executive order of 2017 on ease of doing business.
 ”

transparency requirement by stating clearly the basis of the administrative charge it sought to collect amounted to a violation.

Lastly, an issue was raised as to whether the administrative charge of 1.23k which was imposed on the plaintiff's members and traders by the defendant had been legally created and imposed. The plaintiff argued that the executive powers of the president were subject to the PPPRA Establishment Act as an Act of the National Assembly. Hence, if those powers in such a manner which the Act does not cover, such act would be ultra vires, null and void. To this extent, the administrative charge imposed under the Regulations was purportedly illegal.

A key point that was raised in the affidavit deposed to by the Executive Secretary of the NLPGA relates to the PPPRA's inability to regulate gas pricing, as gas prices are deregulated and strictly subject to market forces. This argument was supported by **Part D of the National Gas Supply and Pricing Regulations** which provides for the framework for gas pricing in Nigeria. According to this section of the Policy, 'the actual price paid is based on an indexation formula, jointly determined during negotiation between the buyer and the seller. In essence, the market determines the price...' Although the Regulations state that there is a transitional pricing framework, it was stated that this period was expected to give way to eventual market-led gas pricing. In 2020, oil and gas regulators announced the deregulation of the products in the sector, which indicated that prices had been deregulated.

Based on these submissions, the NLPG LTD/GTE prayed the court for the grant of the following reliefs:

- ❶ *A declaration that the imposition of an administrative charge on the plaintiff's members and traders in respect of liquefied petroleum gas is ultra vires and as a result, null, void, and of no effect.*
- ❷ *A declaration that the plaintiff lacks the powers to impose any sanctions or penalties on the defendant for failure to pay said administrative charges.*
- ❸ *A declaration that the word 'service' which was used under Section 7 of the PPPRA is not coterminous with the statutory functions of the Agency under Section 7 of the Act for which it can generate revenue.*
- ❹ *An order seeking to set aside the steps taken by the defendant in the process of recovery of the administrative charge imposed on the plaintiff and its traders in Nigeria.*
- ❺ *An order of perpetual injunction restraining the defendant either by itself, its privies, agents, servants, or other officers*

“
A key point that was raised in the affidavit deposed to by the Executive Secretary of the NLPGA relates to the PPPRA's inability to regulate gas pricing, as gas prices are deregulated and strictly subject to market forces.
”

from making further demands or imposing any taxes, fees, charges, or levies from the plaintiff in the course of performing its statutory functions under Section 7 of the PPPRA Establishment Act without complying with Section 10 of the Act.

- ❗ *An order of perpetual injunction restraining the defendant, its agents, officers, servant, or privies from interfering with the business operations of the plaintiff's members and other LPG traders and interfering with their free trade due to the non-payment of the illegal administrative charges.*

The hearing is yet to be fixed, however, and one can only await the outcome of events leading to the court's decision.

The advertisement for WebTV LIVE features a central image of a camera lens with a grid of news thumbnails. Below the grid are logos for various programs: Economy & Politics, Market REVIEW, Market Opening Gong, The HUMAN ANGLE, Islamic Finance weekly, Strategic MANAGEMENT, [The Week], THE Brief, Personal Finance, Delinquent Debtors, MarketPlace, and crowdfunding. At the bottom, the WebTV LIVE logo is displayed with the tagline "same news, different perspective".

M: 0907 211 2345 T: 01-454 3811
E: programs@proshareng.com W: www.proshareng.com/webtv
@WebTVng @WEBTV-NG WebTV Nigeria WebTV NG

DigitalTV[™]

Section Five: When LPG Fights for Breath

PPPRA: The LPG Onslaught

Stakeholders in the gas industry have lamented the increased burden caused by the actions of the PPPRA. The PPPRA is charged with the responsibility of monitoring, and regulating the supply and distribution, and determining prices. The major problem that these stakeholders have with the PPPRA is that the administration cost which it charges distorts operational efficiency and pricing. They argue that since the government had embarked on the full deregulation of the gas sector there is no moral justification for the administration cost charged by PPPRA. Furthermore, it is argued that the PPPRA is fully funded by the Federal government and does not provide any service that warrants the administrative cost imposed by the PPPRA.

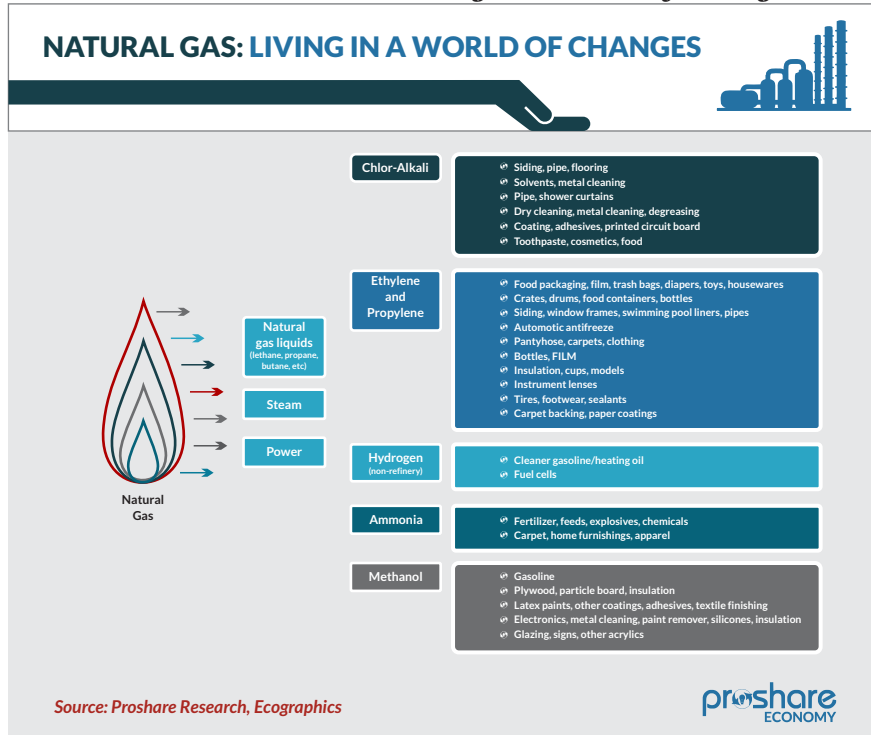
“*The major problem that these stakeholders have with the PPPRA is that the administration cost which it charges distorts operational efficiency and pricing.*”

The allegedly unwarranted charges by the PPPRA make it expedient to understand the regulatory and pricing mechanism in other global jurisdictions. Countries that are interested in deepening the gas industry, for example, Australia ensure that the regulatory framework is transparent and attractive to investors, hence the fast-paced growth of the industry in that country.

Understanding Best Practices and Pricing

Understanding the best practices and prices of gas is vital to the growth of the sector. The impact of government regulations has had a major impact on the gas sector in Nigeria. Making the gas sector attractive and competitive would encourage the flow of foreign investment to the industry. The pro-market regulation of the gas industry would facilitate the optimization of the industry's value chains. On the other hand, the implementation of non-market-friendly regulatory order would discourage the inflow of foreign investment into the gas industry, disrupting the full utilization of the gas value chain. There are many byproducts of gas not fully tapped, hence, the need for government-friendly regulations. Natural gas can be used as fuel in transportation, industries, commercial buildings, or residences. Natural gas can serve as a substitute for PMS which is more costly e.g., the Federal government proposed its plan to convert PMS cars to gas cars. Furthermore, natural gas can be used as a feedstock for various other industrial plants, such as fertilizer plants, methanol plants, petrochemical plants, and gas-to-liquids plants (*see Illustration 8 below*).

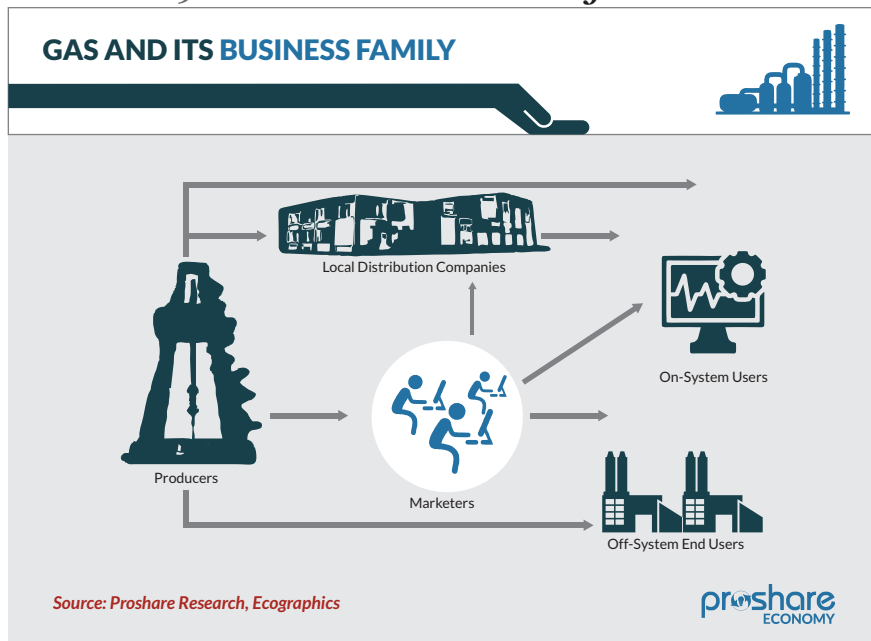
Illustration 8: Natural Gas: Living in a World of Changes



“Therefore, experts believe that it is important that policies should be enacted that would encourage a flow of fresh investors into the local market.”

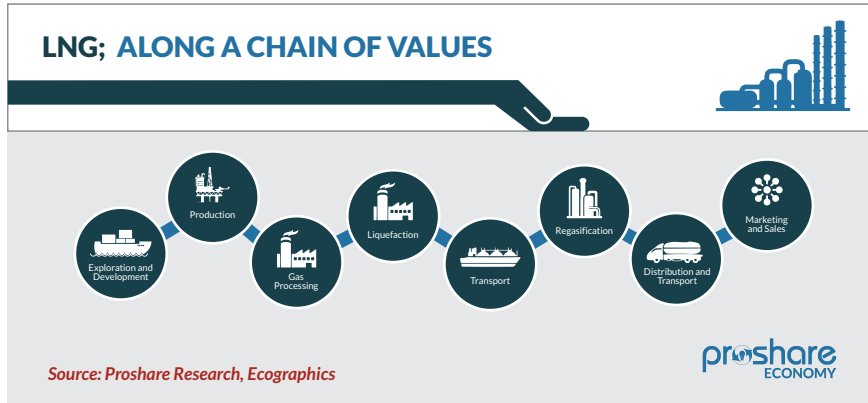
Poor gas pricing will affect the gas ecosystem which consists of producers, local distribution companies, marketers, on-system, and off-system users. Investors in the gas sector understandably worry about making profits and expanding their reach. Therefore, experts believe that it is important that policies should be enacted that would encourage a flow of fresh investors into the local market (see *Illustration 9 below*).

Illustration 9: Gas and its Business Family



Along each value chain of the gas industry, there are benefits and potentials to the Nigerian economies. Deepening the gas value chain would attract more investment into the country. Countries such as Australia, China, France, and Russia have been able to deepen their value chains and attract a growing number of investments to their economies (*see Illustration 10 below*).

Illustration 10: LNG; Along a Chain of Values

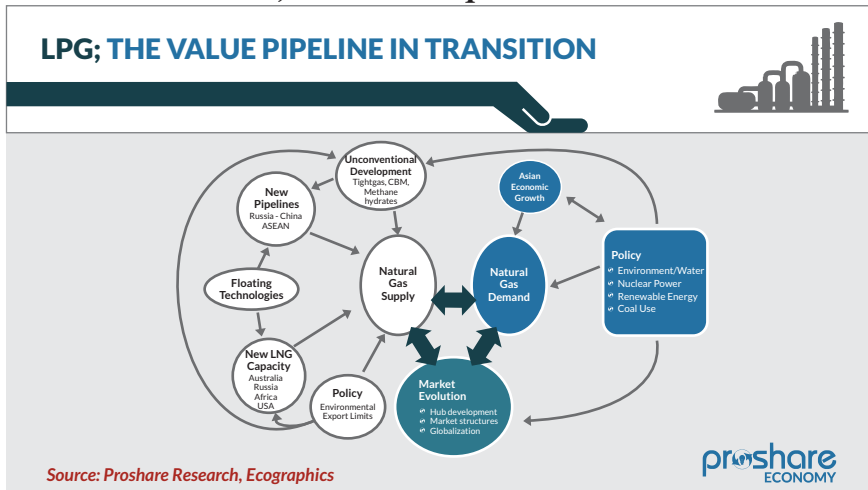


“
In determining the appropriate price of gas, it is pertinent to factor-in the demand and supply for gas and the other drivers of price in the gas market.
”

The Case for Appropriate Pricing

In determining the appropriate price of gas, it is pertinent to factor-in the demand and supply for gas and the other drivers of price in the gas market. Key drivers of natural gas supply include unconventional development, new pipelines, floating technologies, new LNG capacity, and national-level policies that affect supply. Key drivers of current global demand are Asian economic growth and national-level policies that affect demand. Policies that affect natural and liquified petroleum gas supply and demand generally have roots in environmental, safety, and energy security objectives (*see Illustration 11 below*).

Illustration 11: LPG; The Value Pipeline in Transition



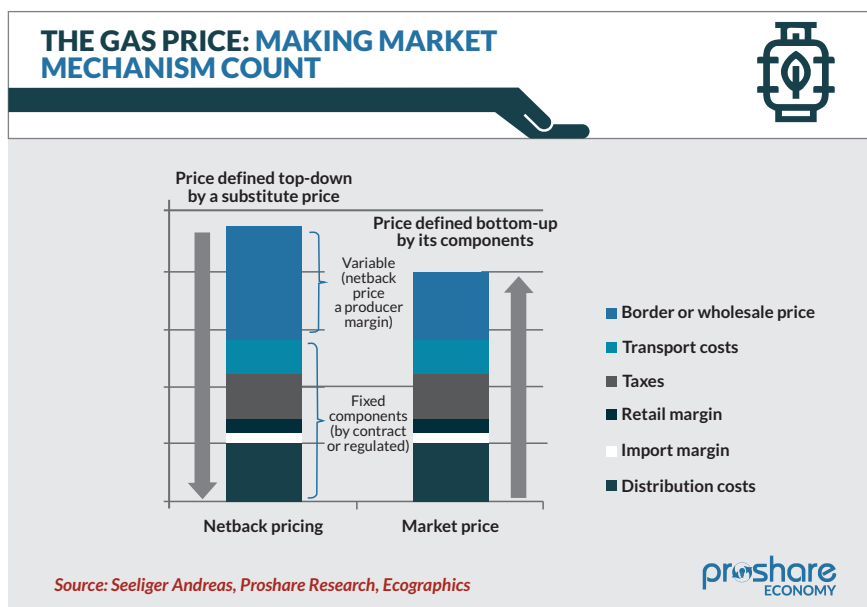
Gas Pricing

Two major gas pricing mechanisms are very common. They include the netback pricing and market price. In the case of the netback pricing mechanism, the gas price is defined by other prices, mainly those from substitutes like fuel oil. The netback pricing principle is also known as the top-down approach, where the gas price is derived from other energy sources. The price reflects substitution relationships between gas and comparable fuels like gas oil, fuel oil, or, less commonly, coal and electricity. If fixed cost components like taxes or regulated tariffs along the value chain are subtracted, a margin for the producer remains. Based on the substitute price, this margin could be higher or lower and, in some situations, also negative. The price is set by a formula that is fixed in a very complex long-term contract. The formula is subject to regular renegotiations to guarantee that the formula still reflects the actual market development allows a margin sharing of the two contract parties along the value chain.

“The formula is subject to regular renegotiations to guarantee that the formula still reflects the actual market development allows a margin sharing of the two contract parties along the value chain.”

On the other hand, the market price which is the second pricing mechanism is determined by the free market forces of demand and supply. This pricing mechanism is also known as the bottom-up approach as the cost components of the gas itself are the drivers of the gas price and not the prices of its substitutes. Asides from fixed and regulated components, this approach also takes into consideration production costs which have a significant impact on the prices (*see Illustration 12 below*).

Illustration 12: The Gas Price Mechanism



Gas Pricing in Selected Countries

Different economies adopt varying pricing mechanisms depending on which suits the market best. This section will examine the pricing mechanism adopted in various economies.

US Market

Gas pricing mechanism development in the US could be traced to the liquids wholesale market, with exchange-traded futures contracts to support pricing mechanism not vulnerable to any form of influences and was more reflective of a market mechanism.

Historically, natural gas prices were fixed by the government, but in 1992, the Federal Energy Regulatory Commission (FERC) issued its Order 636. Prices were deregulated and interstate natural gas pipeline companies were required to split-off any nonregulated merchant (sales) functions from their regulated transportation functions. The separation of gas contract pricing and transportation contract pricing meant that exchange-traded gas contracts, based on Henry Hub and other secondary hubs, were established, and the industry moved to market-based indices for pricing purposes.

“Gas pricing mechanism development in the US could be traced to the liquids wholesale market, with exchange-traded futures contracts to support pricing mechanism not vulnerable to any form of influences and was more reflective of a market mechanism.”

The European Market

In Europe, a similar trend was first established in the UK, following gas market deregulation in the mid-1990s, and the emergence of National Balancing Point (NBP) pricing, which, though like Henry Hub, is not a physical place. In Continental Europe, the so-called Title Transfer Facility (TTF) has now become an equally dependable mechanism for long-term pricing, though Southern Europe is still transitioning to a mechanism of gas-on-gas pricing, as new hubs start to emerge.

The Asia-Pacific Market

The first signs that a new pricing basis was emerging for the Asia-Pacific region occurred in the early 2010s with the signing of Henry Hub-based LNG tolling contracts. At the time, buying gas in the U.S. and paying a tolling fee to put it through one of the emerging LNG liquefaction facilities, represented a lower landed price in Japan and other SE Asian countries, compared to traditionally oil-priced gas. Several attempts are being made to establish a pricing index for the Asia-Pacific market, including the so-called JKM index (Japan-Korea-Marker) and the Singapore Gas Exchange (SGX) spot price index known as SLiNG, which is intended to represent an exchange-traded futures market for LNG based on gas being traded at or around the Singapore LNG facilities.

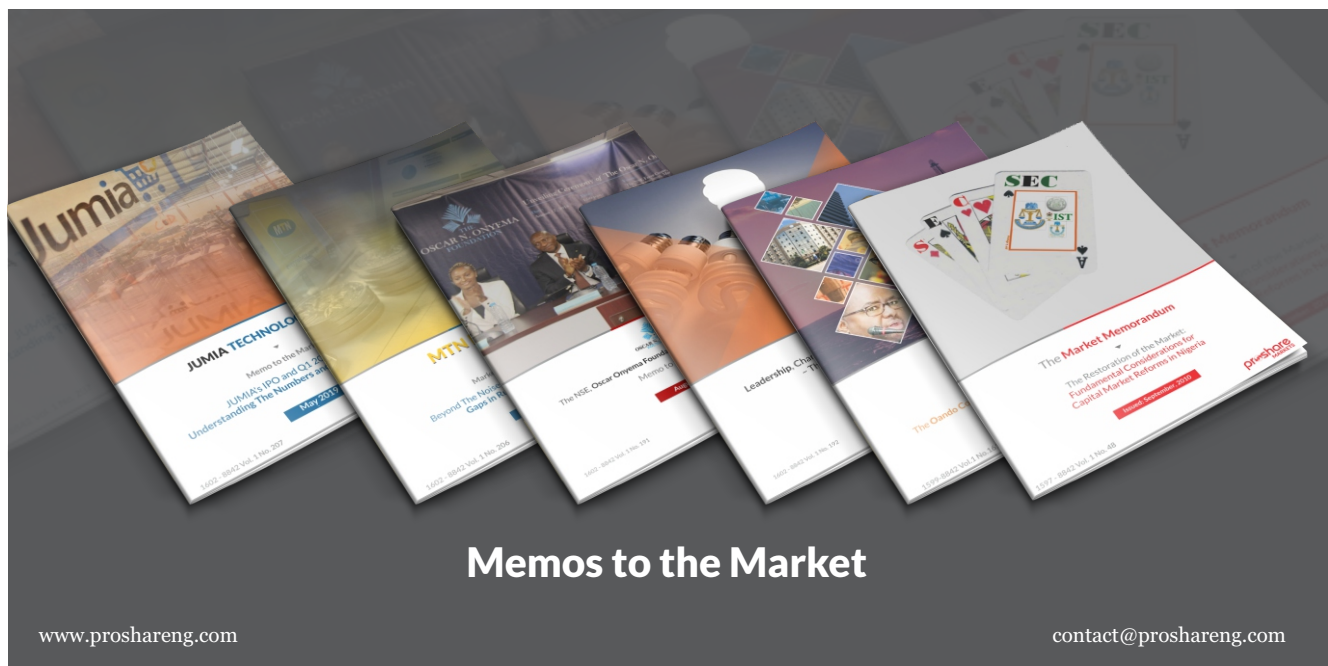
Current Developments

The LNG sector has been relatively slow to move away from oil-based pricing. There are many reasons for this, but the main brake on pricing change for LNG has been the lack of availability of a reliable, transparent pricing reference for gas, like Henry Hub or NBP, in the Asia-Pacific region, which accounts for about two-thirds of LNG consumption. The other feature of LNG, compared to pipeline gas, is that it is bought and sold in single ship-borne cargoes, instead of being commingled within a pipeline system, and this too has tended to slow down the development of gas-on-gas mechanisms.

In Europe, over the last decade, most of the traded gas has now migrated from oil-based to gas on gas-based pricing, and some commentators believe that gas-on-gas-based pricing will gradually replace oil-based index pricing, particularly as new LNG projects bring additional LNG into the global markets.

An increasing number of African countries are considering moving to LNG imports or establishing relatively smaller-scale projects. Because these are under development and/or negotiations, no pricing has been established yet.

“
In Europe, over the last decade, most of the traded gas has now migrated from oil-based to gas on gas-based pricing, and some commentators believe that gas-on-gas-based pricing will gradually replace oil-based index pricing, particularly as new LNG projects bring additional LNG into the global markets.
 ”



Section Six: LPG and Friendly Feelings

The Case for an Investor-Friendly Gas Market

The benefits of an investor-friendly gas environment are clear. The advantages range from the increased flow of foreign direct investment (FDI) to an increase in employment and revenue generation. To facilitate growth in the gas industry, analysts note that it is necessary to guarantee that the regulations or policy guidelines deliver favourable outcomes such as affordability, commercialization, availability, access to market, and gas deliverability.

Energy bosses note that the government's gas policy must facilitate and ensure that major gas infrastructure across the production value chain is properly planned and built-in in concert with planned power and industrial consumers. The government could facilitate this through non-discriminatory regulations to enable investment by domestic and foreign investors in gas infrastructure.

An effective gas policy should promote the commercialization of supply i.e., enable willing buyers to contract with willing sellers, allow and protect commercial structures which enable alignment along the value chain, and facilitate secure offtake with long term back-to-back bilateral contracts that pass obligations and liabilities through to sub-contractors and partners and/or use integrated business models. Also, a policy that would facilitate competition must have the important outcome of ensuring that there is easy access to the market i.e., it must support the right, but not the obligation, to directly access or invest in all parts of the market.

Deepening and strengthening the domestic gas industry may require that regulations by the government must be clearly defined and agreed upon among all parties about issues such as third-party access, pipeline, ownership, and tariff structures. Furthermore, an effective gas policy should not hinder the availability of gas i.e., it should balance available gas resources in line with the demand in domestic, regional, and international markets (*see Illustration 13 below*).

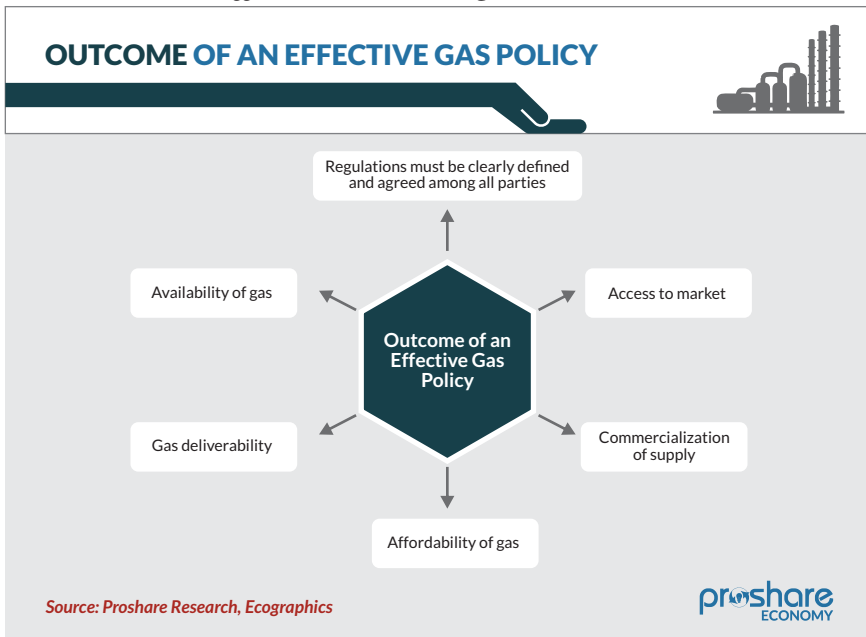
“
Deepening and strengthening the domestic gas industry may require that regulations by the government must be clearly defined and agreed upon among all parties about issues such as third-party access, pipeline, ownership, and tariff structures.
”

Illustration 13





Illustration 13: Effective Gas Policy



“
 The Australian government offers import tariff waivers on locally unavailable petroleum equipment in exchange for developing and implementing an Australian Industry Participation (AIP) plan.
 ”

Australia is an example of a country with an investor-friendly regulatory framework. The Australian oil & gas policy and the relevant environment are broadly supportive. The country has a stable tax regime, transparent access to resources for exploration and development, and a supportive small and medium-sized enterprise environment. The Australian government has helped deepen its oil & gas industry through its Local Content Programme (LCP). The LCP helps develop sectors connected to the oil & gas industry by using incentives rather than obligations, one of the most effective incentives used by the Australian government is tariff cutbacks in exchange for supplier development, especially for SMEs. The Australian government offers import tariff waivers on locally unavailable petroleum equipment in exchange for developing and implementing an Australian Industry Participation (AIP) plan. The LCP thus promotes the development of a sustainable domestic industry by providing a unified approach to advancing local capabilities which also assists in identifying existing qualified suppliers without infringing on the country's international trade obligations.

A Guide to an Investor-Friendly Regulatory Framework

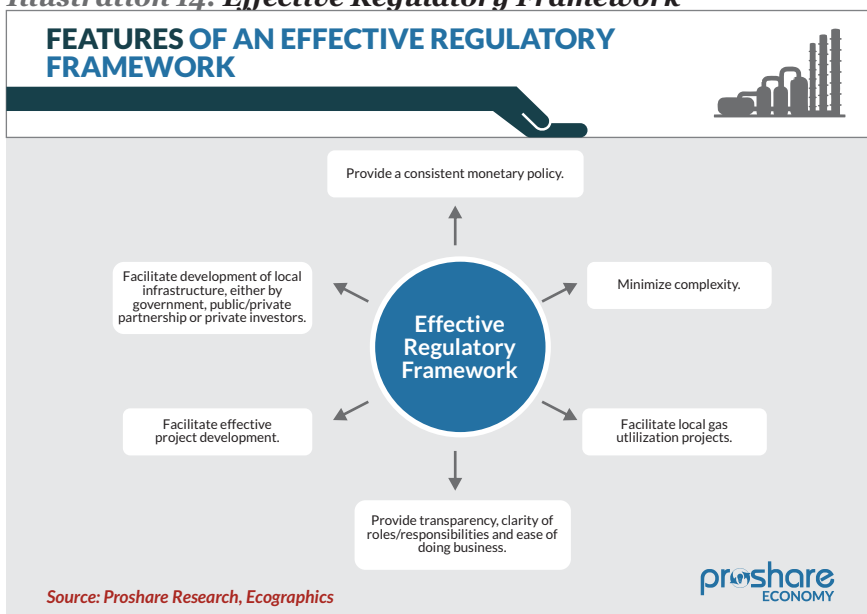
Although in some economies the gas industry is deregulated there are subtle regulatory frameworks that serve as a guide to ensure that best-operating standards, pricing, and procedures are adhered to. Analysts note that these regulatory frameworks serve as a guide to

facilitate competition and efficiency in the LPG and LNG markets. Some characteristics of investor-friendly regulations include transparency, clarity of roles/responsibilities and ease of doing business, minimal complexity, clear and consistent monetary policy, etc. Ensuring that the gas industry operates at an optimum level of efficiency requires regulations that should seek to facilitate participation by local stakeholders such as communities, local government, and other entities. Also, the regulatory framework should ensure that there is transparency, clarity of roles, and ease of doing business is being facilitated. Investors are concerned with the ease of doing business, how easy is it to register their businesses, tax laws applicable, and the ease of repatriating their funds. Hence, the government regulatory framework should create a conducive environment for gas project investment e.g., the government must provide the necessary assurance that movement of profit from invested capital for gas projects or LNG projects are not subjected to restrictions as repatriation of profits must be allowed if countries want to attract FDI or investors for their gas resource development.

Also, government regulations should allow multiple options for developing gas infrastructure, either by government, public/private partnership (e.g., build-operate-transfer (BOT)), or private investors. The government should as much as possible ensure that in a bid to protect consumers from exploitation its regulations do not stifle investment incentives in the country. Therefore, regulations must carefully balance the need to raise public sector revenue with the challenge of layering additional costs on investors and squeezing profit margins or discouraging demand as a result of higher retail prices (see *Illustration 14 below*).

“Also, the regulatory framework should ensure that there is transparency, clarity of roles, and ease of doing business is being facilitated. Investors are concerned with the ease of doing business, how easy is it to register their businesses, tax laws applicable, and the ease of repatriating their funds.”

Illustration 14: Effective Regulatory Framework



Section Seven: Beyond COVID, The New Gas Age

Conclusion – Wrestling COVID-19 and Lifting Gas

Investors in the gas business are globally on an emotional high as the world becomes increasingly conscious of the need to cut down on carbon-emitting energy sources. The shift of preference to 'greener' energy sources has steadily increased the demand for gas, a trend likely to continue over the next decade.

The COVID-19 global health pandemic led to major supply chain disruptions in 2020 this, in turn, led to a global reset with companies ramping up demand for gas as they try to reestablish pre-COVID-19 levels of output. The incline in gas demand will put upward pressure on gas prices thereby resulting in gas producers increasing supply to temper rising price momentum.

The 'living with COVID' environment will result in a change in how society interacts and how markets calibrate product value along changing value chains. The gas market would grow but the use of gas would depend on pricing, delivery channels, and regulation. High-handed government policies could either increase prices or cut back supply either of which would hurt the consumer.

The key to ensuring that the Nigerian economy moves along the trajectory of global best practices is to allow the principle of a 'willing buyer' and a 'willing seller' to prevail in the price discovery process for domestic LPG, this would require the following:

- ❗ The government allows price-deregulated market operations without the interference of regulatory bodies imposing ambiguous charges.
- ❗ The government preemptively moves against business cartels that potentially create a monopolistic or near-monopolistic pricing structure that allows members to take undue advantage of consumers.
- ❗ Support the building of modern distribution infrastructure using a private-public partnership (PPP) model.
Improve domestic security to enable wider gas penetration nationwide. This would improve economies of scale and scope.
- ❗ Upscaling digital integration into the gas production, distribution, and marketing value chain.
- ❗ Weeding out of unlicensed industry operators and monitoring of safety standards and enforcement of standard

“
The COVID-19 global health pandemic led to major supply chain disruptions in 2020 this, in turn, led to a global reset with companies ramping up demand for gas as they try to re-establish pre-COVID-19 levels of output.

”

operating procedures (SOPs) along industry value chains.

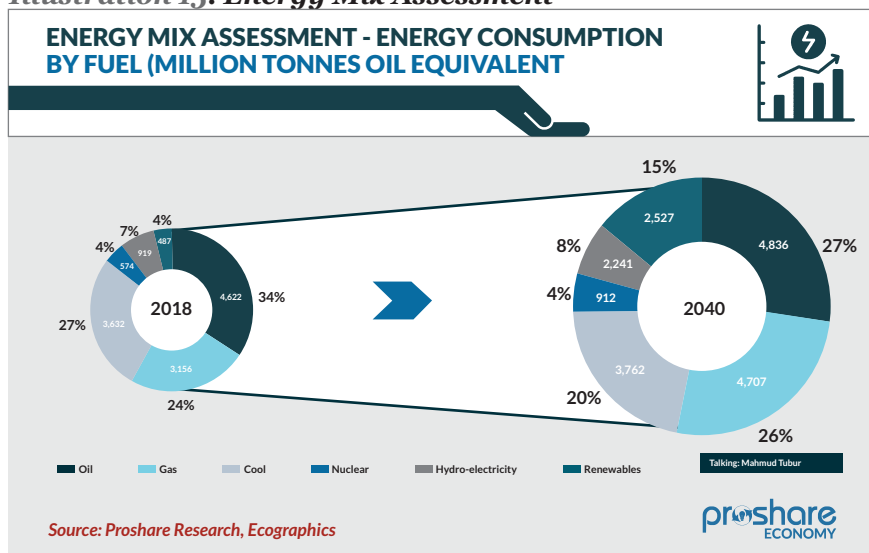
In the previously referenced Proshare oil and gas (O&G) 2021 report, it was emphasized that *“The notion that the oil industry will suddenly disappear is wrong, but so also is the belief that oil-producing countries have time to scrape by as the world pivots to new energy sources. The reality would seem to lie somewhere in-between both outcomes.”*

The report further noted that *“Oil and gas companies will need to change their business models with less dependence on revenues from oil over the next decade while they also would need to ramp up their development of gas and its various uses in both industrial and domestic settings. With companies increasingly concerned about environmental, social, and governance (ESG) matters, the business environment will sashay towards friendlier environmental and social practices with higher emphasis placed on corporate governance and its consistent attention to best corporate practices”.*

The change in the mix of oil and gas as relevant sources of corporate revenues in years ahead would naturally create a non-statutory sunset period for the dominance of regulatory intervention in price determination in the O&G sector over the next two decades (see *Illustration 15 below*).

“*In the previously referenced Proshare oil and gas (O&G) 2021 report, it was emphasized that “The notion that the oil industry will suddenly disappear is wrong, but so also is the belief that oil-producing countries have time to scrape by as the world pivots to new energy sources. The reality would seem to lie somewhere in-between both outcomes.”*”

Illustration 15: Energy Mix Assessment



The gas market (particularly the market for LPG) would see a future free from the stifling arms of public sector agencies which analysts believe presently pass avoidable costs to consumers. The desirable outlook would be a situation where the unit cost of gas declines as

economies of scale and scope kick in and make cooking gas noticeably cheaper, thereby spurring higher levels of domestic gas consumption and a reduction in the use of “dirty” energy sources such as dual-purpose kerosene (DPK), coal and firewood.

On page 78 of Proshare’s January 2021, **O&G report** the authors insisted that *“In muscling forward Nigerian O&G firms must find segments of the new technology-framed energy market to service. In a decade the oil and gas business would be unrecognizable with price determination prised from the fingers of cartels and demand and supply being driven more closely by market forces. Efficiency, effectiveness, and cost-containment will be central to corporate survival. Another major factor would be technical skills and consumer-sensitivity”*.

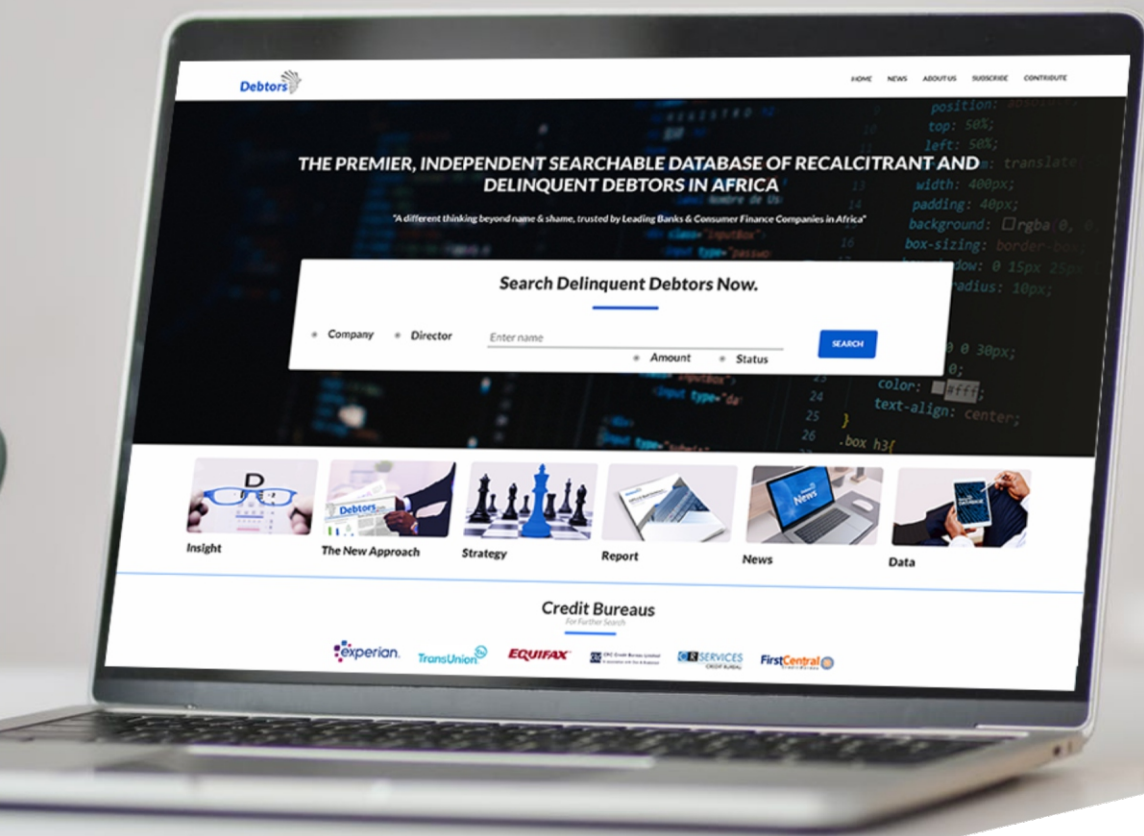
The gas market will be a central focus of the Nigerian economy over the next few years but it must come from a place of competitiveness, strategic thinking, and the leveraging of technology that is fit-for-business. If the gains of the resurgent gas market are not going to go up in flames all stakeholders must realize that the mistakes made in the white oil business must be avoided. As much as possible the gas business must be domesticated with strongly integrated value chains built into the industry’s future with human capital, engineering, and software infrastructure tethered together in a stack of productivity propositions that would make the Nigerian gas sector a global leader.

Proper gas pricing is important but mostly within the context of an industry structure and operating framework that lives off the back of world-class standard operating procedures (SOPs) and best-in-class corporate governance practices.

“*The gas market will be a central focus of the Nigerian economy over the next few years, but it must come from a place of competitiveness, strategic thinking, and the leveraging of technology that is fit-for-business.*”

References





Got Recalcitrant Debtors and Worried about Recoveries?

Take Action Now!

✉ info@debtorsafrica.com

🌐 www.debtorsafrica.com

☎ **0700 DEBTORS**

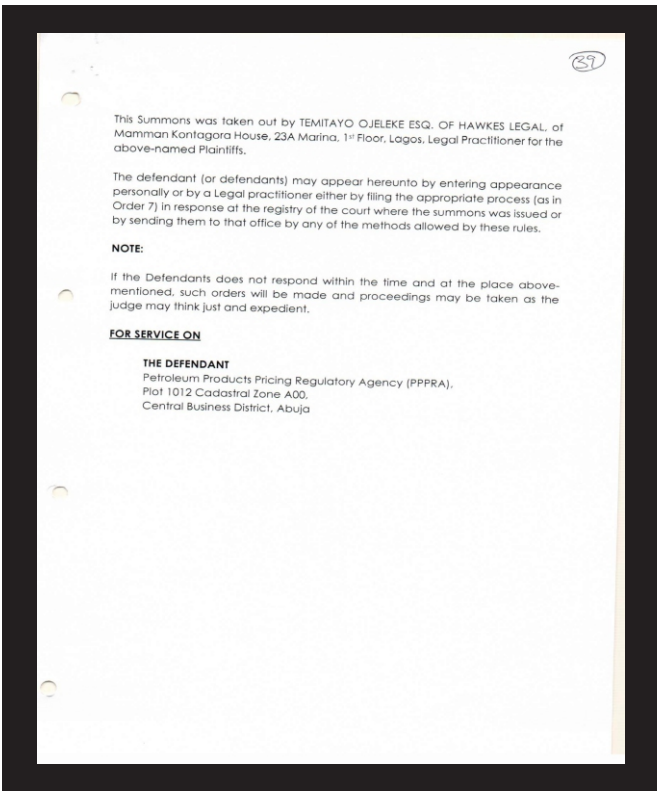
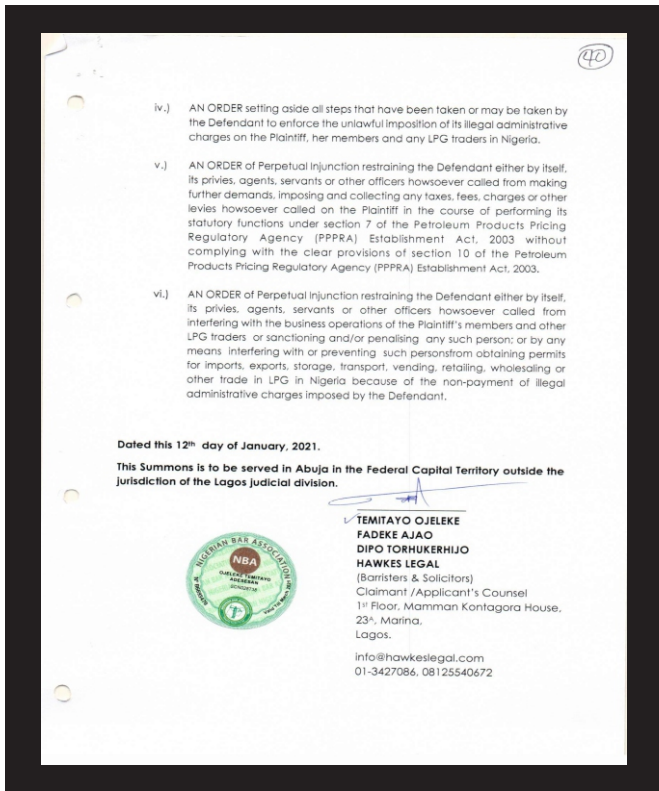
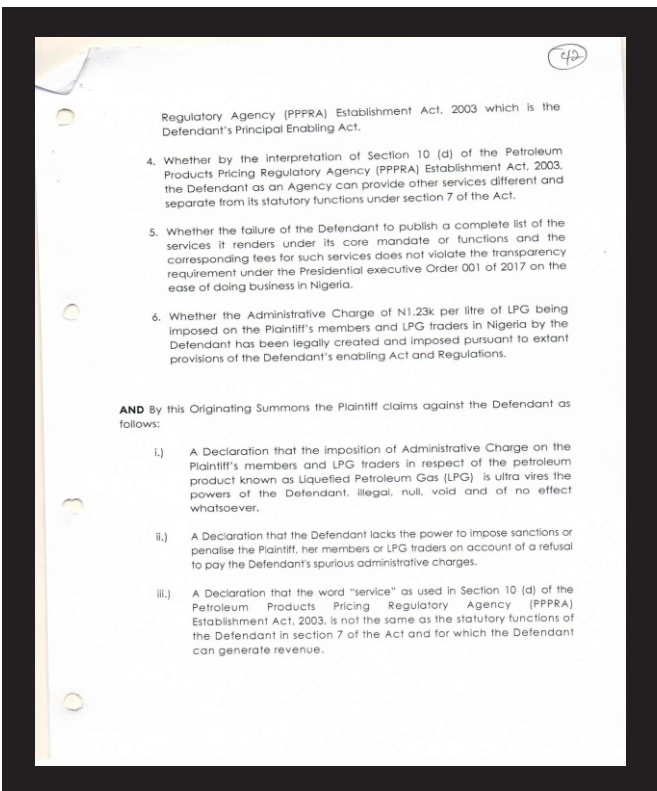
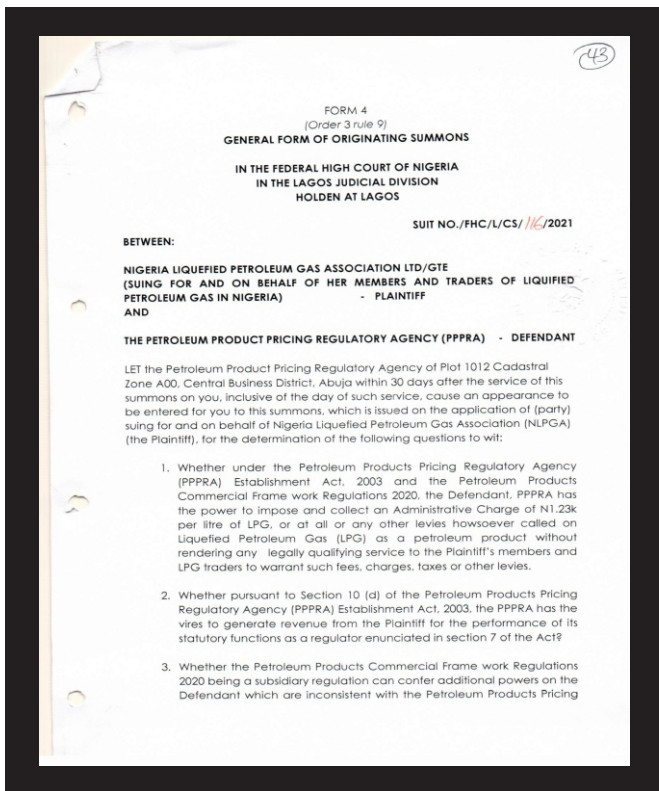
📌 Debtors Africa 📷 Debtors_Africa 🐦 DebtorsAfrica 📘 Debtors Africa

[Become a Contributor!](#)

Debtors 

Appendix

NLPGA v PPPRA – An Originating Summons in the Federal High Court of Nigeria Holden at Lagos



References

Related Link

1. [NLPGA v PPPRA – A General Form of Originating Summons in the FHC of Nigeria in the Lagos Judicial Division Holden at Lagos – Jan, 2021.](#)

Related Videos

1. [Why Full Deregulation is Vital for Nigeria's Oil and Gas Sector](#)
2. [Privatization of NNPC Refineries, Will Attract More Investments into the Oil and Gas Industry - Tominiyi Owolabi](#)
3. [Decades of Nigeria's Oil and Gas Sector: Way Forward](#)
4. [Why Gas Should be Leveraged as A Pivot for Diversifying Nigeria's Revenue - Bambo Ibidapo-Obe](#)
5. [How Oil and Gas Zones can Support Nigeria's Economic Growth](#)

Related News – PMS Pricing

1. [Subsidy Removal and Cost-Reflective Tariff: Tough Decisions to be Made](#)
2. [Possible Increase in PMS Price, Stakeholders Call for Fixing of the Non-Functional Refineries](#)
3. [Uncertainty Over PMS Price - A Clear Indication Inflation Concerns Could Linger](#)
4. [Commencement of Dangote Refinery's Production Would Improve Nigeria's Current Account Balance](#)
5. [FG Inaugurates Technical Committee On PMS Pricing Framework](#)
6. [FG: Dangote Refinery Will Sell Petrol at International Price](#)
7. [Is PMS Price Deregulation for Real or a Mirage?](#)
8. [NLC Communicates the Decision of Its CWC on Hike in PMS Pump Price and Electricity Tariff](#)
9. [PPMC Increases Ex-depot Price of PMS to N151.56 per Litre](#)
10. [Policy Directions on PMS, Tariff Hike, Gas and Stamp Duties and Implications on Households](#)
11. [PPPRA Releases Advised Price for PMS for the Month of July 2020; Raises Pump Price to N140](#)
12. [PPPRA Removes Existing PMS Price Cap; Commences Market Based Pricing Regime](#)
13. [The Conundrum in the Retail Pricing of PMS](#)
14. [Petrol: An End to the Subsidy Regime?](#)
15. [The Deregulation Farce; What's The Way Forward?](#)

Related News - Previous Oilprice Intelligence Report

1. [Brent Crude Holds Gains Above \\$65 - OIR 230221](#)
2. [Brent Crude Oil Price Falls Back Below \\$64 - OIR 190221](#)
3. [How Much Higher Can Oil Prices Go? - OIR 120221](#)
4. [Bullish Sentiment Takes Over Oil Markets - OIR 090221](#)
5. [Brent Crude Surges Towards \\$60 - OIR 050221](#)
6. [Oil Prices Hit 1-Year High - OIR 020221](#)
7. [Oil Prices Hit 1-Year High - OIR 020221](#)
8. [New Vaccine Hopes Boost Oil Prices - OIR 260121](#)
9. [Oil Price Rally Paused By Chinese COVID Concerns - OIR 260121](#)
10. [Energy Shares Plunge as Oil Rally Halts - OIR 220121](#)
11. [Oil Demand Fears Continue to Weigh on Markets - OIR 190121](#)

CMOs/Reports on Oil and Gas Sector

1. Oil and Gas: Working the New Normal in the Time of a Pandemic
2. The Nigerian Oil and Gas Industry Update: Urgent Need for Reforms
3. Oil and Gas Update: Downstream Oil and Gas at a Crossroads
4. Nigerian Oil and Gas Industry Update
5. Oil and Gas Sector Records 1 Gainer to 7 Losers; Index Dipped By -19.83% YTD
6. NCM2020 (20) - Oil and Gas Sector - SEPLAT Tops On EPS and PAT Margin As Mobil Tops on ROE
7. Nigerian Oil And Gas Sector- Q3 2019 Earnings Preview
8. The Oil Market, 2020 Black Swan, and A Third Virus Wave

Related News on Oil and Gas Companies Latest Results

1. CONOIL Declares N1.1bn PAT in Q3 2020 Results, (SP:N19.05k)
2. JAPAUOIL Declares N91m PAT in Q3 2020 Result, (SP:N1.11k)
3. ETERNA Declares N194m PAT in Q3 2020 Unaudited Results, (SP:N5.00K)
4. Ardoval Plc Declares N1.9bn PAT in Q3 2020 Result, (SP:N12.65k)
5. SEPLAT Declares N33.7bn Loss in Q3 2020 Results, Proposes \$0.05 Interim Dividend; (SP:N420.00k)
6. MRS Declares N881m Loss in Q3 2020 Results, (SP:N12.45k)
7. TOTAL Declares N500m PAT in Q3 2020 Results, (SP:N112.20k)
8. RAKUNITY declares N37m Loss in Q3 2020 Unaudited Results, (SP:No.50k)
9. OANDO Notifies of Delay in the Publication of its Q3 2020 Financials
10. OANDO Declares N13.06bn PAT in Q3 2019 Results (SP:N3.40k)

Related News on PIB

1. NNRC Encourages NASS to Prioritize The PIB
2. Inside Nigeria's 2020 Petroleum Industry Bill
3. PIB Will Ensure Nigerians Benefit Optimally from Oil and Gas Resources - Ahmed Lawan
4. PIB: Will the Jinx be Broken This Time Around?
5. Petroleum Industry Bill - Is There Light At The End of The Tunnel?
6. Nigeria to Draft Petroleum Industry Bill from Scratch
7. FG Explains Why Presidential Assent Was Withheld For Petroleum Industry Governance Bill
8. House of Representatives Passes Petroleum Industry Governance Bill
9. Senate Passed Petroleum Industry Governance Bill
10. Analysing the Petroleum Industry Bill
11. Petroleum Industry Bill - Senate To Receive Final Report on PIGB April 25
12. Bukola Saraki's Remarks at Petroleum Industry Bill Public Hearing
13. The New Petroleum Industry Bill and Taxation of Petroleum Products in Nigeria
14. FG may effect changes in Petroleum Industry Bill
15. PIB Will Be An Enabler For Increased Investments In The Oil and Gas Sector - Bambo Ibidapo-Obe
16. Power Sector: How PIB/Deregulation considerations dampens interest in mini refineries

List of Tables, Charts & Illustrations

List of Illustrations

Illustration 1: A Time of Transition

Illustration 2: Reimaging Oil, Gas, and Technology

Illustration 3: Key Provisions in the Petroleum Industry Bill (PIB) 2020

Illustration 4: A Guide to Taxes, Fees, Levies, and Charges

Illustration 5: Nigeria Liquefied Petroleum Gas Associate LTD/GTE V. Petroleum Products Pricing Regulatory Agency (PPPRA) at a Glance

Illustration 6: Nigeria Liquefied Petroleum Gas Association LTD/GTE (Plaintiff) V Petroleum Products Pricing Regulatory Agency (PPPRA), Distilled

Illustration 7: The Many Faces of NNPC's Hydrocarbon Business

Illustration 8: Natural Gas: Living in a World of Changes

Illustration 9: Gas and its Business Family

Illustration 10: LNG; Along a Chain of Values

Illustration 11: LPG; The Value Pipeline in Transition

Illustration 12: The Gas Price; Making Market Mechanism Count

Illustration 13: Outcome of an Effective Gas Policy

Illustration 14: Features of Effective Regulatory Frameworks

Illustration 15: Changing the Energy Mix, A Migration to the Probable (2018-2040)

List of Tables

Table 1: Zonal Distribution of Truck out Volume of Lpg

List of Charts

Chart 1: LPG: Implication of PPPRA's Revenue Mongering

Chart 2: PPPRA Revenue Drive and The Cost Monster

Chart 3: Total Supply of LPG 2019 – 2020 (000)

Chart 4: Import Supply of LPG Jan -Dec 2020 (000)

Chart 5: Local Supply of LPG Jan -Dec 2020 (000)

Chart 6: State Distribution of Truck Out-Volume of LPG Q3 2019

Chart 7: Average Price of Gas Per State in 2020 (12kg)

Chart 8: Average Price of Gas Per State in 2020 (5kg)

Advice to Users of this Report

Proshare Nigeria, founded in December 2006, is Nigeria's No. 1 and most trusted online financial hub dedicated to serving as a critical bridge between financial markets and economic stakeholders. Proshare is a multiple award-winning and professionally run research, data, news, and analysis services firm with eight distinct practice areas – economy, business, markets, regulators, technology, MSME, personal finance, and media.

Practice Ethos and Disclaimer

Proshare does not guarantee any economic or investment outcome based on the information contained in this report. Although we have used our best efforts to provide the most accurate information, we cannot promise your future profitability or any other economic gain and do not promise verbally or in writing that you will earn a profit or any other gain when or if you use the information contained therein; or take the actions that might have been prescribed here by the author, our analysts or available on www.proshareng.com.

Decisions taken based on a reading of this report ultimately represent the exclusive choice and responsibility of the reader. There is a risk of loss in taking both economic and financial market decisions based on independent analysis. It should be noted that past performance is not necessarily a good guide to future economic or investment outlooks, therefore, decisions formed based on past performance may prove to be inaccurate or wrong.

What You Can Do:

You are given the unlimited right to read, download and print this report and to distribute it electronically (via email, your website, or any other means). You can print out pages and use them in your private discussion groups as long as you acknowledge Proshare and you do not alter the material in any way. Most importantly, you should not charge for it.

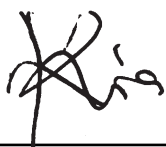
We encourage academicians, market and economy analysts, and investors alike to send in completed data-backed and evidence-based research materials on topics relevant to building a virile economy to us at info@proshareng.com. If approved for publishing, we will subject it to the same terms and conditions applicable to information developed by **Proshare**. We retain the rights however to edit the submission as applicable to conform to practice ethics and market decorum/regulations.

Copyright:

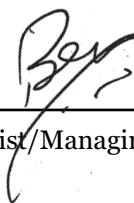
The copyright in this work belongs to the authors who are solely responsible for the content. Please direct permission requests to the MD/CEO, Proshare Nigeria Limited. This work is licensed under the Proshare trademark and is registered accordingly at the National Library and other relevant agencies. Proshare Reports, a critical part of Proshare's education, empowerment and enlightenment goals is designed to provide feedback and market impact commentary on economic, financial and business developments. While the partners and acknowledged references are responsible for their own work, the report issued is designed to document facts and nothing more.

Creation Date:

This document was created on March 1st, 2021 and is based on the best publicly available information at that time. To check for updates, kindly send us an e-mail. Thank you.



Head, Research



Chief Economist/Managing Editor

CONTACTS

This report was put together by Teslim **SHITTA-BEY**, Adesola **BOROKINNI**, Adaeze **NWACHUCKWU**, and Chioma **ECHEBIRI**, under approval by Proshare Research. Contact Authors vide teslim.bey@proshareng.com and saheed.kiaribe@proshareng.com, Production of report put together by Proshare **Graphics**.

Editorial Team:

Olufemi AWOYEMI femi.awoyemi@proshareng.com

Grace 'Jare-AJUWON grace.ajuwon@proshareng.com

Reshu BAGGA reshu.bagga@proshareng.com

Teslim SHITTA-BEY teslim.bey@proshareng.com

Saheed KIARIBE saheed.kiaribe@proshareng.com



PROSHARE NIGERIA: The Upper Room Plot 590b,
Lekan Asuni Close Omole
Phase II, Isheri LGA P.O.Box 18782, Ikeja,
Lagos, Nigeria.



@proshare



Proshare Nigeria



proshareng



ProshareNG



Proshare Ng



0700 PROSHARE



+234 805 585 2156



contact@proshareng.com



www.proshareng.com

Memo to the Market



SEPLAT and Its Access Bank Nemesis-
Plugging the Governance Gap



Nigeria Tax Payers
Are Not Responsible For Repayment
of Bad Debt



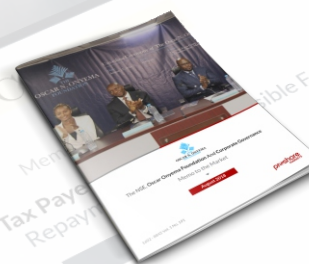
Beyond The Noise: MTN's Post Listing
Reactions, Gaps in Rules and Lessons
Learnt



Leadership, Change and Corporate
Transformation- The Nigerian
Experience



The Oando Corporate Journey- At The
Regulators Gate

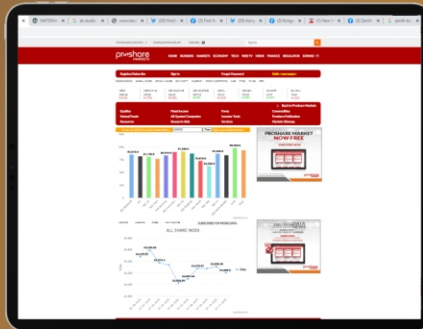
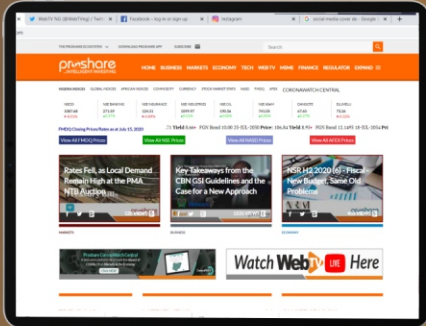


The NSE, Oscar Onyema Foundation
And **Corporate Governance**

The Analyst Data

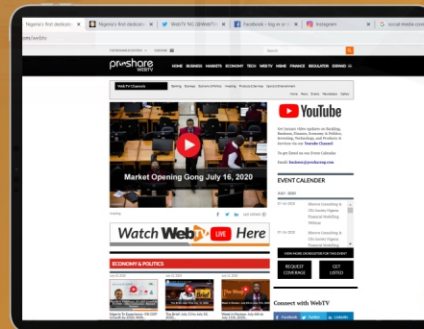
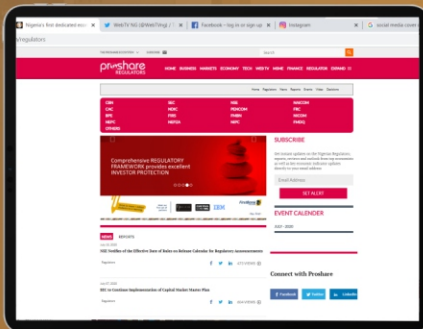
News From The Market

Reports



Regulatory Watch

WebTV



Timely, Reliable and Credible
Financial Information you can TRUST



0700-PROSHARE +2349024075284
market@proshareng.com www.proshareng.com
@proshare ProshareNG ProshareNigeria Proshareng

proshare



Memo To The Market
PPPRA and The Nigeria Gas Market: Avoiding a Robinhood
March 2025