



# PETROLEUM INDUSTRY BILL (PIB) AND THE DEREGULATION OF THE DOWNSTREAM SECTOR

BY  
REGINALD STANLEY,  
MD PPMC

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# PETROLEUM INDUSTRY BILL (PIB)



- THE BASIC PURPOSE OF THE PIB IS TO REFORM THE PETROLEUM SECTOR SUCH THAT THE NATIONAL OIL AND GAS INDUSTRY WILL ACHIEVE 21<sup>ST</sup> CENTURY GLOBAL INDUSTRY PERFORMANCE.
- THE BILL SEEKS TO DECENTRALISE THE INDUSTRY AND MAKE IT MORE EFFICIENT AND RESULT ORIENTED.
- MAJOR TASKS OF POLICY REGULATION, NATIONAL ASSETS MANAGEMENT AND COMMERCIAL OPERATIONS WILL BE CARRIED OUT BY SEPARATE ENTITIES.

# NEW STRUCTURE OF THE INDUSTRY



	<b>FUNCTION</b>	<b>ORGANISATION</b>
1	POLICY	NATIONAL PETROLEUM DIRECTORATE
2	TECHNICAL REGULATOR	NATIONAL PETROLEUM INSPECTORATE
3	COMMERCIAL REGULATOR DOWNSTREAM	PETROLEUM PRODUCTS REGULATORY AUTHORITY
4	COST REGULATOR UPSTREAM	NATIONAL PETROLEUM ASSETS MANAGEMENT AGENCY
5	COMMERCIAL	NNPC LIMITED
6	RESEARCH	NATIONAL PETROLEUM RESEARCH CENTRE
7	FUND	PETROLEUM TECHNOLOGY DEVELOPMENT FUND
8	FUND	PETROLEUM EQUILISATION FUND
9	TRAINING	PETROLEUM TRAINING INSTITUTE



# THE DOWNSTREAM SECTOR

• PIB DEFINES DOWNSTREAM SECTOR AS COMPRISING THE FOLLOWING ACTIVITIES:

- LOADING OF CRUDE OIL AT THE TERMINALS
- USE OF OIL BY THE END USERS AND INCLUDES TRANSPORTATION, SUPPLY, REFINING, PROCESSING, STORAGE, DISTRIBUTION AND MARKETING OF PETROLEUM PRODUCT
- THE SECTOR IS REGULATED BY THE INSPECTORATE AS TECH. REGULATOR OF THE ENTIRE INDUSTRY AND PPRA AS THE COMMERCIAL REGULATOR OF THE DOWNSTREAM
- BOTH EMPOWERED TO ISSUE LICENSES IN RESPECTIVE SPHERES OF OPERATION.

# THE DOWNSTREAM SECTOR CONTD



- THE INSPECTORATE SHALL GRANT TECH. LINCENSES FOR DESIGN PROCUREMENT, CONSTRUCTION AND OPERATION OF ALL FACILITIES INCLUDING REFINERIES, PROCESS PLANTS PETROCHEMICAL PLANTS.

LICENSES SHALL INCLUDE THE FOLLOWING:

- ESTABLISH, CONSTRUCT AND MAINTAIN A PROCESS PLANT
- ESTABLISH, CONSTRUCT AND OR MAINTAIN A PETROLEUM TRANSPORTATION PIPELINE
- ESTABLISH, CONSTRUCT AND OR MAINTAIN A PETROLEUM TRANSPORTATION NETWORK
- ESTABLISH, CONSTRUCT AND OR MAINTAIN A PETROLEUM DISTRIBUTION NETWORK

# PPRA (THE AUTHORITY)



THE AUTHORITY SHALL GRANT COMMERCIAL LICENSES:

- OWN AND OPERATE A PETROLEUM DOWNSTREAM PIPELINE TRANSPORTATION BUSINESS
- OWN AND RUN A DOWNSTREAM PETROLUEM TRANSPORTATION NETWORK BUSINESS
- UNDERTAKE THE SUPPLY OF DOWNSTREAM NATURAL GAS
- OWN AND RUN A DOWNSTREAM PRODUCTS OR NATURAL GAS DISTRIBUTION NETWORK BUSINESS

# THE NATIONAL TRANSPORT LOGISTIC COMPANY AND FACILITY MANAGEMENT COMPANIES



- **NATIONAL TRANSPORT LOGISTICS COMPANY (NTLC) WILL OWN THE FOLLOWING:**
  - PRODUCTS PIPELINES AND DEPOT SYSTEMS FORMERLY OWNED BY PPMC
  - GAS PIPELINES FORMERLY OWNED BY NGC
  - NTLC SHALL BE WHOLLY OWNED BY THE NIGERIAN STATE
  - PRODUCT PIPELINES AND DEPOT SEGMENTS TRANSFERRED TO NTLC SHALL BE DIVIDED INTO SEGMENTS
  - EACH SEGMENT LICENSED OUT TO FACILITY MANAGEMENT COMPANIES
  - GAS PIPELINE SYSTEM SHALL BE LICENSED OUT TO A GAS FACILITY MANAGEMENT COMPANY



# OPEN ACCESS

- THE BILL PROVIDES THAT ALL LICENSED PETROLEUM MARKETING AND REFINING COMPANIES SHALL BE GIVEN ACCESS TO THE REGULATED PETROLEUM PIPELINES SYSTEM ON COMMERCIALY VIABLE TERMS
- OPEN ACCESS SHALL BE EXTENDED TO ALL REGULATED JETTIES, LOADING FACILITIES AND STORAGE DEPOTS OPERATED BY THE FACILITY COMPANIES AND OTHER LICENSED REGIONAL STORAGE DEPOT COMPANIES
- IT IS MANDATORY FOR SHARED CAPACITY IN PETROLEUM PRODUCTS PIPELINE SYSTEM AND IN ALL JETTIES, IMPORT TERMINALS, LOADING FACILITIES AND STORAGE DEPOTS AMONG THE LICENCED MARKETING AND REFINING COMPANIES BASED ON THEIR NEEDS



# OPEN ACCESS CONT'D

- WHERE PETROLEUM COMPANIES OR REFINING COMPANIES FAIL TO UTILISE THE CAPACITY, THIS WILL BE FORFEITED AND SUCH CAPACITY GIVEN TO OTHER PARTIES WILLING AND CAPABLE OF UTILIZING SUCH CAPACITY
- LICENSED PETROLEUM COMPANIES SHALL HAVE EQUAL ACCESS TO JETTIES, LOADING FACILITIES AND STORAGE DEPOTS OWNED BY THE REFINING COMPANIES AND DESIGNATED AS REGULATED OPEN ACCESS FACILITIES
- THE NTLC AND REGIONAL STORAGE DEPOT COMPANIES SHALL NOT DISCRIMINATE BETWEEN CUSTOMERS OR CLASSES OF CUSTOMERS REGARDING ACCESS, TARIFFS, PRICES, CONDITIONS OR SERVICES EXCEPT ON GROUNDS DEFINED AS JUSTIFIABLE AND IDENTIFIABLE BY THE AUTHORITY

# OPEN ACCESS CONT'D



- NTLC AND REGIONAL STORAGE DEPOT COMPANIES SHALL INDEMNIFY ALL USERS OF THEIR OPEN ACCESS FACILITIES AGAINST LOSSES AND INCIDENTAL EXPENSES ARISING FROM THE POOR TECHNICAL INTEGRITY OF THEIR FACILITY
- THE BILL PROVIDES FOR THE CREATION OF A NATIONAL STRATEGIC STOCK AND MAKE IT MANDATORY FOR DOWNSTREAM OPERATORS TO MAINTAIN OPERATING STOCK FOR OIL MARKETING COMPANIES



# DOWNSTREAM GAS

- DOWNSTREAM GAS IS ADMINISTERED BY THE AUTHORITY (PPRA)
- THE OPERATION OF THE DOWNSTREAM GAS NETWORK SHALL BE ACCORDING TO A NETWORK CODE, WHICH SHALL INCLUDE A CONNECTION POLICY, STANDARD TERMS FOR CONNECTION TO THE TRANSPORTATION NETWORK AND DISTRIBUTION NETWORK AND A STATEMENT OF THE CONNECTION CHARGING METHODOLOGY.
- BILL CONTAINS PROVISIONS REGULATING THE SALE OF AND TRADING IN WHOLESAL GAS

# DOWNSTREAM GAS CONT'D



- TRANSPORTATION NETWORK OPERATOR MAY BE REQUIRED BY THE AUTHORITY TO DEVELOP ARRANGEMENTS FOR THE SAFE AND EFFICIENT TRADING OF WHOLESAL GAS.
- THESE ARRANGEMENTS MAY INCLUDE BUT NOT LIMITED TO:
  - DESIGNATION OF A MARKET OPERATOR BY THE AUTHORITY TO FACILITATE GAS TRADING.
  - THE LEVYING OF CHARGES ON MARKET PARTICIPANTS TO RECOVER THE COST OF MARKET OPERATION AND THE LEVEL OF CHARGES TO BE SUBJECT TO THE APPROVAL OF THE AUTHORITY.
  - ARRANGEMENTS BY WHICH THE PURCHASERS OF WHOLESAL GAS HAVE ACCESS TO OFFER TO SELL AND THE SELLERS OF WHOLESAL GAS HAVE ACCESS TO OFFERS TO PURCHASE GAS.

# DOWNSTREAM GAS CONT'D



- ARRANGEMENTS FOR SETTLING THE VOLUMETRIC OR MONETARY ACCOUNTS FOR PURCHASES AND SALES OF GAS BETWEEN PARTIES
- RULES OF PARTICIPATION IN THE WHOLESALE GAS MARKET INCLUDING GOVERNANCE ARRANGEMENTS FOR OVERSEEING THEIR IMPLEMENTATION AND AMENDMENT.



# THIRD PARTY ACCESS

- THE BILL PROVIDES THAT ANY PERSON SHALL BE PERMITTED ACCESS TO A TRANSPORTATION PIPELINE, A TRANSPORTATION NETWORK OR A DISTRIBUTION NETWORK FOR THE PURPOSE OF HAVING GAS TRANSPORTED TO POINT OF CONSUMPTION, SUBJECT TO COMPLIANCE WITH THE PRESCRIBED TERMS AND CONDITIONS FOR ACCESS STATED IN THE NETWORK CODE.
- THIRD PARTY ACCESS TO THE TRANSPORTATION NETWORK AND DISTRIBUTION NETWORK SHALL BE :
  - ON A NON-DISCRIMINATORY BASIS WITH SYSTEM USERS WITH SIMILAR CHARACTERISTIC
  - IN RESPECT OF ANY AVAILABLE CAPACITY, PROVIDED THAT SUCH CAPACITY IS NOT SUBJECT TO A PREVIOUS CONTRACTED COMMITMENT.

# THIRD PARTY ACCESS CONT'D



- IN ACCORDANCE WITH AND GOVERNED BY THE TERMS AND CONDITIONS OF THE NETWORK CODES APPROVED BY THE AUTHORITY
- ON THE CONDITION THAT THE APPLICANT FOR ACCESS IS OR BECOMES A PARTY TO AND UNDERTAKES TO COMPLY WITH THE APPLICABLE NETWORK CODE SUBJECT TO THE PRICING PRINCIPLES
- GAS PRICING WILL BE MARKET-BASED.
- THE PIB IS THE MOST COMPREHENSIVE PIECE OF LEGISLATION IN THE HISTORY OF THE NIGERIAN OIL AND GAS INDUSTRY.



# DOWNSTREAM DEREGULATION

## DOWNSTREAM SECTOR COVERS THE FOLLOWING:

- REFINING
- SUPPLY AND DISTRIBUTION
- 4 REFINERIES (PHRC OLD & NEW, KRPC AND WRPC)
- 22 STORAGE DEPOTS OWNED BY NNPC
- 5120 KM OF PIPELINES
- MAJORS & DAPPMA OWN STORAGE AND TRANSPORTATION FACILITIES
- NNPC, MAJORS, DAPPMA, IPMAN HANDLE DISTRIBUTION OF REFINED PRODUCTS.



# PROBLEMS OF THE DOWNSTREAM SECTOR

- DUE TO INCREASE IN ECONOMIC ACTIVITIES, DEMAND EXCEEDED SUPPLY OF PRODUCTS
- MARKETERS CASHED IN ON THE SITUATION BY HOARDING PRODUCTS AND CAUSING SCARCITY
- SMUGGLING BECAME RAMPANT
- VANDALS BROKE PIPES TO STEAL PRODUCTS
- EXPLOSION OF PIPELINES LEADING TO FATALITIES
- DESTRUCTION OF THE ENVIRONMENT
- INEFFICIENCY IN OPERATION AND WASTE
- NNPC SUBSIDIZED PRODUCTS PRICE AND PAID FOR CRUDE AT INTERNATIONAL PRICE

# WHAT IS THE DEREGULATION OF THE DOWNSTREAM SECTOR



- OPENS THE SECTOR TO COMPETITION
- PLAYERS TO PARTICIPATE AT EVERY SEGMENT OF THE VALUE CHAIN
- REMOVAL OF ENTRY BARRIERS IN THE SUPPLY AND DISTRIBUTION OF PETROLEUM PRODUCTS



# WHY DEREGULATE

- ENSURE PETROLEUM PRODUCTS ARE AVAILABLE TO CONSUMERS
- ERADICATE WASTE AND CORRUPTION
- ENSURE SUPPLY AND DISTRIBUTION ARE ORDERLY
- CHANNEL MONEY OTHERWISE PAID AS SUBSIDY TO KEY DEVELOPMENT PROJECTS THAT WILL BE BENEFICIAL TO CITIZENS



# DIVIDENDS OF DEREGULATION

- ENHANCED LEARNING ENVIRONMENT
- CLEAN PORTABLE WATER
- MORE FUNDS FOR PRIMARY HEALTHCARE
- EFFICIENT POWER SUPPLY
- INCREASED AGRICULTURAL PRODUCTION
- GOOD ROAD NETWORKS



# MERITS OF DEREGULATION

- AVAILABILITY OF PRODUCTS
- FULL COST RECOVERY
- RESPONSE TO CHANGING CIRCUMSTANCE WITHOUT POLITICAL INTERVENTION
- FAIR MARGINS TO ALL PLAYERS
- COMPETITION AND EFFICIENCY WILL DRIVE PRICES DOWNWARD
- ENTRY OF NEW PARTICIPANTS
- FACILITY EXPANSION THAT WAS NOT POSSIBLE IN A REGULATED MARKET
- FOREIGN ENTREPRENEURS TO INVEST IN THE DOWNSTREAM SECTOR
- NNPC A MAJOR PLAYER IN THE RETAIL BUSINESS



# ROLE OF PPRA

- COMMERCIAL REGULATOR OF THE DOWNSTREAM COVERING:
  - DOWNSTREAM PETROLEUM PRODUCTS
  - DOWNSTREAM NATURAL GAS AND DERIVATIVES
  - REGULATION OF COMMERCIAL REFINING ACTIVITIES
  - DETERMINING THE METHODOLOGY FOR CALCULATING PETROLEUM PRODUCTS PRICES
  - SETTING BENCHMARK PRICES FOR PETROLEUM PRODUCTS
  - REGULATION OF BULK STORAGE AND TRANSPORTATION
  - SET RULES FOR THE COMMON CARRIER SYSTEMS
  - CRUDE OIL AND PETROLEUM PRODUCTS TRANSPORTATION PIPELINES AND REGIONAL STORAGE DEPOTS.



# ROLE OF PPRA CONT'D

- ISSUE, REGULATE, REGISTER, ENFORCE COMPLIANCE WITH THE TERMS OF COMMERCIAL LICENSES.
- ESTABLISH PARAMETERS AND CODES OF CONDUCT FOR ALL OPERATORS IN THE SECTOR
- LIKE THE UPSTREAM REGULATOR; THE INSPECTORATE, PPRA IS EMPOWERED TO RESOLVE DISPUTES BETWEEN ESTRANGED PARTICIPANTS IN THE INDUSTRY IN RELATION TO ANY OF ITS POWERS AND DUTIES.



# CONCLUSION

- DEREGULATION IS THE ONLY WAY TO ENSURE THE FOLLOWING.
  - PRODUCTS AVAILABILITY AT ALL TIMES
  - ELIMINATE WASTE
  - FAIR COMPETITION THAT WILL DRIVE PRICES DOWN
  - ATTRACT BOTH LOCAL AND FOREIGN INVESTORS
  - CONSUMERS PRESENTED WITH CHOICES OF WHO AND WHERE TO BUY PRODUCTS
  - MAKE THE **CONSUMER THE KING**



THANK YOU FOR LISTENING