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DPR to Clamp Down on Illegal Products Storage Facilities

Director of DPR, Mr George Abiodun Osahon

The Department of Petroleum Resources (DPR) has said that it will not hesitate to close down any illegal tank farm's operation found in Nigeria without the Agency's certification and license approval. Mr Sadiq Abubakar, Head, Depots and Jetties Operations, DPR stated this at the sidelines during the annual general meeting of DPR, Lagos zonal office and depot owners in Lagos. Abubakar explained that some fuel marketers were using their facilities within residential areas as depots to adulterate petroleum products, which is against the agency rules and regulations.

He also said that it is illegal for marketers to be using their facilities to operate the illegal business of mixing diesel with kerosene. "As the need to ensure strict oil and gas industry standards cannot be overemphasized, we have unfolded plans to address issues with marketers concerning existing depot operations' guidelines," he said.

Abubakar also explained that DPR has been flooded with complaints from the public about marketers who arbitrarily fix petroleum products prices above the government's approved price, adding that such actions negate the stipulated regulations and would not be condoned. According to him, "all marketers buying petroleum products from depots should be issued with certified receipt of purchase indicating quantity of products purchased and price. "It is illegal for any company to sell petroleum products from a depot without issuing a receipt of sale.

"Any marketer who fixes arbitrary prices shall be sanctioned and the affected facility shut down and operating licence withdrawn," Abubakar warned.

PENGASSAN Threatens Strike Over Oil Block Sale

The Petroleum and Natural Gas Senior Staff Association of Nigeria has threatened to shut down the oil and gas industry due to the divestment by oil companies in the industry without settling all labour issues.

It accused ConocoPhillips management of not settling severance packages and sales bonus before the outright sale of its oil blocks in Nigeria. The oil workers also warned Oando Nigeria Plc, the prospective buyer of the oil blocks, not to conclude the acquisition process until ConocoPhillips fully settled the labour issues.

The National Public Relations Officer of PENGASSAN, Mr. Seyi Gambo, in the statement, said the union was ready to use all mechanisms within the ambit of law to ensure that ConocoPhillips respected the extant labour laws and other international conventions regarding severance of employees. The union also claimed that all expatriates in the employment of ConocoPhillips in Nigeria had been settled and redeployed to the company's operations in other countries, while the Nigeria nationals were neglected.

Inside this issue:

IFC to Finance Nigeria's $5bn Gas Pipeline Project

Nigeria's Petroleum Minister, Diezani Alison Madueke

Nigeria, Africa's top oil producer, is in talks with the International Finance Corporation to help fund a national gas-pipeline network to supply power stations and industries. Bloomberg on Wednesday, 9 October 2013 quoted the Minister of Petroleum, Mrs. Diezani Alison-Madueke, as saying the IFC was interested in financing the 40-inch 683-kilometer (424-mile) Ajaokuta-Kaduna-Kano northern link, the primary network for the proposed trans-Saharan pipeline to Europe.

"We asked for a mixed basket of debt and equity financing. Over the next six months, once the front-end issues are sorted out, mobilisation and implementation of the financial support and the work, as well as project advisories and project support, will begin."

Nigeria, the holder of Africa's largest gas reserves of more than 187 trillion cubic feet, flares most of the fuel it produces along with oil because it has limited infrastructure in place to develop the sector.

At least $3bn in revenue is lost annually due to flaring, according to the Petroleum Ministry. The Nigeria National Petroleum Corporation in July sought expressions of interest in "co-development" of the country's northern and eastern natural gas pipeline system.

The NNPC said it would prefer a funding structure of 60 per cent debt and 40 per cent equity for the project estimated to cost $5bn.

Pipeline Leakage Forces Shell to Shut TNP

The Shell Petroleum Development Company of Nigeria Limited has shut the Trans Niger Pipeline following reports of new leaks. This comes 10 days after the line was repaired following a leak caused by the activities of crude oil thieves.

"We find it difficult to safely operate our pipelines without having to shut them frequently to prevent leaks from illegal connections impacting the environment. Ironically, it appears the crude thieves use repair windows to prepare and quickly launch fresh illegal connections when we restart production," said Mutiu Sunmonu, managing director of the Shell Petroleum Development Company of Nigeria. A joint investigation visit will be conducted as soon as possible to determine the cause and impact of the spills, the company assured.

The firm, last month, reopened the pipeline, which supplies about 150,000 barrels of crude per day, after about two months of closure. SPDC stated in July that it estimated the total daily loss from the TNP shutdown to be roughly $15m.

The closure of the line then had also hit Nigeria's domestic power generation, with SPDC being forced to shut down the Afam VI power plant due to a shortage of gas arising from the closure of the pipeline.

FG to Sell 10 National Integrated Power Plants - Jonathan

President Goodluck Jonathan

President Goodluck Jonathan on Thursday, 3 October 2013 said that all the 10 National Integrated Power Plants (NIPPs), being built by the Federal Government, would be sold to private investors. The president said this at Geregu in Kogi, during the formal inauguration of the Phase 2 Geregu 434 megawatts power plants.

He said that by 2014, all the 10 NIPPS would have been inaugurated, adding that the Federal Government would then sell them to private investors. Jonathan said that the Federal Government would continue to inaugurate more power plants, adding that the operational ones had so far added about 5,000 megawatts to the national grid.

He said that the construction of the power plants was funded from the Excess Crude Oil Account, jointly owned by the three-tiers of governments.

Jonathan said that more NIPPs would be completed and inaugurated, as part of efforts to overhaul the power sector and boost electricity generation in the country.

He, however, noted that one of the challenges facing the power project was the dispute between the federal and state governments over the legality of using funds from Excess Crude Oil Account to execute the project.

Fresh Setback for Petroleum Industry Bill

The controversial Petroleum Industry Bill, PIB, has again suffered setback in the Senate as the planned public hearing had been put on hold as a result of the ongoing Hajj by the Muslim lawmakers. Chairman, Senate Committee on Petroleum, (Upstream) Senator Emmanuel Paulker, who confirmed the abrupt postponement of the public hearing in Abuja, said it was "due to circumstances beyond our control." Paulker said there was no cause for alarm as everything would be done to ensure passage of the bill, assuring that "at the end of the day, national interest will prevail and the PIB will see the light of the day in the life of this National Assembly." The Committee Chairman added that stakeholders had agreed that the laws surrounding oil and gas sector were obsolete and needed to be reviewed. Commenting on the controversy surrounding the bill, Paulker said that the PIB was very important to every Nigerian and all the sectors of the economy, adding, "Oil is the main stay of our economy. We are looking forward to a day that the economy would be diversified. There is so much reliance on oil. "As long as the economy rests on oil and there is an Act that is coming to repeal all laws surrounding this single all important commodity, every serious minded Nigerian would be interested."

Also commenting on the complaints by the IOCs over alleged harsh fiscal regime, he said "we are at the public hearing stage all the complaints would be taken into consideration. Based on the opinions expressed by the public, the joint committee will work on the bill, filter the opinions and present the bill to Senate in plenary. "The plenary will again debate clause by clause of the bill. You cannot say that those opposed to the bill are opposed to just some clauses of the bill, not the entire bill. The IOCs are critical of the fiscal regime and the fiscal regime alone did not constitute the bill in its entirety.

"While the IOCs are talking about the fiscal regime of the bill, some northern governors that attended the first public hearing talked about the 10 per cent equity participation of the host communities.

"We will compare the fiscal regime in the bill with the fiscal regime in some other countries before we arrive at conclusion.

World Bank to Fund Nigeria's Power Sector

THE World Bank Group is to undertake its biggest financing programme in the Nigerian power sector. Mr. Bernard Sheahan, the Global Industry Director for Infrastructure and Natural Resources at IFC, a member of the World Bank Group who disclosed this at the power investors summit Nigeria in Lagos, said the World Bank planned to provide financing for a number of the power projects, such as providing funding for some of the transmission cost and guaranteeing some of the risks in the sector. He said, "The World Bank will provide funding for some of the transmission costs. The Partial Risk Guarantee programme that the World Bank is planning for Nigeria will be the largest of such programme anywhere in the world."This integrated business plan for the power sector by the World Bank Group is something we have never tried anywhere else. We are doing this because of the magnitude of the needs here and we think the potential payoff, both for Nigeria and for opening up a really important market for investors." He said the IFC is already in discussion with the Federal Government of Nigeria, on how best to set up the next stage of the power reforms programme.

He also said that the IFC has started disbursing some money as co-developers to one of the first Independent Power Projects, IPPs, with the hope of bringing the project to financial closure soonest. Sheahan noted that in the past, the role of the IFC and other agencies of the World Bank, was mainly advisory, adding that at the moment, they are moving into the financing phase, through the IPPs and eventually some of the distribution companies, as well.

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Petroleum Development Consultants (PDC) is an independent consulting company specialising in oil and gas development activities. It was founded by David Aron in 1988 and has been building a solid reputation in oil and gas development work. Since then PDC has carried out numerous oil and gas projects in more than 50 countries.

PDC is unusual amongst oil and gas consulting companies in working in both the upstream and downstream part of the oil and gas industry. PDC carries out fully integrated sub-surface studies using leading edge software such as Petrel and ECLIPSE. However in addition it has detailed practical experience of international regulatory practice in the oil and gas industry.

PDC staff and associates include reservoir and petroleum engineers, geophysicists, geologists, petrophysicists, chemical engineers and petroleum economists.

FCMB Commits $275m to Power Sector

The First City Monument Bank (FCMB) Group has reaffirmed its commitment towards providing the necessary support to ensure the successful implementation of the power sector reforms.

According to the Group Head, Project and Structure Finance, FCMB Capital Markets Limited, Mr. Robert Grant, FCMB had committed over $275 million to the power sector reform. The figure was given by Mr. Robert Grant, during a special forum in Abuja on 'Financing the power sector reforms for economic development.' The forum, supported by the Central Bank of Nigeria and sponsored by the Nigerian Deposit Money Banks, was aimed at reviewing the contributions of the banking sector to the reforms in the power sector, a statement by the organisers stated.

Grant said the funding of the sector had reaffirmed the bank's commitment to providing the necessary support for the power sector value chain as well as the transformation agenda of the Federal Government.

He added that FCMB Capital Markets was actively involved in the ongoing privatisation of the National Integrated Power Projects by the Niger Delta Power Holding Company.

Grant said, "FCMB was one of the first banks to access the Bank of Industry's Power and Aviation Intervention Fund with the provision of N3.2bn term loan facility to Tower Power Utilities Limited for its 17.75MW combined cycle gas fired power generation plant in Ota Industrial Estate, Ogun State.