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PETROLEUM DEVELOPMENT CONSULTANTS

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NNPC Denies Shady Dealings in Crude Lifting

Corporate Headquarters, NNPC Towers

The Management of the Nigerian National Petroleum Corporation, NNPC, over the weekend denounced a recent report by a Swiss-based, Non-Governmental Organisation, NGO (The Berne Declaration), which accused the Corporation of collusion with some local and international oil traders to execute unfair industry practices.

The Acting Group General Manager, Group Public Affairs Division, NNPC, Ms. Tumini Green, said in a statement on Sunday that the publication is not only bogus but strewn with inaccurate and poorly researched data, which defies common sense and verifiable evidence on ground in Nigeria.

"For instance, how can anybody who claims to be a close observer of the Nigerian oil and gas industry say that the process leading to the award of Term Contract for lifting of Nigeria's crude is shrouded in mystery, when it is common knowledge that the call for tender for this contract is periodically published by almost all the newspapers in Nigeria via paid advert placements by the NNPC?" Green quipped.

The NNPC spokesperson explained that in practice the Corporation sells Nigerian Government equity crude oil to lifters/ traders engaged on Annual Term Contract basis, adding that at present, there are about 50 of such term contracts.

"No company has a monopoly or exclusive right to lift any quantity of Nigerian crude oil. The process of selection of Traders/lifters is competitive and transparent. Traders lift crude oil according to the terms of Contractual agreements applicable to all traders, among others on (Free on Board) FOB basis and proceeds paid directly into designated Central Bank of Nigeria Crude oil sales accounts," She said.

On the allegation that Nigeria's crude is sold to some companies at special discounted rate, Green countered, "Nigerian crude oil is sold at published Official Selling Price (OSP), which is not only bench-marked against the internationally recognised pricing institution, Platts daily publications, but also fixed after a critical analysis of market fundamentals and price determinants at global level. OSP differentials are crude stream determined and cannot favor an individual or group of traders as being insinuated."

Green thanked the Nigerian media for their sustained show of support for the growth of the oil and gas industry while appealing to them to always resist the temptation of endorsing foreign media reports about the industry as gospel truth.

Oil Revenue Drops by N189bn

Revenue accruable to the Federal Government from crude oil exports dipped by N188.5 billion to N457.2 billion in August 2013, compared to N645.7 billion recorded in July.

According to data from the Central Bank of Nigeria, CBN, in its Economic Report for August 2013, the amount received by the government from crude oil in August, is the lowest since the beginning of 2013 and the lowest in a one-year period.

Specifically, crude oil revenue in January 2013 stood at N591.4 billion, rising to N647.6 billion in February, before dropping to N595.3 billion in March.

Thereafter, it was ups and downs, as the figures rose again in April to N613.4 billion; N641 billion in May, dropping again to N559.4 in June, rose again in July to N645.7 billion, before dropping its lowest to N457.2 billion in August.

This contrasts sharply with earnings of N749.1 billion year-on-year to August 2012, the highest over a 12-month period.

The CBN attributed the decline in crude oil revenue relative to the preceding month to the shortfall in receipts from exports and other oil revenue during the period in review.

Inside this issue:

Dr. Jackson Gaius-Obaseki, Chairman, Brass LNG

Brass LNG May Suffer Further Delay as ConocoPhillips Extends Exit Date

The Final Investment Decision (FID) of the multi-billion dollar gas project, Brass Liquefied Natural Gas (LNG) Limited, may suffer further delay as one of its key shareholders, ConocoPhillips (COP), has rescheduled its final exit from the company to March 2014.

ConocoPhillips, whose global business focus and strategy got some re-engineering last year had unveiled its departure plan from Nigeria and particularly, the Brass LNG Project, to enable it pursue other business interests.

Investigation on the company's protracted exit revealed that contrary to the earlier envisioned exit from the project, latest the last quarter of this year, the company had now extended its final departure date to March next year.

At its Annual General Meeting (AGM) held in July this year, the chairman of the company's Board of Directors, Dr. Jackson Gaius-Obaseki, had told the stakeholders that: "In my address to the AGM last year, you may recall that I expressed the view that the final investment decision (FID) for the Brass LNG Project was possible within year 2013 with the full commitment and unwavering efforts of all the Project participants. At that point it was not envisaged that the COP exit through the announced sale of their shareholding with its dampening effect on morale and confidence will be protracted."

At its recent meeting in Paris, France, shareholders of the Brass LNG Limited reaffirmed their commitment to the project.

The meeting had in attendance, the Chairman of Total Nigeria Limited, Mr. Jacques De Marraud; Chairman of Nigerian Agip Oil Company (NAOC/ENI), Mr. Roberto Casulla; Chairman of Brass LNG Limited, Dr. Jackson Gaius-Obaseki, and the Group Managing Director of Nigerian National Petroleum Corporation (NNPC), Mr. Andrew Yakubu.

Niger Delta Group Accuses Agip of Violating Expatriate Quota

The Niger Delta Indigenous Movement for Radical Change (NDIMRC) has accused Nigerian Agip Oil Company (NAOC) of violating expatriate quota and threatened a total showdown with the Italian company in the days ahead.

In a statement signed by its President, Nelly Emma; Secretary, John Sailor and Public Relations Officer, Mukoro Stanley, NDIMRC accused the Chairman and Managing Director of Agip, Mr. Ciro Pagano, of short-changing Nigerians working in the company. While imploring President Goodluck Jonathan to prevail on the company to give Nigerians a better deal, the group said it was in possession of documents that could nail the top management of the company.

NDIMRC condemned what it called a situation where major positions in the company are in the hands of foreigners to the detriment of Nigerians and vowed to stage protest at all offices of the company.

The group alleged that Nigerians working in Agip were being treated like slaves and denied choice managerial positions in their land, threatening to disrupt the activities of the company unless something urgent was done.

"Our investigations have shown that Nigerians are not well treated in Agip; they are being denied of occupying key positions in the company. For instance; the General Manager (Finance) is an Italian; the General Manager (Upstream Business) Italian; the General Manager (Gas Business) Italian; the General Manager (Commercial) Italian; the General Manager (District) Italian and General Manager (Projects) Italian. Our findings revealed that only the positions of General Manager (Legal), General Manager (Public Affairs), General Manager Nigerian Content Development (NCD) and General Manager (Human Resources) are being held by Nigerians and we think this is not good enough for the Nigerian Local Content and people of the oil-rich Niger Delta region. We are of the strong view that Nigerians ought to be given the positions of the General Manager (Projects); General Manager (Gas Business); General Manager (Finance) and General Manager (Upstream Business)," the group said.

NDIMRC insisted that Nigerians should hold key positions in Agip unless the company would like to face protest in all the locations of the company, including its offices across the country.

NNPC, Others to Build $20bn Gas City In Delta

Governor of Delta State, Dr. Emmanuel Uduaghan

DELTA State may by 2020 host Africa's largest gas city in Ogidigben, Warri South West Local Government area with an estimated cost of $26 billion (N4.2 trillion), under a joint arrangement between the Nigerian National Petroleum Corporation (NNPC) and some private sector investors.

The Governor of the state, Dr. Emmanuel Uduaghan, who made the disclosure Monday, 11 November 2013, in Warri, at a stakeholders' meeting, sought for the cooperation from all communities in the area to ensure that the project got underway smoothly.

The project would be located back-to-back with EGTL (Escravos Gas To Liquid) project almost similar to the one being constructed by Chevron Nigeria Limited and expected to be completed in seven years.

The project, which will occupy a land space of over 2,800 hectares, will have among other things, a refinery, a gas plant, a fertilizer processing plant and a petrochemical plant.

The plant, when completed and fully operational, is expected to provide employment for more than 2,000 persons of different skills and professional qualifications

Uduaghan, while briefing the stakeholders, enjoined the people of the area to cooperate with the Federal Government, the NNPC and the contractors handling the project to ensure that the project got underway without hitches.

Uduaghan explained that the project would help to strengthen the economy of the state and provide employment opportunities for the people.

He also asked the people to shun negative actions and comments that may send wrong signals to the international community.

Oil Theft - FG May Lose $12bn in 2013 - Okonjo-Iweala

Revenue earned by Nigeria this year may be as much as $12 billion short of budget estimates as theft of crude and output disruptions persist in the oil-rich Niger River delta, Finance Minister Ngozi Okonjo-Iweala said. The government will draw down its oil savings in the Excess Crude Account to compensate for the drop in revenue to keep the budget deficit under control, Okonjo-Iweala said in an interview with Bloomberg in Abuja.

Savings in the special crude account have dropped by half as President Goodluck Jonathan's government tries to make up for the drop in oil revenue and fund a deficit that has reached 2.5 percent, according to the central bank. With a 2013 budget based on a daily output of 2.53 million barrels and an oil price of $79 a barrel, Nigeria expected revenue of almost $80 billion from exports. In the first half of the year, oil receipts amounted to $28.2 billion, more than $7 billion below the estimate, according to central bank figures.

Nigeria depends on crude exports for about 80 per cent of government revenue and 95 percent of export income. Criminal gangs tapping oil from pipelines for illegal sale have posed the biggest threat to output since a government amnesty in 2009 reduced armed attacks led by rebels fighting for greater control of the region's resources.

Downstream Players Urged to Expand Capacity

Downstream players in Nigeria's petroleum industry have been challenged to expand capacity through the construction of refineries to become net producers of petroleum products in the country.

By so doing, they will become competitive at the international level. Speaking on downstream competitiveness at the just-concluded, Oil Trading Logistic Expo, OTL in Lagos, Senate President, David Mark, said Nigeria, especially operators in the downstream sector must relate to what is happening in the international market. Mark argued that Nigeria's downstream sector is profitable and will remain profitable essentially if the operators remained efficient middlemen, or at the very best, strategic margin traders by importing products and selling at the margin. Mark continued, "In dealing with the theme of the conference, one is forced to ask, Why are we talking of competitiveness? Is it competitiveness between MRS and Total? Or are we talking about competitiveness on an international scale because the petroleum industry is an international industry. And if you are gathering here to discuss competiveness, we must discuss the capacity of Nigeria to compete with other companies at the international level and in that respect, I am force to question whether we have actually identify the true principles of such international competiveness.

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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.

Norway to Promote Local Content in Nigeria's Maritime, Oil Sector

Norway has entered into a strategic partnership with PEM Offshore to promote local content in the Nigerian maritime and oil and gas sector.

Speaking during a visit to the proposed site for the PEM Offshore Simulation and Innovation Center, supported by Kongsberg, Mr. Rolf Ree, Royal Norwegian Ambassador, said the country will help promote technology transfer and drive local content in the maritime and petroleum sector.

He said the efforts of Norway in driving growth and advancement in Nigeria's maritime industry over the years, have not been successful, expressing confidence that the partnership with PEM Offshore will help link the competencies of Norwegian companies with their Nigerian counterparts.

He said Norway has been known as a maritime nation and is happy with the partnership with PEM Offshore in setting up the Simulation Centre.

Also speaking, Mr. Philips Matthew, Senior Vice President, Americas/Africa, said the simulation centre will help reduce the cost organisations spend in the training of their personnel abroad by 50 percent.

He said, "Organisations spent between N1.2 million and N2 million per personnel in sending them overseas for competent training and certification in Marine and Offshore Simulation Courses. With the Simulation Centre, organisations will only have to spend about half of that amount on the training of their staff. This is the same training they get overseas."

He said the Simulation Centre has achieved 60 percent completion, and it is targeting March 2014 for the final take off of the centre.

He disclosed that majority of the materials for the centre is being produced from Norway and in the next couple of weeks, the materials will be brought into the country for the final set up. He said the partnership with Kongsberg has ensured that the certification issued is of international standard, empowering trainees to practice in Norway and anywhere around the world, not just in Nigeria.

Matthew stated that the centre is not designed to take away the business of expatriates but will promote partnership between Nigeria and the expatriates and help in technology transfer.

According to him, local content development cannot be achieved in Nigeria until emphasis is placed on technology transfer, training and in-country sale.