



INDEPENDENT PETROLEUM MARKETERS ASSOCIATION OF NIGERIA

41, Gnassingbe Eyadema Street, Asokoro, Abuja.

RC: 2686

PRESENTATION OF IPMAN

TO THE

**JOINT HOUSE COMMITTEE
ON PETROLEUM INDUSTRIAL BILL (PIB)**

HOLDING AT NATIONAL ASSEMBLY

DATE 29TH - 31ST JULY, 2009

PRESENTED BY

**ALH. AMINU ABDULKADIR
NATIONAL PRESIDENT (IPMAN)**

Introduction

IPMAN is a major player in the downstream sector of Nigeria economy with membership of about 10,000 and over twelve thousand retail outlets in all the nooks and cranny of Nigeria. IPMAN total investment in filling stations and haulage business in Nigeria is over N1,098 trillion Naira apart from the employment generated by IPMAN for Nigerian. IPMAN is the next largest employer of labour.

Overview of Nigeria Downstream Sector

The downstream sector of the Nation's Oil Industry has remained highly controversial over the years in view of the cardinal role of petroleum products in the overall economy. Nigeria Oil & Gas sector account for 90% of Nigeria Foreign Exchange Earnings and over 70% of Gross Domestic Product (GOP).

Prior to 1965, crude oil produced in the country was exported while local consumption of white products was met solely by imports in a deregulated environment.

Between 1965 and 1989 however, four(4) refineries with a total capacity of 445,000 barrels per day were established in Port Harcourt, Warri and Kaduna.

These local refineries at a time were able to meet local consumption while surplus were exported to neighboring countries in the West African sun-region.

Government's involvement in the downstream sector of the Nigerian Oil Industry started in the early 1970s following the promulgation of decrees

allowing Nigerian Government ownership and management of refineries in the country.

It is instructive to note that Government involvement in the management and ownership structure of the refineries and downstream logistics infrastructure gave rise to a regulated regime that was characterized by: inadequate supply and distribution of petroleum products, pricing regimes that did not allow for cost recovery, acute products scarcity which often lead to long queues at filling stations e.t.c.

It is against these inadequacies that government began move to deregulate the sector in August 2000 with a reform agenda targeted among other things at making petroleum products importation open for other participants from NNPC and ensuring uninterrupted domestic supply of products at reasonable prices.

The present regime is characterized by guided regulations, fixed margin as regulated by PPPRA, uniform pricing through PEF scheme and subsidies on import through Petroleum Support Fund (PSF) which is basically on PMS and DPK Importations.

Our local refineries, pipelines and government depots remained in bad shape with either pipeline vandalism, ruptured pipe, malfunctioning pumping machines and loading arms etc thereby resulting in epileptic and low capacity utilization.

By extension jetty operations reflect inadequate maintenance of reception facilities.

Cost building up associated with product procurement cost, delivery cost, port charges, jetty management fees, demurrage on vessels, navy

clearance, haulage cost, finance union levies etc. combined to determine the final price of imported cargoes of both AGO and DPK.

It is pertinent to note the Government's involvement in the ownership and management of refineries, depots, distribution infrastructures and logistics which resulted in inadequate supply of products, scarcity, faulty pricing and inappropriate apportionment of margins to stakeholders are still in existence and a big threat to the downstream sector operations.

The review of the above situation through guided deregulation and liberalization created avenues for other apart from NNPC to join the importers chain with a view to ensure uninterrupted product supplies at reasonable competitive prices.

HIGHLIGHTS OF THE PETROLEUM INDUSTRY BILL ACT 2009 **AS IT CONCERN IPMAN MEMBERS.**

PREAMBLES

The purpose of this bill is to establish the legal and regulatory framework, institutions and regulatory authorities for the Nigeria Petroleum Industry, to establish guidelines for the operation of the upstream and downstream sectors.

THE MINISTER

The Minister in charge of Petroleum shall be responsible for the coordination of the activities of the Petroleum Industry and shall have overall supervisory functions over petroleum operations and all the institutions of the Industry.

INSTITUTION IN THE NEW PETROLEUM BILL ACT 2009

1. THE NATIONAL PETROLEUM DIRECTORATE

The Directorate shall function as the Secretariat of the Minister and shall take over any functions which were previously undertaken by the Ministry of Petroleum Resources function:-

FUNCTIONS

- Policy and Strategy Formulation.
- Overall supervision of compliance with the contents of petroleum Industry Bills for the benefit of Nigeria state.
- Initiate periodic review of existing policies in consultation with institutions and stakeholders.
- The Director General of the Directorate will have the same status like the permanent secretary of the Civil Services of the Federal Republic of Nigeria.
- Minister is the Chairman of the board, with directors of the Directorate as board members.

2. THE NIGERIAN PETROLEUM INSPECTORATE

- It shall be a body corporate with perpetual succession and a common seal.
- The Inspectorate shall be successor to the asset and liabilities of the Petroleum Inspectorate of the Nigerian National Petroleum Corporation and Department of Petroleum Resources of the Ministry of Petroleum Resources.

OBJECTS:

- Ensure maintenance of Standards and specification for the upstream sector of the Petroleum Industry.

- Ensure safety, safe, and efficient operation in all section of the Petroleum Industry.
- Issue permit, license and any authorization necessary for all the technical activities connected, with petroleum exploration, and production, downstream gas, downstream products, refinery, storage, retail outlet, transportation, distribution and processing of petroleum products for import and exports.

Unlike before, the Nigerian Petroleum Inspectorate will be independent with her own governing board

IPMAN should be a board of the Nigerian Petroleum Inspectorate.

3. THE PETROLEUM PRODUCTS REGULATORY AUTHORITY

This shall be a body corporate with perpetual succession and a common seal.

OBJECTS

- To implement commercial policies for the downstream petroleum industry. To regulate the prices of downstream gas and petroleum products.
- To promote supply of gas and petroleum products throughout Nigeria.
- To encourage and facilitate investment in the downstream petroleum industry.
- To regulate on bulk storage and transportation and to set rules for common carrier for crude oil, petroleum products, transportation pipeline and regional storage depots.
- Issue and regulate commercial license and any other authorization necessary for all commercial activities connected with:-

- i. Downstream Gas
- ii. Downstream Products
- iii. Refinery
- iv. Storage
- v. Retail Outlet
- vi. Transportation
- vii. Transmission
- viii. Distribution
- ix. Processing of Petroleum and Gas Products for import and export.

DEFECTS OF BOARD COMPOSITION

IPMAN should be a member of the Board of the Petroleum Products Regulatory authority.

4. THE NATIONAL PETROLEUM ASSET MANAGEMENT AGENCY

The National Petroleum Asset Management Agency shall be a body corporate with perpetual succession and a common seal.

OBJECTS

- The Agency shall be in charge of monitoring and approving costs in the upstream petroleum industry with the objective of maximizing revenue.
- Ensure that all operations in the Petroleum Industry achieve optimal financial returns.

5. NIGERIAN NATIONAL PETROLEUM COMPANY LTD

It shall be a limited liability company and shall be the successor to the assets and liabilities of the Nigerian National Petroleum Corporation.

- National Oil Company to be incorporated.
- To function like any Petroleum Company in Nigeria.

- To be governed by the articles and Memorandum of the Company.
- Board Members are to be qualified Nigerians.
- Accountable to the shareholders.
- Full disclosure of all information and financial records to shareholders.

6. THE NIGERIA PETROLEUM RESEARCH CENTRE

- It shall be a body corporate with perpetual succession and a common seal.
- Office to be in Port Harcourt with office in any part of the country the supervisory council deemed fit with the approval of the Minister.

FUNCTIONS

- To carry out research in all areas pertaining to Petroleum Industry mainly in the area of exploration, production and process technology.
- Consultancy Services to all customers and operation on a commercial basis.
- New technologies discovery.
- The centre can charge fees to government or person for its services.

7. NATIONAL FRONTIER EXPLORATION SERVICES

It shall be a body corporate with perpetual succession and a common seal.

OBJECTS:

- Promote efficient, sustainable exploration of hydrocarbon in the frontier basins of Nigeria.
- Evaluate all unassigned concessions in Nigeria.
- Undertake activities to stimulate the interest of local and international Oil Companies in exploration of frontier basins of Nigeria so as to increase Nigeria Petroleum Reserves.
- To be financed by the Ministry through approved budget and supplementary budget if the need arise

8. PETROLEUM EQUALIZATION FUND

There shall be a fund to be known as Petroleum Equalization Fund which shall be a body corporate with perpetual succession and a common seal.

OBJECTS

- To determine the method by which the net Surplus Revenue shall be collected from Petroleum Products Marketing Companies.
- Recover such net surplus revenues from the sale of Petroleum Products from Petroleum Marketing Companies.
- Inspect and inquire about the activity relating to movement or storage of petroleum products and to that extent, to inspect books and facilities, take measurement and inquire into the correctness of information provided in support of claims for re-imbusement.
- To reimburse Petroleum Product Marketing Company for any loss sustained by them solely and exclusive in as a result of sales by them of petroleum products at uniform prices throughout Nigeria being benchmark price set by the authority.

- The Board is to take decision of claim received on payment within 30 days of receipt of the claim and to pay latest 10 days after the decision has been taken.
- Failure to pay within 40 days attract 10% penalty in against the fund.
- The same period apply to marketing companies who are to reimburse the fund.
- The fund has power to waive the penalty through the board with cogent reason in writing.
- The fund has power to waive the penalty through the board with cogent reason in writing.
- IPMAN is on the board of the fund.

9. THE PETROLEUM TECHNOLOGY DEVELOPMENT FUND

- It shall be a body corporate
- To provide scholarship and bursaries to students and universities for human capital development.
- Make books and training equipment in Nigeria Tertiary Institutions for the development of Nigerian Petroleum Industry.
- Make endowment to faculties in Nigerian Universities, college or institution as may be approved by the Board.

DOWNSTREAM PRODUCTS/OPERATIONAL HIGHLIGHTS.

- There shall be **National Transparent Logistic Company** who shall be transferred to all the pipeline and storage depots owned by Petroleum Products Marketing Company with PPMC and the Gas transportation pipeline formerly owned by the Nigerian Gas Company.
- The logistic company will be a limited liability company.


- The Depots and pipelines are to be segmented and given out to Facility Management Company.
- These facility management companies are to be selected in accordance with the guidelines approved by the Minister.
- It shall be operated on open access basis by the Facility Management Company.
- Jetties are to be given out to the facility management company.
- The capacity in the petroleum products pipeline is to be shared among the licensed petroleum marketing and refining companies in proportion to their needs.
- There will be a benchmark for tariff on pipeline usage and depots usage.
- Access to Pipeline Network by third party shall be on non-discriminately basis.
- There shall be an approved terms and condition of the network. Codes as approved by the authority.

OUR PRAYERS ARE:

Independent Petroleum Marketers Association of Nigeria (IPMAN) is in support of the Petroleum Industry Bill submitted by Mr. President, through executive Bill to the National Assembly for promulgation into an act.

- 1. Refinery – IPMAN is calling for refurbishment of refinery. If NNPC want to divest, IPMAN is interested in partnering with NNPC in this regard.**

2. **IPMAN wants to build a refinery. We want a clear cut policy on crude procurement, pricing e.t.c. IPMAN also want an interest free loan from the government to be repaid back between 10-15 years.**
3. **Subsidized Crude Price for this refinery for internal consumption while refining products for export should be at international price.**
4. **The Petroleum Support Fund (PSF) that will be saved after deregulation should be used to build refineries in partnership with IPMAN who is a major player in the downstream sector.**
5. **IPMAN should maintain her board status in all the relevant Petroleum Agencies as it were before being a major stakeholder in the downstream sector.**


Alh. Aminu Abdulkadir
National President


Mr. Mike Osatuyi
National Secretary