



July Downstream Report 2023

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ABOUT US

An Abode Of New Possibilities With Data Analytics & Solutions To Enhance Business Growth

WaterHouse is a data analytics company that offers innovative and cutting-edge analytics services to businesses, with a primary focus on the African market.



Our Mission

At WaterHouse we are established to help businesses – large and small – recognize and utilize the power of data science and analytics.

With the interest of our clients and customers at heart, we customize solutions to address the unique business needs and challenges they face using latest trends, and technologies to meet needs of our clients.

Our Vision

At WaterHouse, our vision is to transform businesses and organizations with the untapped power of data science and analytics, to offer solutions which help them stay ahead of the competition.

We harness the latest technologies, and the best practices to provide our clients with strategic and calculative information to achieve this.

■ WHAT WE DO?

Valuable insights that enable businesses to make informed decisions and manage risk effectively with a team of skilled data scientists and energy analysts working tirelessly to provide cutting-edge solutions to the energy industry.



■ Our Services

01

Data Acquisition

We can assist you in acquiring relevant and reliable data for your business needs in the energy and environment, oil and gas, Renewables, or Net Zero sectors.

02

Data Analysis

Once we have acquired the necessary data, our team of experienced data analysts will conduct a thorough analysis of the data to extract valuable insights.

03

Insight Delivery

After the analysis, we will present the insights to the clients in a clear and concise report that highlights the key findings, recommendations, and visualizations.



Executive Summary

In the dynamic landscape of fuel prices and transportation fares, July 2023 emerged as a pivotal chapter, offering intriguing insights into economic shifts and regional trends. The National Measurement and Petroleum Data Reporting Agency (NMPDRA) reported dispatching 1410 million litres of downstream petroleum via 31750 trucks, with crude oil averaging 76.91 USD per barrel and an exchange rate of 460 USD per the Central Bank of Nigeria, impacting PMS, DPK, and AGO.

A notable surge occurred in July's average retail price of Premium Motor Spirit (Petrol), reaching NGN 600/litre. This marked a staggering 9.9% increase attributed primarily to subsidy removal, underscoring the delicate balance between government intervention and market dynamics.

Automotive Gas Oil (Diesel) displayed an interesting trend, with the average retail price per litre at NGN 794, reflecting a 5.9% decrease from the previous month. Distillate Petroleum Kerosene (DPK) also saw an upward trajectory, with the average retail price per litre rising to NGN 1300, a 5.2% increase from the previous month.

Note, the price of DPK is from a forecast of the previous months(Keep in mind that this forecast may not reflect real-time market conditions and could be subject to change).

In conclusion, July 2023 encapsulated a tapestry of economic shifts and regional trends in fuel prices. The removal of subsidies set in motion a cascade of changes, impacting not only the cost of fuel but also the intricacies of transportation. These insights highlight the delicate interplay between economic policies, market forces, and the ever-evolving patterns of consumer behavior, providing a lens to better understand the complex dynamics shaping everyday experiences.

Introduction



Navigating the Dynamics: A Comprehensive Analysis of Nigeria's Downstream Oil and Gas Industry – July 2023

Welcome to our monthly report on downstream activities in the oil and gas sector. This report provides a concise yet comprehensive overview of the latest developments, key findings, and critical discussions within the upstream industry.

In these pages, you will find an executive summary that highlights the most significant aspects covered in this report, background information shedding light on the contextual factors influencing the sector and setting the stage for the subsequent sections, news highlights, limitations.

Moving forward, we will present the results of our research, highlighting key findings derived from data analysis and market research, and a discussion section delving into the implications of the findings and their potential impact on the downstream sector.

We aim to equip you with valuable insights that will help you navigate the ever-changing landscape of the oil and gas industry. Together, let us embark on this informative journey and gain a deeper understanding of the downstream world.

Please note that all data are referenced and findings, and insights presented in this report are according to the data collected.

Background



Against the backdrop of Nigeria's vital role in the global oil and gas landscape, this report delves into a thorough examination of the Downstream sector's pivotal component: the average retail prices of key petroleum products during the month of July

Nigeria, as a significant player in the industry, experiences a complex interplay of factors that influence its domestic petroleum market. These factors range from international crude oil prices and geopolitical dynamics to local supply and demand forces, all of which intricately shape the pricing trends of essential commodities like Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), and Dual Purpose Kerosene (DPK).

The Downstream sector's resilience and adaptability are continually tested as it navigates economic fluctuations, government policies, and global energy transitions. In May, these factors held a significant sway over Nigeria's petroleum market, impacting the affordability of crucial products for both consumers and businesses. Understanding the multifaceted nature of these influences provides a foundation for dissecting the pricing dynamics that drive the nation's economic and transportation systems.

This background sets the stage for an extensive analysis of the average retail prices, delving into regional variations, historical trends, and their implications on the broader socio-economic landscape. By unraveling the intricate threads that shape petroleum product prices, this report aims to contribute valuable insights for stakeholders, policymakers, and industry players. Informed by a meticulous investigation, this analysis offers a comprehensive perspective on the Downstream sector's performance, guiding strategic decision-making and fostering a deeper understanding of the complexities within Nigeria's oil and gas realm.



Purpose

Analysis

This report seeks to conduct an extensive analysis of the average retail prices of key petroleum products in Nigeria for the month of July 2023, with a specific focus on Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK), and Automotive Gas Oil (AGO).

Dynamics and Trends

The primary objective of this report is to comprehensively analyze the fluctuations and variations in average retail prices of PMS, DPK, and AGO during July 2023, providing insights into their impacts on consumer behavior, economic dynamics, and overall energy consumption patterns.

By examining the production data during this period, the report aims to offer a detailed understanding of the production dynamics and trends within the Nigerian oil and gas industry.

News in the Sector

National



Stakeholders push for downstream petroleum project funding

The African Refiners and Distributors Association (ARDA) and top international financial experts have mulled options to unlock sustainable funding for the regional downstream petroleum industry, as tightening global financial conditions pose challenges for oil and gas.

Federal Government Introduces New Regulations to Address Environmental and Safety Concerns

The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) revealed the addition of four regulations aimed at improving value and fostering a favorable environment in the midstream and downstream petroleum sector. Aligned with the Petroleum Industry Act of 2021, these regulations are set to bolster sector activities for the betterment of Nigerians. Adherence by market operators is stressed.

Fuel Subsidy's Detrimental Impact on Downstream Sector in Nigeria

Prof. Adeola Adenikinju of the University of Ibadan highlights that Nigeria's fuel subsidy has caused more harm than good, leading to collapsed refineries, logistical challenges, and fiscal losses as reported. Adenikinju argues that removing petrol subsidies wouldn't have as severe macroeconomic effects as perceived and emphasizes their skewed benefits towards the affluent, driving unsustainable fuel consumption. He urges immediate measures, including cash transfers, school feeding programs, affordable public transport, and expanded mass transit systems, to mitigate negative consequences and spur sustainable growth.



Limitations

- The analysis is based on historical data. This means that it is not possible to say with certainty what will happen in the future. The analysis can only provide an estimate of what might happen based on what has happened in the past.
- The analysis does not take into account all of the factors that could affect production. There are many factors that could affect production, such as the global economy, and political events. The analysis does not take all of these factors into account, so it is possible that the actual production could be different from what is estimated.

Nigerian Downstream Performance



Energy Analytics: Focus on Downstream

Month

Jul

Average PMS Price

600

Naira

Average DPK Price

1,300

Naira

Average AGO Price

794

Naira

Diesel, Kerosine and PMS by Region



Top Five Projects in Downstream

Dangote Refinery

AKK Gas Pipeline

Port Harcourt Refinery upgrade

NLNG Train 7

Waltersmith Refinery

Above is the analysis of the price of DPK, PMS and AGO

Data Source: National Bureau of Statistics (NBS)

Nigerian Downstream Performance



Above is the analysis on the number of Trucks dispatched with breakdown of the top 10 states and bottom 10

Data Source: NMDPRA(Nigerian Midstream and Downstream Petroleum Regulatory Authority)

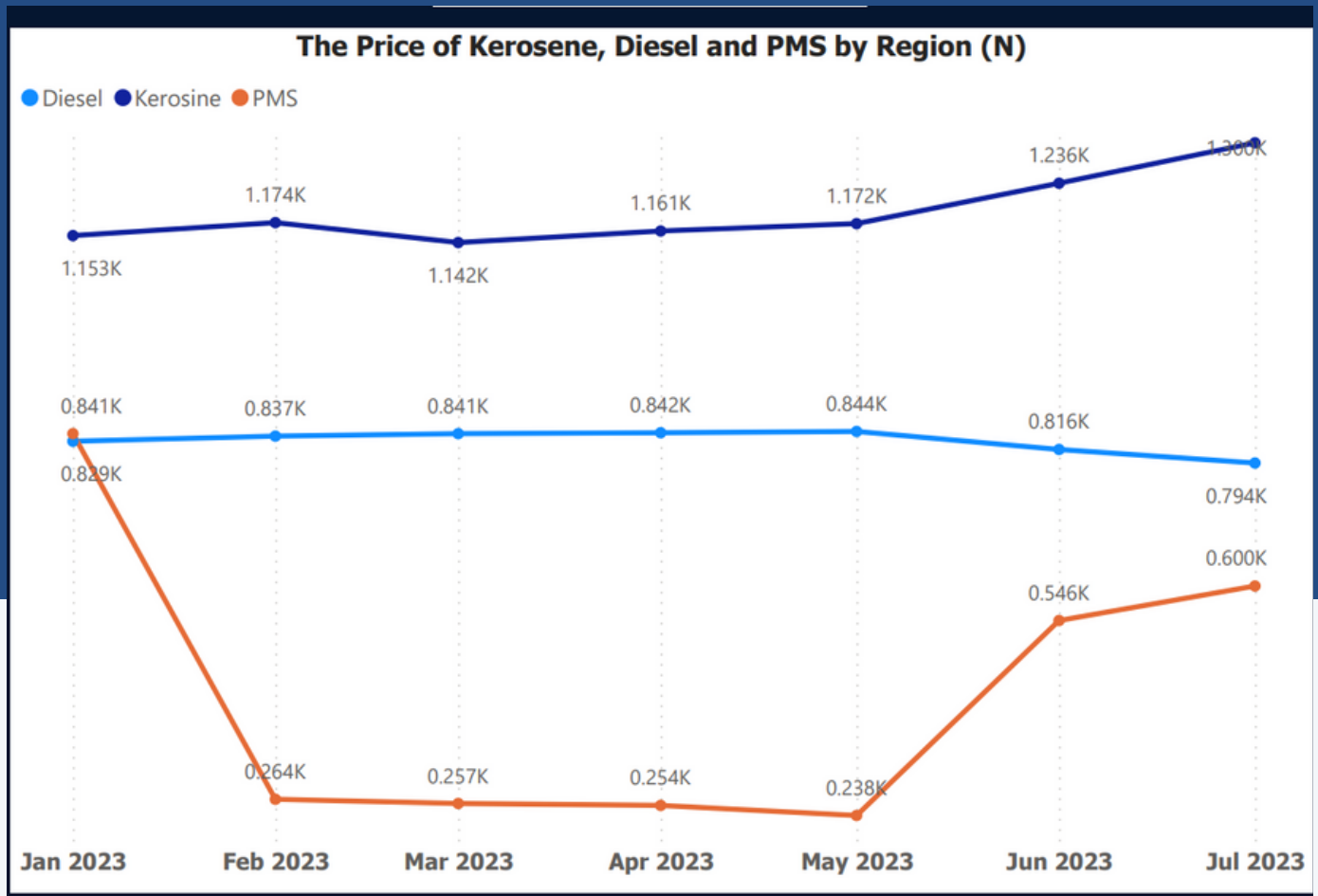
Nigerian Downstream Performance



Above is the analysis of the number of Volumes dispatched in July with a breakdown of the top 10 states and bottom 10

Data Source: NMDPRA

Nigerian Downstream Performance



2023 January	
Diesel	828.82
Kerosine	1,153.40
PMS	840.81

2023 February	
Diesel	836.91
Kerosine	1,173.89
PMS	263.76

2023 March	
Diesel	840.81
Kerosine	1,142.46
PMS	257.12

2023 April	
Diesel	842.25
Kerosine	1,160.67
PMS	254.06

2023 May	
Diesel	844.28
Kerosine	1,172.32
PMS	238.11

2023 June	
Diesel	815.83
Kerosine	1,236.10
PMS	545.83

2023 July	
Diesel	794.48
Kerosine	1,299.88
PMS	600.35

Above is the analysis of the price of PMS, AGO and DPK from January to July. Note that the price of DPK(Kerosine) was predicted using the data from previous months as a result of a delay in data updates from the NBS.

Data Source: NBS

Discussion

Key insights on Price of PMS (Petrol Motor Spirit)



N600

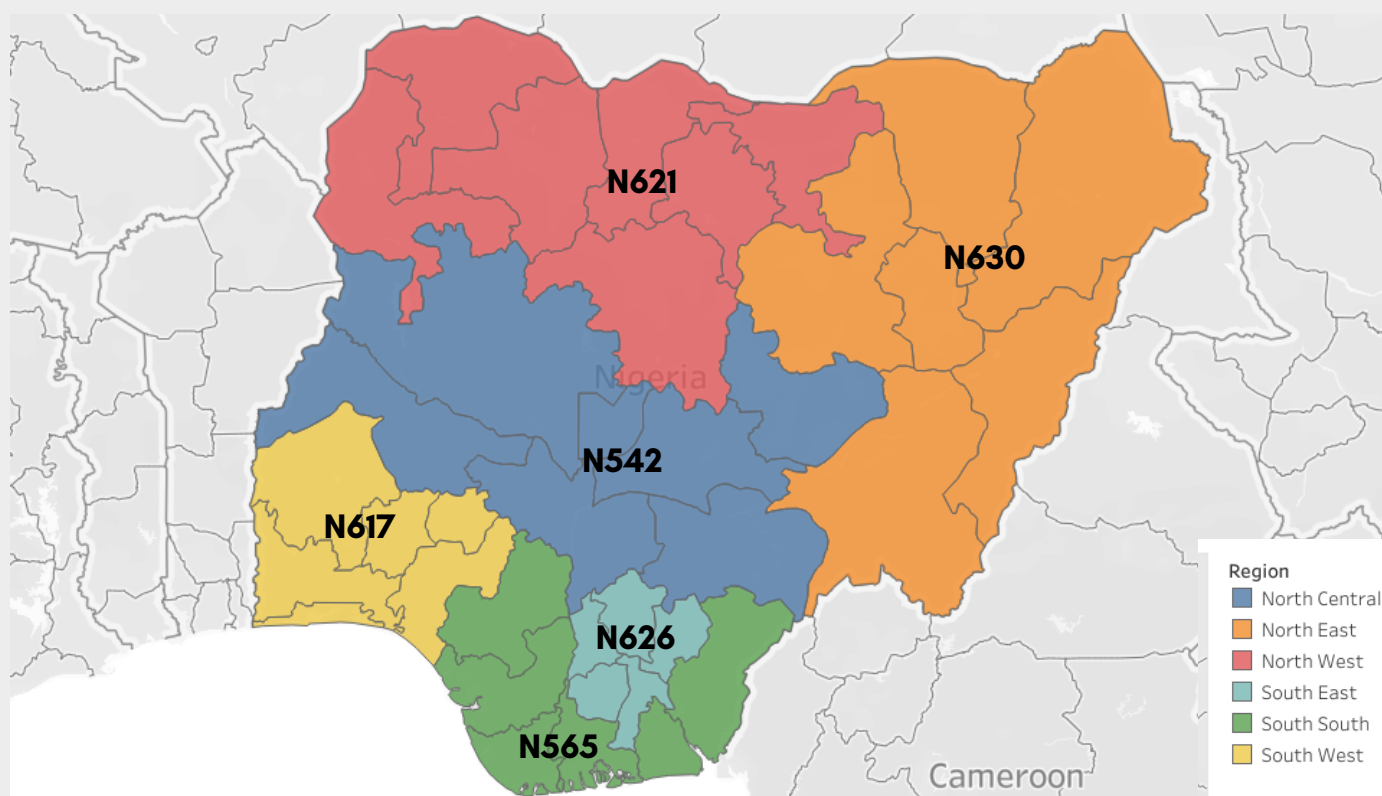
The average retail price paid by consumers for Premium Motor Spirit (Petrol) in June 2023 is N 546



9.9%

In comparison to the price in the previous month June, the price increased by 9.9% from N 546


Volume dispatched in July is 1410 Million Litres




Average Price for PMS

Key insights on Price of AGO & DPK

AGO





N794  **5.9%**

Average retail price per litre of Automotive Gas Oil (Diesel) paid by consumers in July 2023 is N 794

Increase in July by 3.3% from N 816 in June

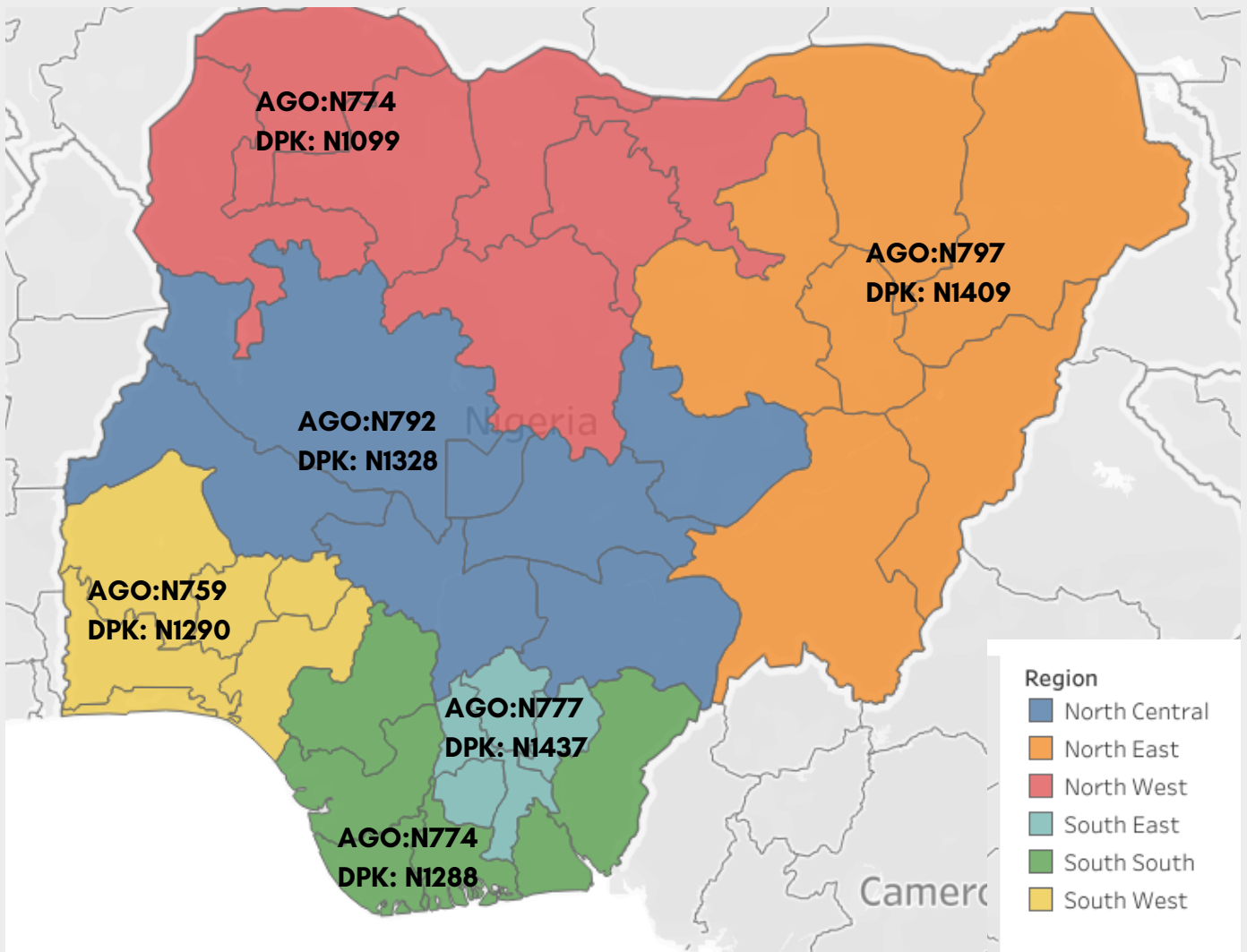
DPK



N 1300  **5.2%**

Average retail price per litre of Dual Purpose Kerosene (DPK) paid by consumers in July 2023 is N 1300

Increase in July by 5.2% from N 1236 in June



Average Price (in Naira) on AGO & DPK Products by Region

August Outlook

As we anticipate developments for the month of August, it's important to approach historical data with caution, given the dynamic nature of the petroleum product market.

Monitoring market conditions, external influences, and specific events impacting production will guide informed decision-making. Notably, we foresee a potential adjustment in output for August, influenced by recent agreements within the industry. This could trigger shifts in global prices, drawing attention from stakeholders.

Data from NBS and NMDPRA will be vital for accurate insights. Remaining vigilant and responsive to evolving trends will be key to effectively navigating the complex landscape of petroleum product prices in the upcoming month.

While our insight is founded on historical data, it is essential to acknowledge that actual production volumes in July could be subject to diverse factors and circumstances beyond the confines of this analysis.



Conclusion

This report provides valuable insights into the performance of crude oil and condensate production over the analyzed period. By examining the production volumes, growth rates, and trends, we can gain a better understanding of the dynamics within the industry.

It is important to note that this report offers an estimation based on historical data. It is essential to continually assess the market conditions and adapt strategies accordingly to ensure optimal production outcomes.

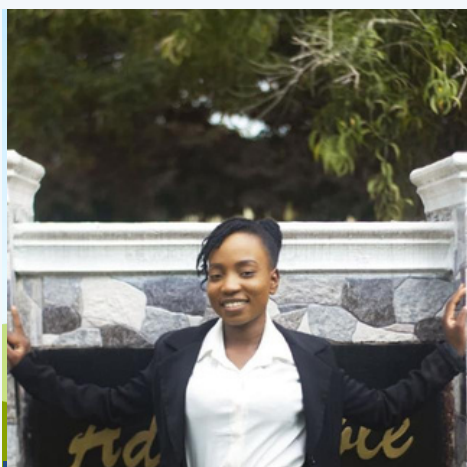
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- National Bureau of Statistics (2023). *Premium Motor Spirit (Petrol) Price Watch (July 2023)*. Retrieved August 20, 2023 from: <https://nigerianstat.gov.ng/elibrary/read/1241352>

Glossary

- **AGO:** Also known as "Diesel Fuel" or "Diesel". AGO is a type of fuel used in diesel engines, commonly found in trucks, buses, generators, and industrial machinery, it has a higher energy density compared to gasoline.
- **Downstream:** It refers to the segment of the industry involved in the processing, distribution, and marketing of petroleum products. This phase encompasses activities following the extraction and production of crude oil and natural gas.
- **DPK:** Stands for "Dual Purpose kerosene." DPk is a type of kerosene used for both domestic cooking and as a lighting fuel. It is typically of a higher quality and has undergone additional refining processes compared to other kerosene grades, making it suitable for cleaner combustion in stoves and lamps.
- **Midstream:** It refers to the intermediate phase of the oil and gas industry that involves the transportation, storage, and wholesale marketing of crude oil, natural gas, and refined petroleum products. This sector bridges the gap between the upstream extraction and production activities and the downstream refining and distribution processes.
- **PMS:** Also commonly known as "Petrol" or "Gasoline". It is a fuel used in internal combustion engines, primarily in vehicles with spark-ignition engines (gasoline engines).
- **Volume Discharged:** It refers to the quantity of petroleum products or substances released from storage or transportation facilities, such as tanks, pipelines, or vessels, typically into distribution networks or end-user channels.

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