

June 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, June 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 1323 million litres of downstream petroleum via 23974 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 June's average retail price of Premium Motor Spirit (Petrol), reaching NGN 546/litre. This marked a staggering 129.4% 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 816, reflecting a 3.3% decrease from the previous month. Distillate Petroleum Kerosene (DPK) also saw an upward trajectory, with the average retail price per litre rising to NGN 1236, a 5.5% increase from the previous month.

Transport fares demonstrated distinct dynamics. Intercity bus journeys saw a substantial increase of NGN 1684 in June. Urban bus fares varied, notably rising by NGN 636. Motorcycle journeys also experienced fluctuations, resulting in a NGN 154 increase. Water transport demonstrated a notable increase of NGN 321, while air transport displayed a unique pattern, experiencing a substantial leap of NGN 3692 in June.

In conclusion, June 2023 encapsulated a tapestry of economic shifts and regional trends in fuel prices and transportation fares. 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 - June 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 June

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 June 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 June 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



Energy crises: FG's under-recovery in downstream sector rises 106% to N315.46 per litre

According to a recent report by Vanguard News, emerging indications suggest that the Federal Government's deficit spending within the downstream sector is poised to surge by a substantial 106 per cent. This development arises in the wake of an escalation in the landing cost of petrol, surging from N295 per litre to an alarming N315.46 per litre. The news sheds light on the financial challenges facing the sector and highlights the evolving landscape of deficit expenditure.

Dangote Refinery's Unique Approach: Fuel Sales in Dollars and Naira Pressure

The Dangote refinery's innovative plan to sell petrol to Nigeria in dollars, as seen in other African nations, holds implications for both cost savings and currency dynamics. While shipping expenses may be reduced, the use of earned foreign exchange in dollars maintains pressure on the naira. This intriguing strategy sheds light on the complexities of the fuel subsidy removal and Dangote refinery's operations, as highlighted by The Punch.

Nigeria's AKK Gas Pipeline Reaches 70% Completion

According to the Pipeline & Gas Journal, Kinder Morgan has initiated a binding open season for a proposed expansion of a segment within its SFPP pipeline system, extending from El Paso, Texas, to Tucson, Arizona.

Modular Refineries Seek CBN Support for Advancement

Crude Oil Refinery Owners Association of Nigeria calls for a Central Bank of Nigeria-style assistance, similar to that extended to the Dangote Refinery, to facilitate the completion of modular refineries nationwide as highlighted by The Punch



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.

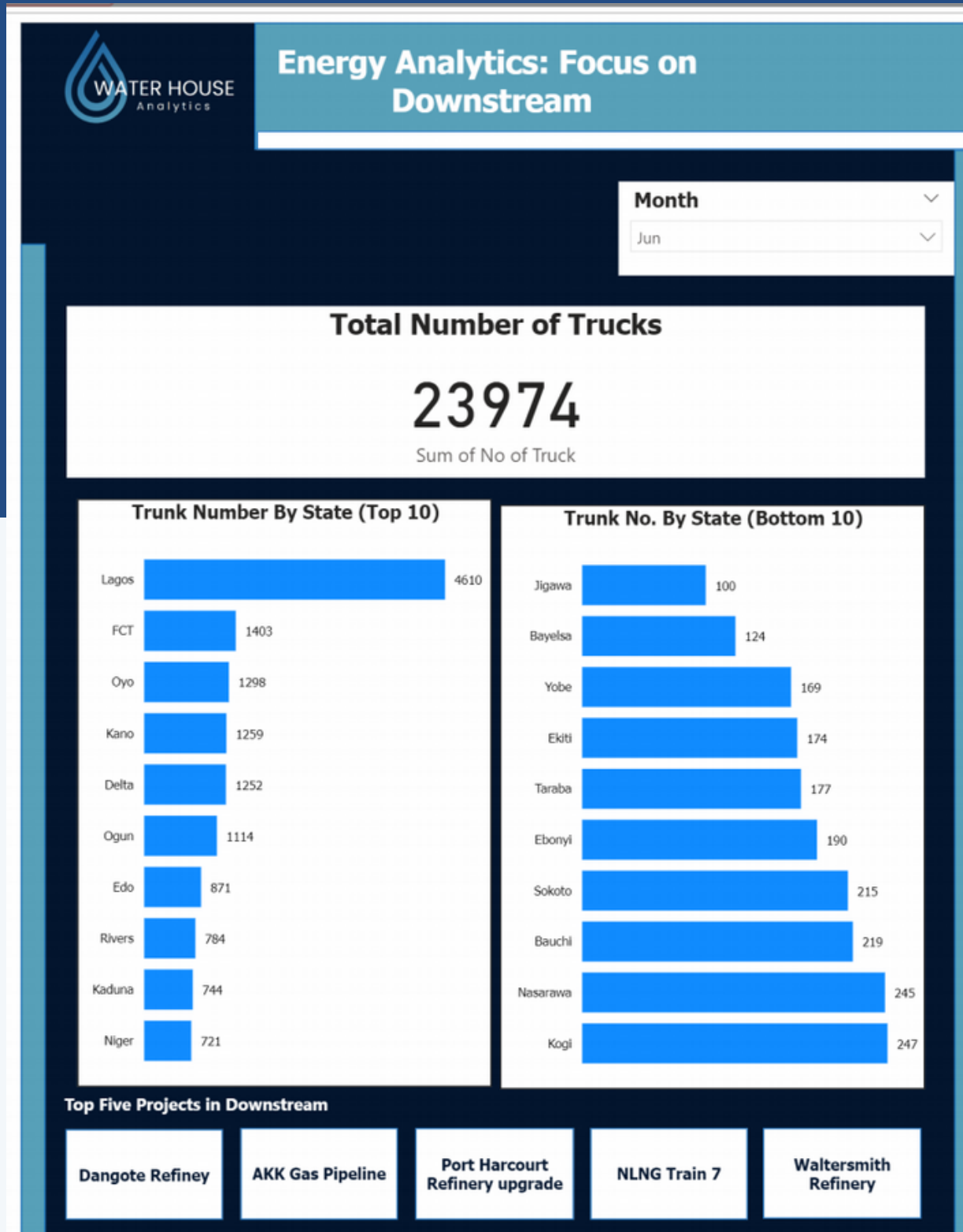
Nigerian Downstream Performance



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 Downstream Performance



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

Data Source: NMDPRA

Discussion

Key insights on Price of PMS (Petrol Motor Spirit)



N546

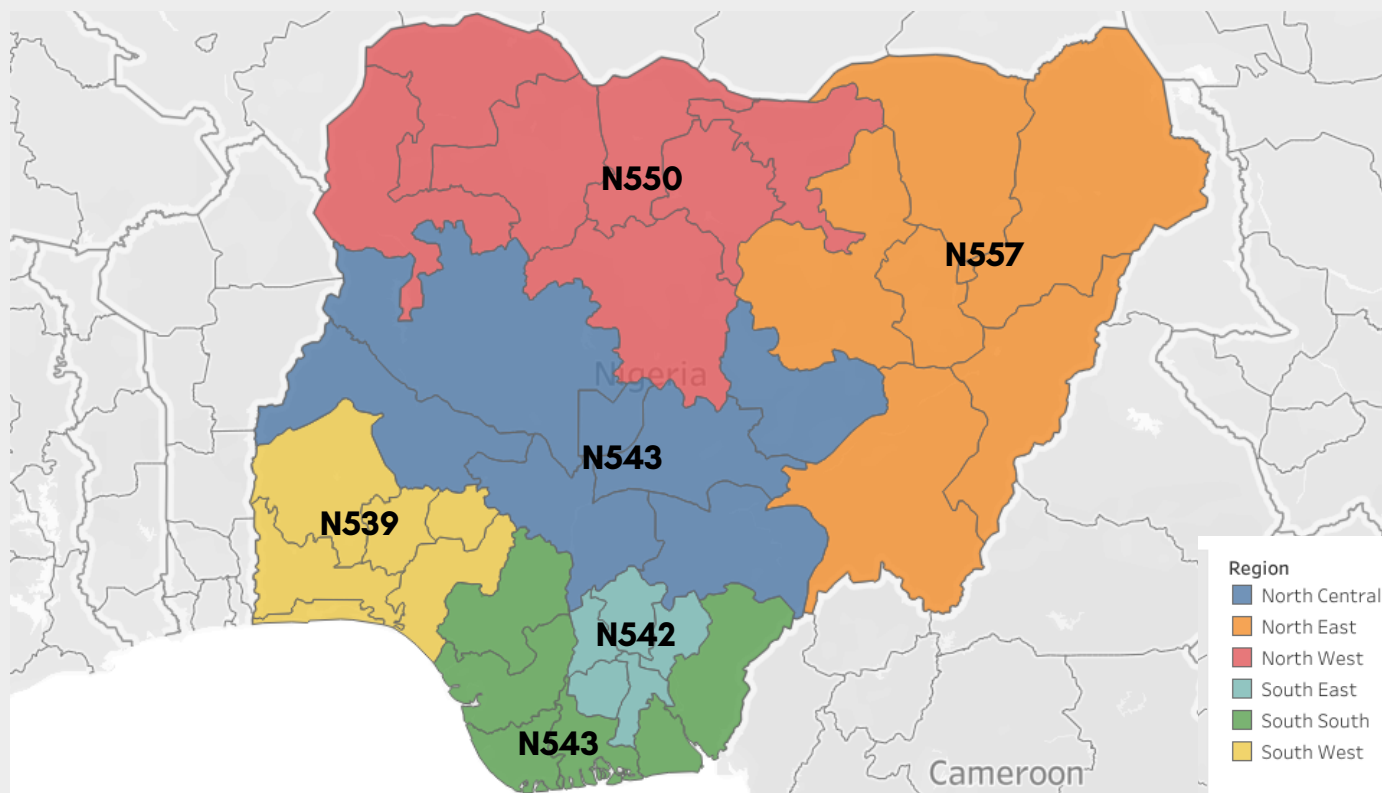
The average retail price paid by consumers for Premium Motor Spirit (Petrol) in June 2023 is N 546



129.4%

In comparison to the price in the previous month May, the price increased by 129.4% from N 238


Volume dispatched in June is 1323 Million Litres




Average Price for PMS

Key insights on Price of AGO & DPK


AGO


N816  **3.3%**

 Average retail price per litre of Automotive Gas Oil (Diesel) paid by consumers in June 2023 is N 816

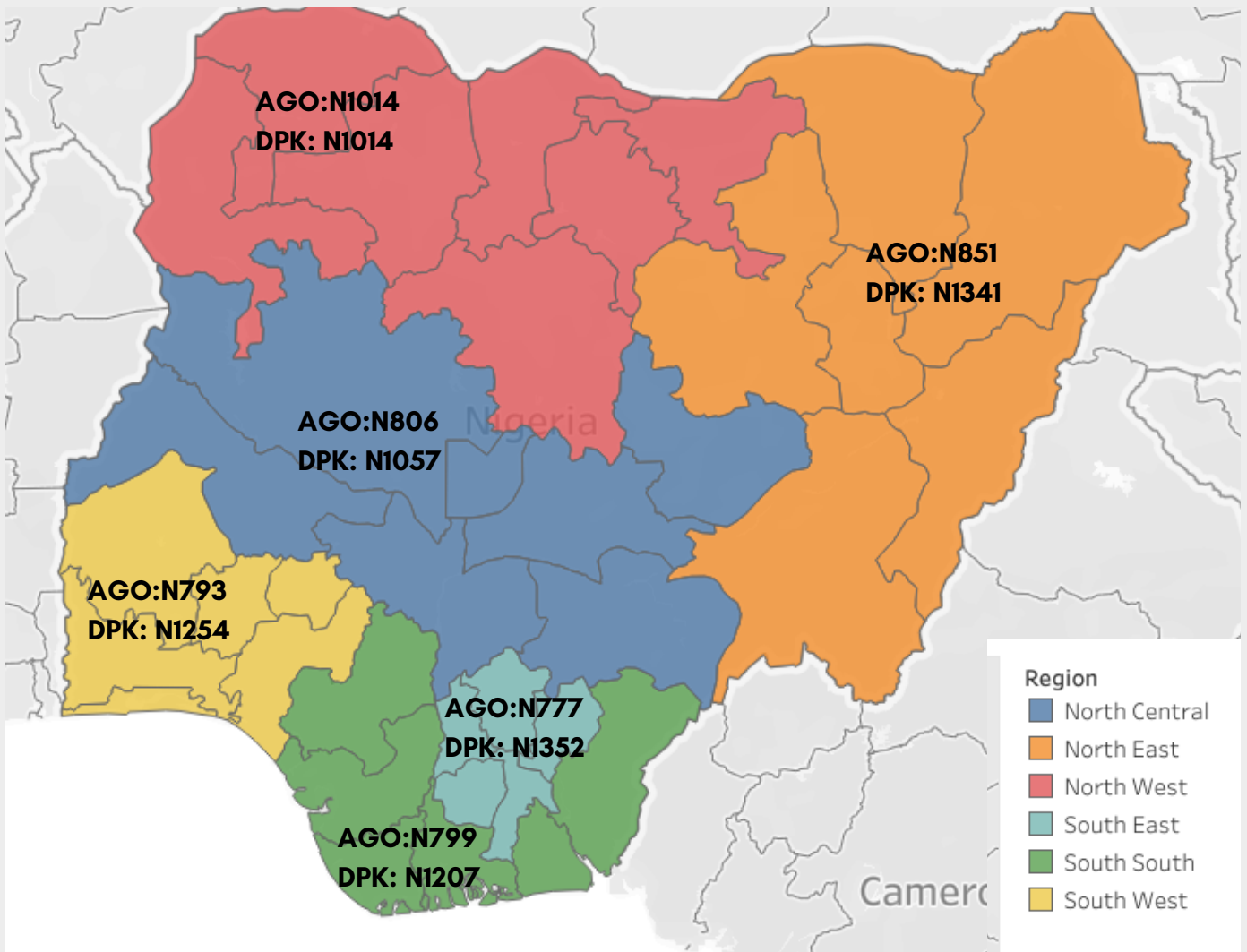
Increase in June by 3.3% from N 844 in May

DPK

N1236  **5.5%**

 Average retail price per litre of Dual Purpose Kerosene (DPK) paid by consumers in June 2023 is N 1236

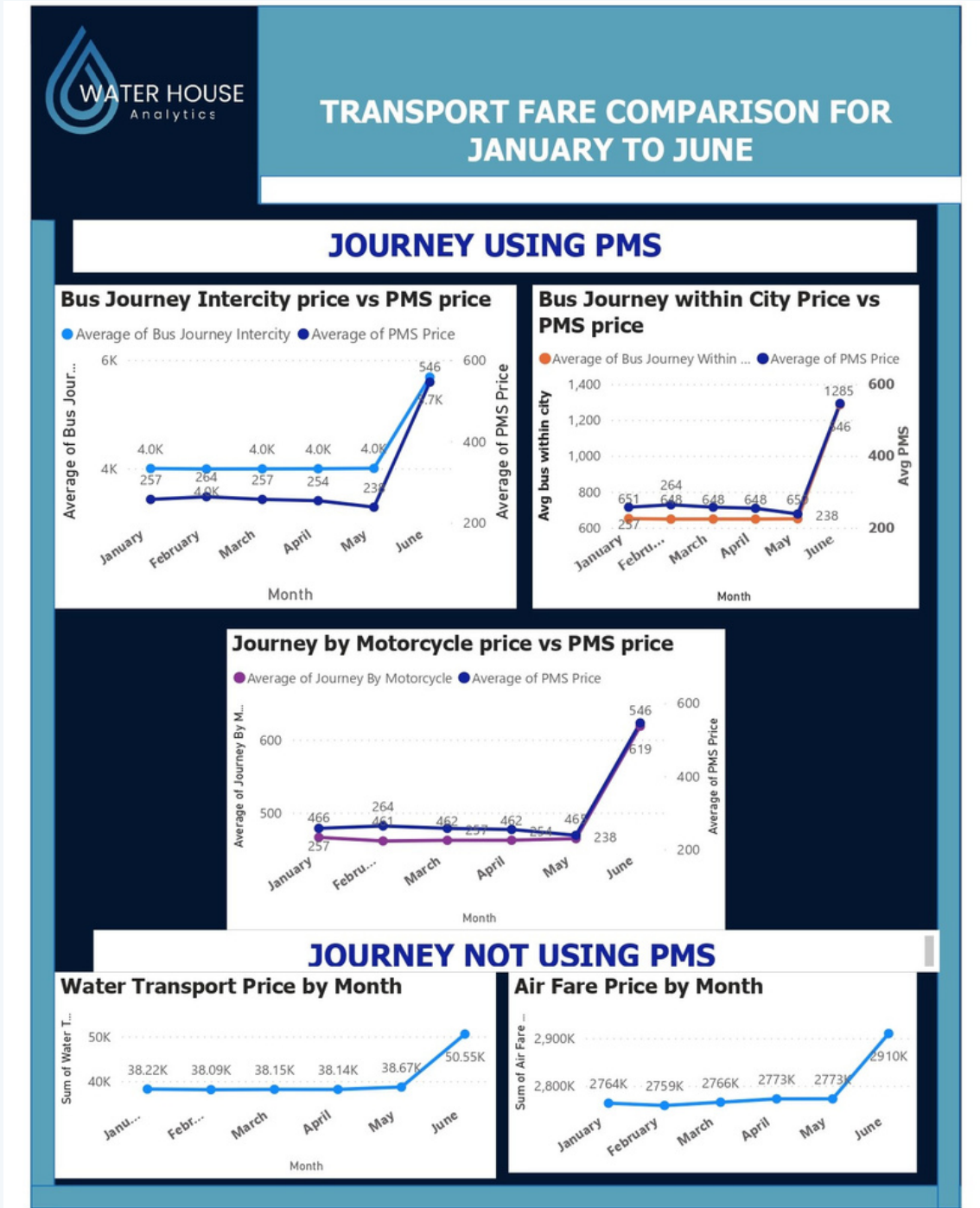
Increase in June by 5.5% from N 1172 in May



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

Key insights on Transport Fare

From January 2023 to June 2023, the daily average production volumes of liquid exhibited some variations.

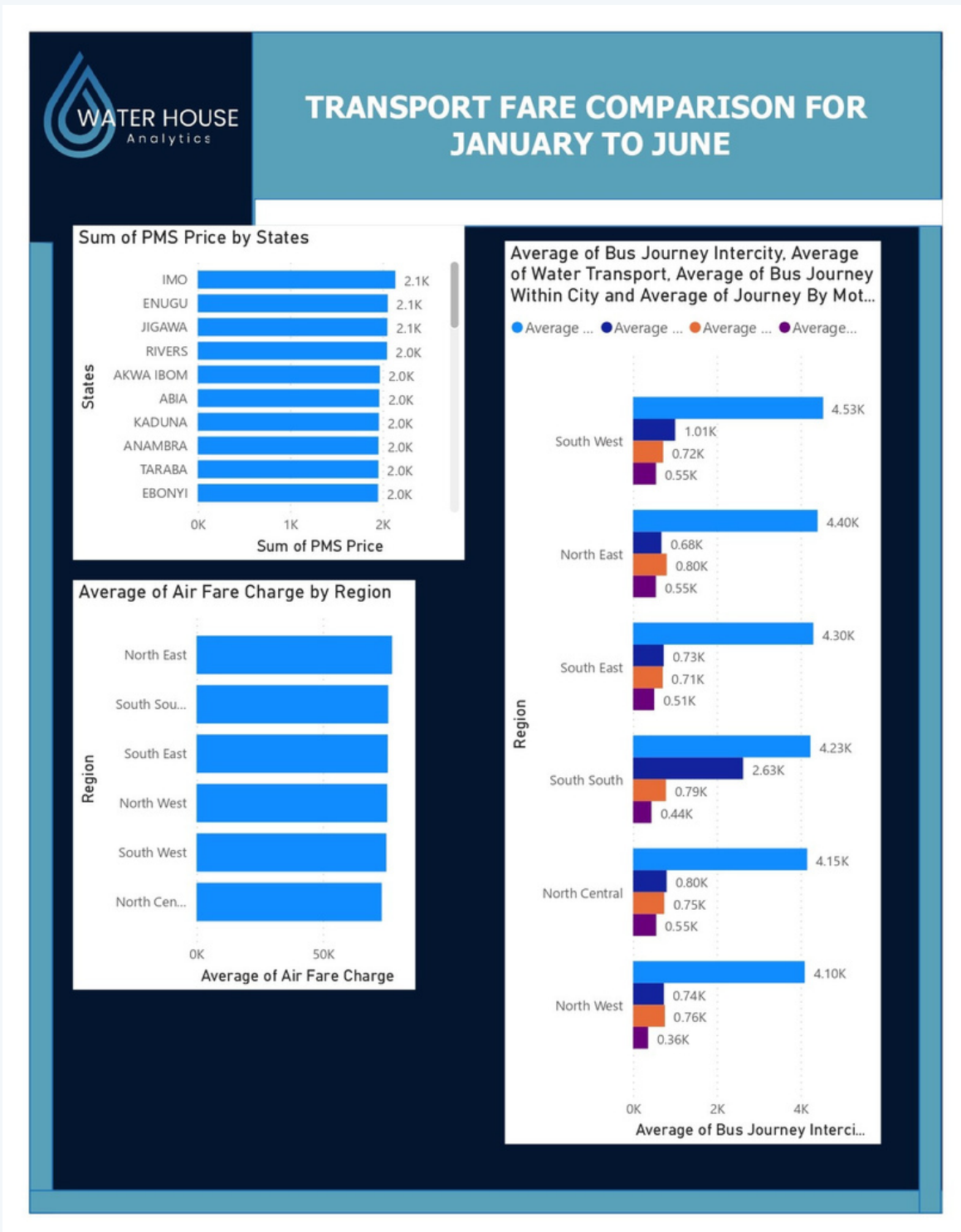


- In January, the average daily production reached 1.49 million bbl/day, indicating a solid start to the year.

Key insights on Transport Fare

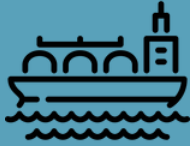
- Bus Journey intercity decreased by N7 from January to February, increased by 1 Naira in March 3 Naira in April, and N7 in May. There was a significant increase of N1684 in June.
- Bus Journey within the city decreased by N3 from January to February, increased by N0.5 in March, decreased by N0.1 in April, and increased in May by N1.5. In June, there was a significant increase of N636.
- Journey by Motorcycle, decreased by N4.9 from January to February, increased by N0.9 in March, increased by N0.1 in April, and increased by 2.2 Naira in May. In June, there was an increase of N154.
- Water transport, decreased by N4 from January to February, increased by 2 Naira in March, remained the same in April, and increased by N14 in May. June saw a significant increase of 321 Naira.
- Air transport decreased by N131 from January to February, increased by N183 in March, increased by N192 in April, and by N2 in May. June saw a significant increase of N3692.

Key insights on Transport Fare



- Above is the Transport fare comparison by Region for the month of May

Key insights on Transport Fare



Water Transport

HIGHEST PRICE

SOUTH - SOUTH

(N2626.24)

LOWEST PRICE

NORTH-EAST

(N678.33)



Air Transport

HIGHEST PRICE

NORTH-EAST

LOWEST PRICE

NORTH-CENTRAL



Motorcycle Transport

HIGHEST PRICE

NORTH-CENTRAL

(N552.14)

LOWEST PRICE

NORTH-WEST

(N358.50)



Bus Intercity Transport

HIGHEST PRICE

SOUTH - WEST

(N4553.40)

LOWEST PRICE

NORTH-WEST

(N4096.11)



Bus within Transport

HIGHEST PRICE

NORTH-EAST

(N806.62)

LOWEST PRICE

SOUTH-EAST

(N707.97)

July Outlook

As we anticipate developments for the month of July, 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 July, 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 June 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.

References

- The National Measurement and Petroleum Data Reporting Agency, NMPDRA (2023): *Daily Truckout*. Retrieved July 20, 2023 from: <https://www.nmdpra.gov.ng/daily-truckout/>
- National Bureau of Statistics (2023). *Premium Motor Spirit (Petrol) Price Watch (June 2023)*. Retrieved July 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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