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June Upstream 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

This report provides an analysis of Nigeria's Upstream Oil and Gas sector, focusing on production trends, export volumes, and oil prices for June 2023.

In June 2023, Nigeria maintained its position as Africa's largest crude oil producer among OPEC countries. The country's daily crude production reached an impressive 1.25 million barrels per day (bpd), representing a 5.51% increase compared to the average daily production recorded in May.

The latest OPEC assessment reveals a month-on-month decline of approximately 1.1 million bbl/day in global oil supply for June 2023, averaging at 100.2 million bbl/day. However, compared to June 2022, there was an encouraging year-on-year increase of 1.7 million bbl/day.

Forcados terminal remains to be the gate for Nigeria's oil export. The terminal accounted for 21.08% of total exports, with Forcados producing 7.09 million bbl of crude and 812 thousand barrels of condensate. With about 40.15% of crude export coming from land and swamp assets, Nigeria must do everything possible to address insecurity and crude theft that has crippled production from the Niger Delta region.

Escravos terminal exported about 4.39 million barrels in the month of June. This has placed it to be consistently ahead of all other offshore terminals. The combined volumes exported from offshore assets stood at 22.42 million barrels which is equivalent to about 59.85% of total export.



Executive Summary

Regarding oil prices, Bonnylight Nigerian crude maintains an average price of \$77.04 per barrel in June. This remains to be higher than WTI and Brent, with a 0.17% increase between May and June. Factors like quality, limited supply, and high demand contribute to Bonnylight's high price.

Looking ahead, it is crucial to closely monitor market conditions and external factors that may impact production levels in July. An estimated decrease in overall OPEC output could potentially lead to a global oil price increase.

The report concludes by emphasizing on the importance of continuous market assessment and adapting strategies to ensure optimal production results. It cautions that historical data might not always predict future performance, given the dynamic nature of the oil market. Nigeria needs to accelerate proposed debottlenecking projects to meet its OPEC quota (1.38 million barrels per day) between now and the end of the year whilst pushing to ramp up production to about 2 million barrels per day (60 million barrels per month).

Introduction



Navigating the Dynamics: A Comprehensive Analysis of Nigeria's Upstream Oil and Gas Industry - June 2023

Welcome to our monthly report on upstream activities in the oil and gas sector for the month of June. The primary focus of this report is to conduct a comprehensive analysis of the production volumes of crude oil and condensate at various terminals or streams in Nigeria, specifically for the month of June 2023. By delving into the production data for this period, the report aims to provide a detailed understanding of the production dynamics and trends within the Nigerian oil and gas industry.

Throughout this report, we will highlight the total production volume for June 2023, examine the cumulative volume from January 2023 to June 2023, and analyze the month-to-month growth rates and trends in oil prices. Additionally, we will provide informed expectations for the upcoming month, July 2023.

Our objective is to equip stakeholders with valuable insights to aid in strategic decision-making and ensure a well-informed approach to navigate the dynamics of the Nigerian oil and gas sector effectively. As we progress, it is essential to emphasize the significance of continuous monitoring and assessment of market conditions to achieve optimal production results.

Background



In June 2023, Nigeria solidified its position as Africa's leading crude oil producer within OPEC, achieving a notable daily crude production of 1.25 million barrels per day (bpd), a 5.51% increase from the previous month's average.

The country boasts several significant onshore and offshore oil terminals and export facilities, including Bonny Terminal, Forcados Terminal (SPDC), Qua Iboe Terminal (ExxonMobil), and Escravos Terminal (Chevron) among others. As the ninth-largest oil exporter globally, Nigeria heavily relies on mineral fuels, oils, and distillation products, accounting for approximately 90% of its export value. European and Asian regions are the primary destinations for Nigerian crude oil exports.

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) plays a crucial role in overseeing and monitoring the nation's oil and gas industry. It ensures compliance with relevant regulations and safety standards, including those related to petroleum product exportation and importation. Additionally, the NUPRC is responsible for managing both the upstream and downstream sectors of Nigeria's petroleum industry.

The data used for this background is based on the NUPRC's report for June 2023, providing valuable insights into the dynamics of Nigeria's oil and gas industry during that specific month. It is essential to acknowledge that fluctuations in the oil market and global economic conditions can influence Nigeria's production trends. Thus, regular monitoring of such data is critical for accurate analysis and informed decision-making in the energy sector. We must note that Waterhouse Analytics assumes no responsibility for any potential errors within the report.



Purpose



Analysis

This report aims to provide a comprehensive analysis of the production volumes of crude oil and condensate at various terminals or streams in Nigeria specifically for the month of June 2023.



Dynamics and Trends

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

Global



Global Oil Demand to Peak Before 2030 as Energy Crisis Accelerates:

The International Energy Agency (IEA) has said that global oil demand is likely to peak before 2030 as the energy transition accelerates. The report is based on a number of factors, including the ongoing energy crisis, the rise of electric vehicles, and the increasing focus on climate change mitigation.

Global recoverable oil reserves have increased to 1,624 billion barrels, up 52 billion barrels from last year:

Rystad Energy estimates that global recoverable oil reserves have increased to 1,624 billion barrels, up 52 billion barrels from last year. This increase is due to a number of factors, but it does not mean that the world will not face an oil shortage in the future.

Dutch Government to Permanently Shut Down Europe's Largest Gas Field:

The Dutch government has decided to permanently shut down Europe's largest gas field, the Groningen field, on October 1, 2023, due to the earthquakes caused by gas extraction.

Oil Prices Rally After Saudi Arabia Announces Production Cut:

Oil prices rallied on Monday after Saudi Arabia announced that it would be cutting oil production by 500,000 barrels per day. The cut is seen as a way to shore up prices and support the global economy.

National



TotalEnergies Discovers Oil and Gas at Ntokon Offshore Nigeria:

TotalEnergies has made a significant oil and gas discovery at the Ntokon-1AX well offshore Nigeria. The well encountered 38 meters of net oil pay and 15 meters of net gas pay in well-developed and excellent quality reservoirs. The discovery is located in shallow waters 60 kilometers off the southeast coast of Nigeria. TotalEnergies plans to develop the discovery via tie-back to existing infrastructure.

Nigeria's Oil Rig Count Rises 27.7% in June 2023:

Nigeria's rig count rose 27.7% in June 2023 to 14, the highest level since February 2022. The increase in rig count is a positive sign for the Nigerian oil and gas sector, as it suggests that there is renewed interest in exploration and production in the country.

This news reports that the increase in rig count is due to a number of factors, including rising oil prices and improved security in the Niger Delta region.

NUPRC Issues Seven New Regulations to Improve Efficiency,

Transparency in Nigeria's Oil Sector:

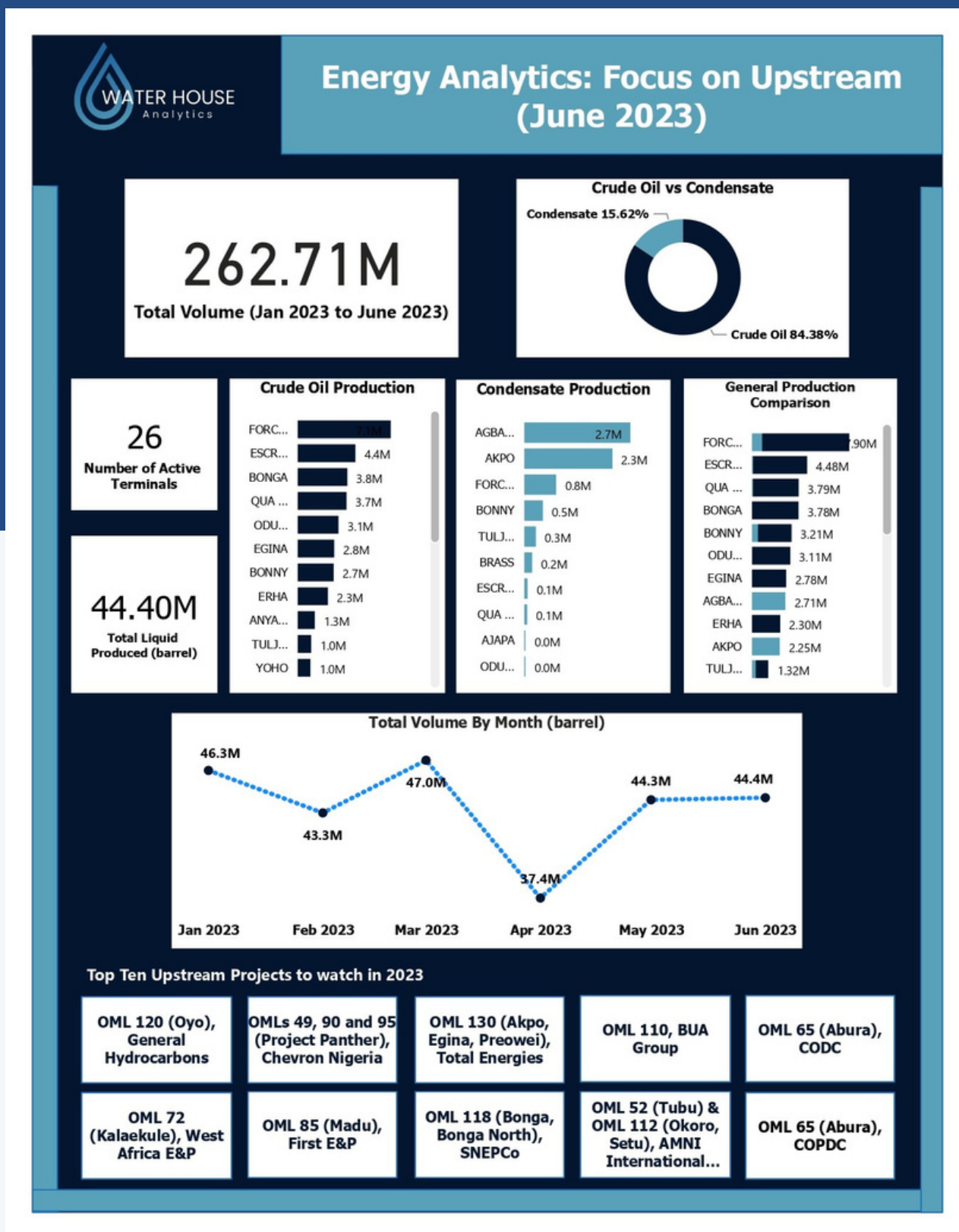
Nigeria's oil and gas regulator issues seven new regulations to improve efficiency, transparency, and predictability in the sector. The regulations cover a range of topics, including production curtailment, domestic crude oil supply obligation, decommissioning and abandonment, and significant crude oil and gas discovery.



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 Upstream Performance



Above is the analysis on the data about crude oil production

Data Source: NUPRC



Key Findings

44.26

In June, 26 terminals/streams produced 44.40 million barrels of liquid, a 0.33% increase from May.

62.6 : 37.4

Out of the total liquid exported, 62.6% came from offshore terminals, and 37.4% came from onshore.

2.71

Highest Condensate Production Terminal was Agbami with 2.71 million barrels in June

7.9

Highest Liquid Production Terminal was Forcados with 7.9 million barrels in June

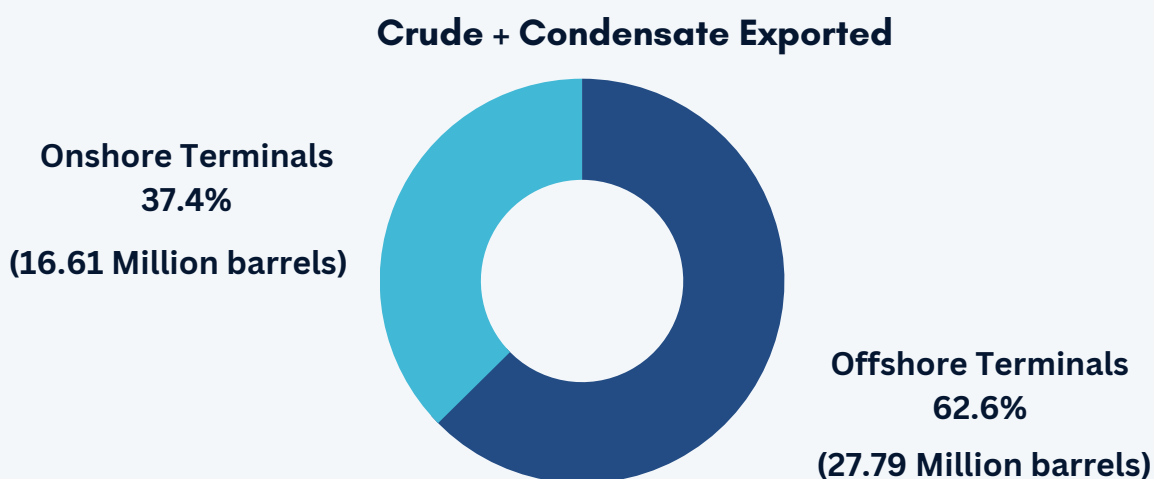
47.04

March had the highest production volume with a total export of 47.04 million barrels

Discussion

Key insights on Production

- The production volume of 26 active terminals/streams in Nigeria were analyzed. The Offshore terminals/streams analyzed were Escravos (Oil Terminal), Bonga, Erha, Usan, Egina, Abo, Sea Eagle (EA), Anyala Madu (CJ Blend), Agbami, Akpo and Ajapa.
- The Onshore terminals/streams analyzed were Bonny, Brass, Qua Iboe, Forcados, Odudu (Amenam Blend), Tulja - Okwuibome, Okoro (Ex Ima Terminal), Otakpipo (Ex Ima Terminal), Antan, Okono, Yoho, Okwori, Ebok, Pennington, Ugo Ocha (Jones Creek) and Tulja - Okwuibome.
- Out of the 44.40 million barrels of total liquid (crude + condensate) exported, 62.6% of the total export came from the offshore terminals, and the other 37.4% was from the onshore.
- Total liquid export from onshore and swamp stood at 16.61 million barrels.
- Total liquid export from offshore terminals stood at 27.79 million barrels.



Key insights on Production

- The terminal/stream with the highest Crude Oil export based on production volume reported for the month of May 2023 was Forcados with a total production of 7.09 million bbl, which is a 16.46% increase in comparison to May 2023.
- The terminal/stream with the highest Condensate production volume for the month of May 2023 is Agbami with a total production of 2.71 million bbl, which is a 13.71% increase in their oil production volume compared to May 2023.
- Generally, Forcados was the highest-producing terminal/stream, producing a total liquid (crude + condensate) volume of 7.9 million bbl, which is a 12.72% increase in their total liquid production volume compared to May 2023.
- Okoro is the terminal with the least crude oil production volume in the month of May, with a volume of 219,638 bbl, which is a 124.24% increase in their production in comparison to May 2023.
- In June 2023, there was no export reported for the following terminals: Terminals like Abo and Okwori. In comparison with May, Abo did not produce any crude oil and Okwori produced 26,065 bbl
- Ugo Ocha (Jones Creek) produced 262,718 bbl of crude oil in the month of June, unlike in May when they did not produce any crude oil.

Highest Crude Oil



Forcados
16.46% in
June

Highest Condensate



Agbami
13.71% in
June

Highest Crude + Condensate



Forcados
12.72% in
June

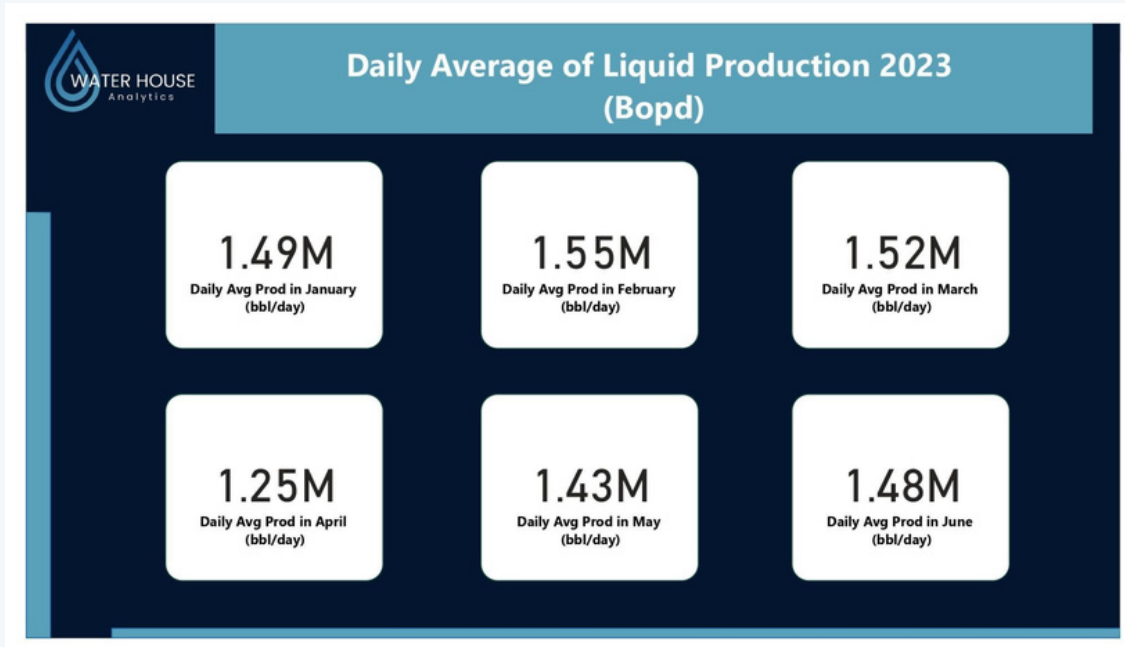
Least Crude oil



Okoro
124.24% in
June

Key insights on Production

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

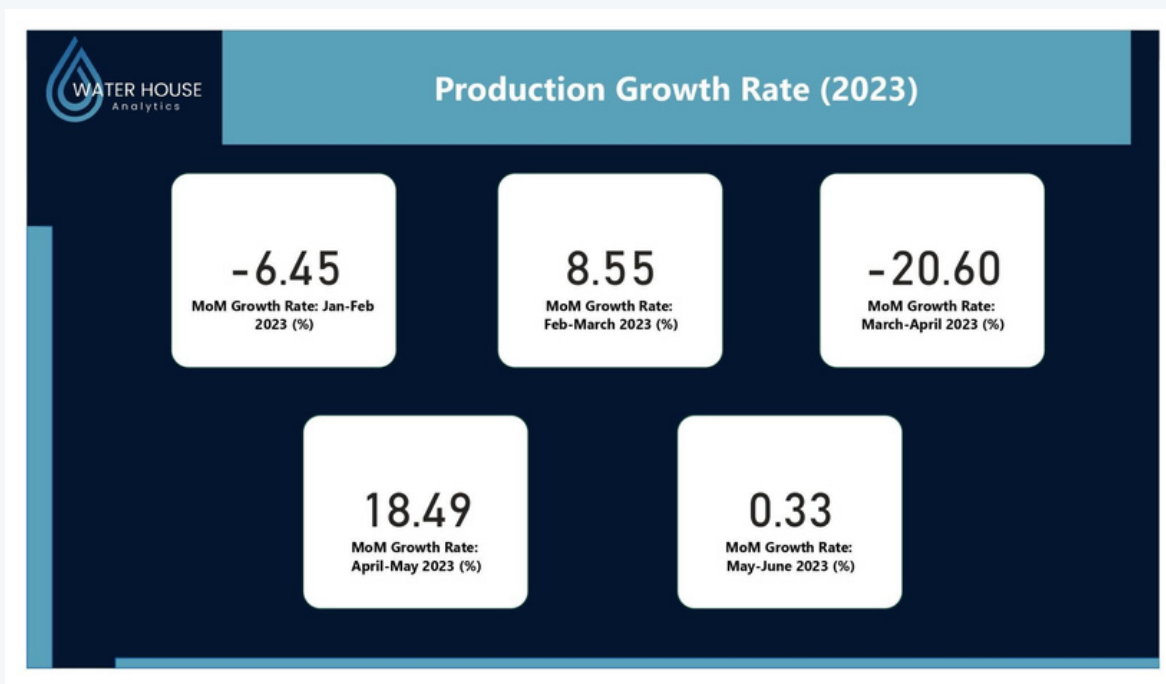


Data Source: NUPRC oil production status report [Updated June 2023]

- In January, the average daily production reached 1.49 million bbl/day, indicating a solid start to the year.
- February witnessed a slight increase, with production averaging at 1.55 million bbl/day.
- In March, production maintained stability, averaging 1.52 million bbl/day.
- However, April witnessed a decline to 1.25 million bbl/day, reflecting a temporary decrease in production.
- By May 2023, the average daily liquid production volume rose to 1.43 million bbl/day (a 14.4% increase), demonstrating a modest recovery.
- In June, there was a daily average liquid production increase of 52,462 bbl/day, representing a 3.67% increase. While this increase is relatively small, it signals a positive sign of Nigeria's oil production recovery. However, it remains below Nigeria's OPEC production quota of 1.8 million bbl/day.

Trends on Production

Based on the historical month-to-month growth rates, we can observe varying trends in the production volumes.

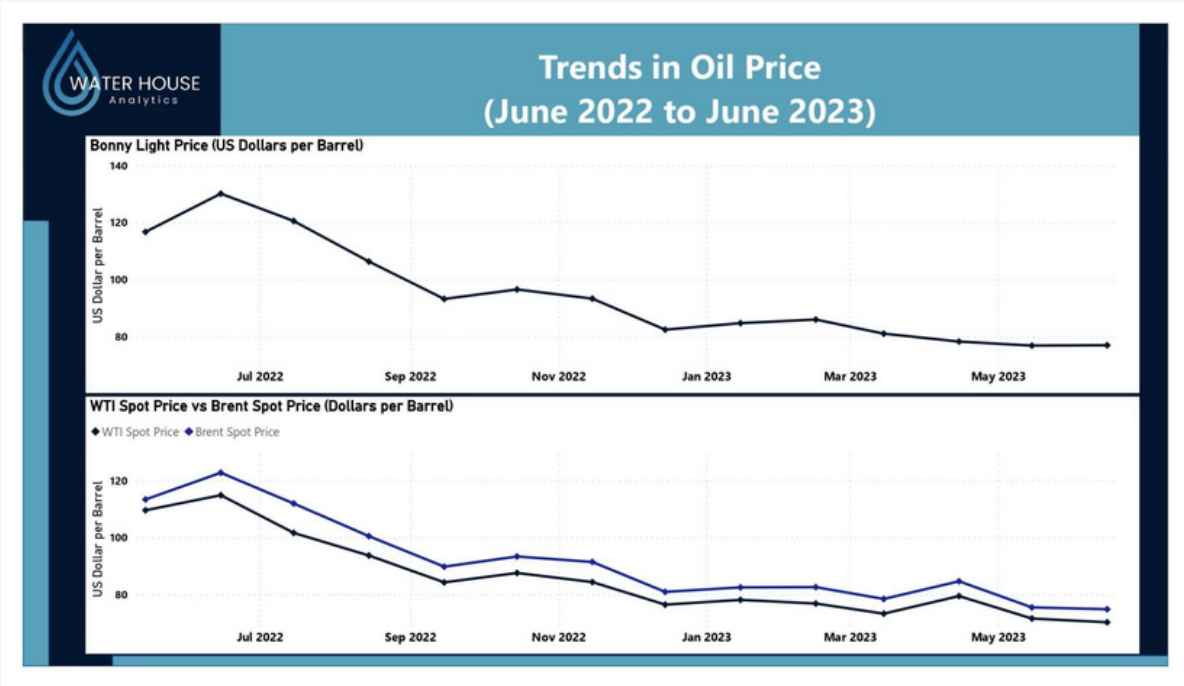


Data Source: NUPRC oil production status report [Updated June 2023]

- Based on historical month-to-month growth rates shown in Figure 3, we observed varying production trends. In February, there was a 6.45% decrease compared to the previous month, while March rebounded with an 8.55% growth. April experienced a significant decline of 20.60%, but May saw a substantial recovery with an 18.49% growth compared to April.
- In June, there was a slight increase of 0.33% compared to May, which is a positive sign. However, it's worth noting that the increase is relatively small, and it's premature to determine its sustainability. Continued growth in the coming months may indicate Nigeria's oil production recovery.

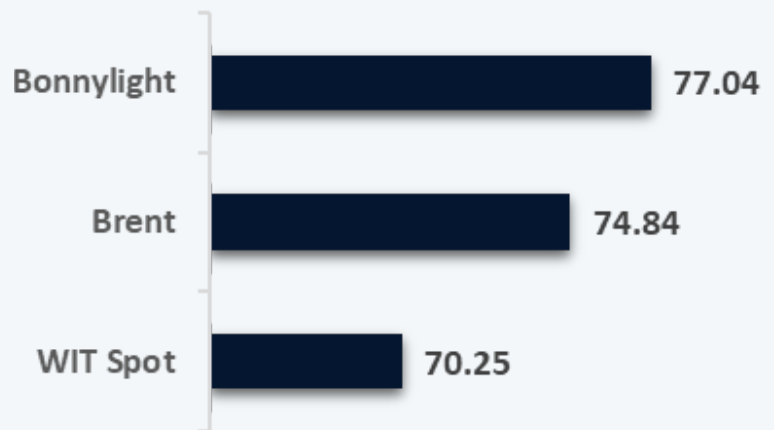
Trends in Oil Price

The month of June demonstrated noteworthy price dynamics, with Bonnylight Nigerian crude commanding a premium due to multiple contributing factors, while the overall oil market adjusts to evolving economic conditions.



Data Source: Central Bank of Nigeria (CBN); Thomson Reuters

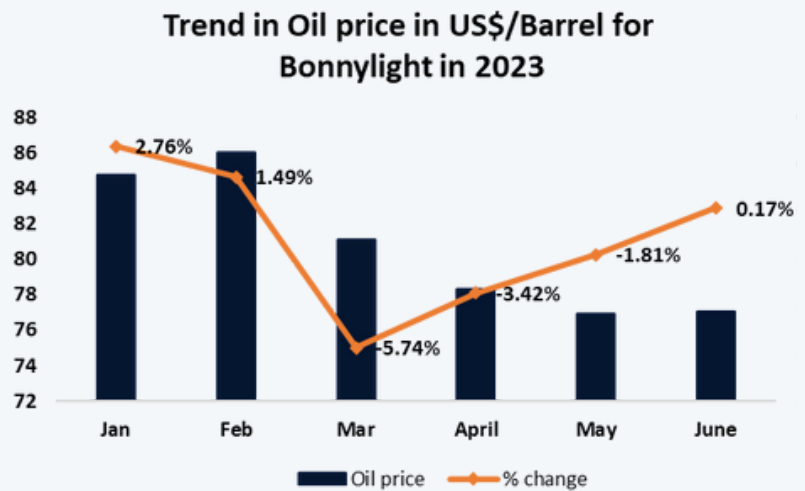
In June 2023, the price of Bonnylight Nigerian crude exceeded that of WTI and Brent by \$6.79/bbl and \$2.2/bbl, respectively. This price difference can be attributed to Bonnylight's high quality, limited supply, and strong demand, factors that are expected to maintain its premium pricing in the foreseeable future.



Price Comparison in June

Trends in Oil Price

Between May and June, the price of Bonnylight experienced a modest 0.17% increase. This slight upswing can be partially attributed to the OPEC+ group's agreement to reduce production, resulting in a decrease in the overall oil supply and upward pressure on prices.



Despite recent price declines, oil continues to exhibit its characteristic volatility, with the possibility of potential price rebounds in the coming months. Factors such as the global economy's slowdown and geopolitical conflicts like the Russia-Ukraine war have historically impacted oil prices, but their influence has been gradually waning. Instead, other significant factors, including rising inflation and interest rates, are now playing a more dominant role in determining oil prices.

It is crucial to consider the influence of such supply-side decisions while analyzing the broader oil market landscape and its potential impact on pricing trends. Given the continued global economic challenges, the price of Bonnylight is likely to remain volatile in the short term.

July Outlook

In assessing the upcoming July prospects for the upstream sector, it is essential to approach historical growth rates with caution, recognizing that past performance may not perfectly mirror future outcomes. Vigilance in monitoring market conditions, external influences, and specific events impacting production levels is paramount for informed decision-making.

Notably, we anticipate an overall decrease in OPEC output for July, attributable to the recent agreement to curtail production. This strategic move by OPEC may potentially trigger a global upswing in oil prices, warranting heightened attention from industry stakeholders.

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.

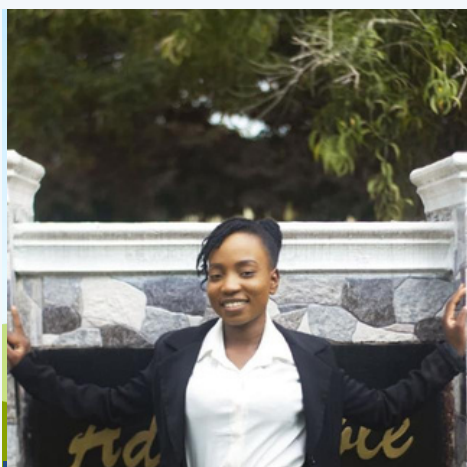
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Glossary

- **Barrels:** A unit of measurement used to quantify the volume of crude oil and petroleum products. It represents approximately 159 liters or 42 gallons.
- **Condensate:** A light hydrocarbon liquid that is produced along with natural gas during upstream operations. It can be separated from the gas and processed further to obtain valuable products.
- **Crude Oil:** Unrefined petroleum, typically found underground, consisting of a mixture of hydrocarbons. It is the primary raw material for the production of various petroleum products.
- **KTPA:** Thousand Tons Per Annum. It is a unit of measurement used to express production capacity or annual throughput for petrochemicals and other industries.
- **NLNG:** Nigerian Liquefied Natural Gas. It refers to the Nigerian company that operates the Bonny Liquefied Natural Gas (LNG) plant, which is a major player in the LNG industry.
- **OPEC:** Organization of the Petroleum Exporting Countries. It is an intergovernmental organization consisting of several oil-producing nations. OPEC aims to coordinate and unify the petroleum policies of its member countries to stabilize oil markets.
- **OPEC-13:** Refers to the group of 13 member countries within the Organization of the Petroleum Exporting Countries. These countries collaborate on decisions related to oil production, prices, and market stability.
- **SPDC:** Shell Petroleum Development Company. It is a major oil and gas company operating in Nigeria, engaged in exploration, production, and development activities in the country's upstream sector.
- **Upstream:** The initial phase of the oil and gas industry that involves activities such as exploration, drilling, and production, focusing on locating and extracting natural resources.

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