'AKK PIPELINE WILL COMMERCIALIZE UPSTREAM GAS, SPUR INDUSTRIALISATION'

CAN NIGERIA ACHIEVE N18TRN REVENUE TARGET?

ENGR EMEKA OKWUOSA, ENTREPRENEUR AND PHILANTHROPIST, TURNS 59

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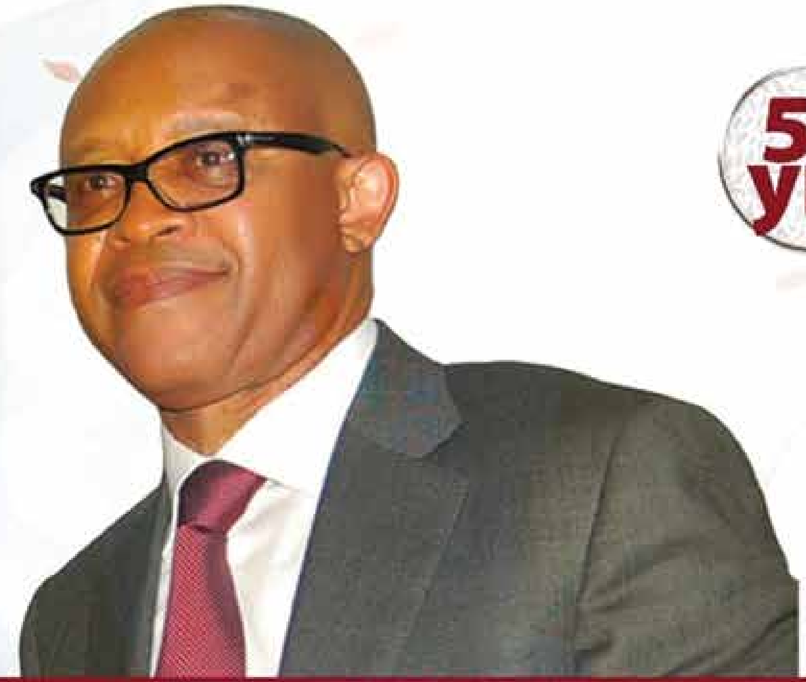
# OILSERV: ACTUALIZING NIGERIA'S LOCAL CONTENT DREAM FOR OIL & GAS

# IVM INNOSON GROUP OF COMPANIES



59 yrs

## ENGR. EMEKA OKWUOSA

# HAPPY BIRTHDAY

CHAIRMAN/CEO
OILSERV GROUP OF COMPANIES

On behalf of the management and staff of Innoson Group of Companies, I felicitate with you on your 59th birthday.

We are delighted that God has added another year in your lifespan to enable you continue with the good works you are doing for humanity.

It is our sincere prayers that Almighty God will continue to guide and protect you in all your endeavours.

Once again, accept our congratulations!

CHIEF (DR) INNOCENT CHUKWUMA, OFR
CHAIRMAN/CHIEF EXECUTIVE OFFICER

# Editor's Note

DR. NJIDEKA KELLEY

In this edition, we are celebrating one of Nigeria's and indeed Africa's best, Dr Chukwuemeka Okwuosa, a seasoned engineer, outstanding Entrepreneur and Philanthropist. He has distinguished himself in his chosen fields – engineering and oil and gas industry.

From a single firm - Oilserv Limited, incorporated 23 years, Engr Okwuosa has been able to develop it into consortium with six independent and thriving companies in various sectors of the economy. Today, the Oilserv Group is Nigeria's leading oil service company.

Besides playing efficiently in areas which used to be exclusive preserves of the multinationals, Oilserv has been able to achieve milestones in job deliveries that competently equate with those of International Oil Companies. The EPC Company has built a track record of delivering quality projects, which meet and surpass international standards and carried out with the best international practices.

Oilserv has executed many jobs internationally and locally, and such jobs were delivered within schedule and budget. This attitude has endeared Oilserv to its numerous foreign and Nigerian clients that have showered glowing testimonials its commitment to contract sanctity, which is not common in Nigeria.

Oilserv is the leading local content vehicle in Nigeria's two leading gas pipeline projects, which are part of Federal Government's actions to achieving sustainable steps to actualizing energy security, infrastructure development and Nigeria's industrialization. The gas projects are the Obiafu-Obrikom Oben (OB3) 48-inch diameter pipeline, the largest in Africa, which will soon be commissioned for operation. OB3 is one of Nigeria's premium pipeline projects.

Obiafu – OB3, AKK, among others, EMEKA UGWUANYI examines how Oilserv has done Nigeria proud in all these projects, which hitherto were exclusively undertaken by foreign firms.

Just 23 years in existence having been established in 1992, Oilserv Limited - an engineering, procurement, construction, installation and commissioning company, has not only become a major brand but an industry leader, underscoring the managerial acumen and doggedness of the man behind it.

Besides, in only two decades plus three, the novel company has developed into a conglomerate with five subsidiaries - Frazimex Engineering Limited, FrazPower Limited, FrazOil Limited, Ekcel Farms Limited and Crown Energy Limited, strongly playing in various sectors of the economy, thus making the Company a unique integrated firm, a major player in the sector and a reference point for its contemporaries.

**How it started**

Engr. (Dr) Emeka Okwuosa, is a 1982 graduate of Electronics and Electrical Engineering from the University of Ile-Ife, in current Osun State. He worked for Schlumberger worldwide, and returned to Nigeria in 1994. Having incorporated Oilserv Limited in 1992, the company began operation in 1995.

On commencement of operations in 1995, the company worked exclusively for Shell for the next five years, after which it started working for other International Oil Companies (IOCs) and the Nigerian Liquefied Natural Gas (N LNG) in maintaining their pipeline transmission systems.

As a seasoned engineer, Okwuosa ensured his company provided the best onshore and offshore services in oil and gas sector because he returned to Nigeria with the vision of building the country's capacity in oil and gas technical services. The company started by building flow lines for Shell and eventually began building trunk lines and pipelines for them, after which we started building facilities like manifold stations, including the largest of such facilities in Nigeria. From there, the company grew to the point where its service delivery covers entire pipelines and flow lines of all sizes.

However, the majority of pipelines, the firm currently constructs are actually gas, rather than oil pipelines, as more and more gas pipelines are being built as distributions systems throughout the country. Today, the EPC Company has built over 30 pipelines, far exceeding the number that any other indigenous company has done. Oilserv is the only Nigerian company with the capacity to construct 10 pipeline projects simultaneously. In addition, it built the Obiafu-Obrikom Oben (OB3) 48-inch diameter pipeline, the largest in Africa, which will soon be commissioned for operation. OB3 is one of Nigeria's premium pipeline projects. The second is the Ajaokuta-Kaduna-kano pipeline project popularly called AKK gas pipeline project.

In recognition of the enormous contributions to Nigeria's development, by Oilserv, His Excellency, Muhammadu Buhari, President and Commander in Chief of the Armed Forces, Federal Republic of Nigeria, in 2017 conferred on Engr Okwuosa the National Productivity Order of Merit Award (NPOM)

The Oilserv Group, and the Group Chief CEO, Engr Okwuosa has bagged many awards and professional laurels from different professional organisations, government and institutions. As he celebrates his 59th birthday, the board, management and staff of Syndicate Publications Limited wish him more years of fulfillment and excellence and greater service to Nigeria, Africa and the world.

Also in this edition is an x-ray into the ambitious drive by the Federal Government to generate N13trillion to N18trillion revenue by 2023, which is 15 per cent revenue to GDP.

However, despite the battering of the global economy including Nigeria by the raging coronavirus pandemic across, the Minister of Finance, Budget and National Planning, Zainab Ahmed, assured that the target is achievable , adding that the federal government has no revenue worries any more as it has the key to unlocking some untapped revenue sources hitherto neglected and overlooked.

Specifically, the minister said the federal government had identified oil and non-oil initiatives that could help the country generate between N13trillion to N18trillion and achieve its 15 per cent revenue to Gross Domestic Product (GDP) target. She also stated that states would need to generate N3.4trillion to realise this, adding that the COVID-19 pandemic had brought to the fore the need and urgency to further diversify the sources of government revenue.

She said the Strategic Revenue Growth Initiative (SRGI) of the government inaugurated last year would help the government in achieving this revenue growth target. "Under the SRGI, therefore, we have identified various revenue initiatives that could potentially generate N13tn to N18tn across both oil and non-oil sources, and ensuring that we are able to achieve 15 per cent revenue to GDP target by 2023.

"Importantly, we recognised that the support of states would be necessary to achieve the 15 per cent target. In fact, the states would need to cumulatively generate about N3.4trillion."

On the transportation sector, more countries are opening up the international airspace for commercial airlines and tourism to resume. Travellers will, however, find that some of the conditions are not encouraging for immediate travel or tourism. Across many of the countries that have announced resumption of flights, the mandatory 14-day quarantine and recent COVID-19 certificate remain in place. Some simply placed a ban on travellers from certain regions and COVID-endemic countries. Few others, like the UK did recently, could pull the rug off travellers that are already close to boarding or mid-air. It is still as messy as it can get in air travel.

Also in this edition include a critical examination of Nigeria's agricultural sector, while in the Political Economy segment, we looked into the impact of the increasing Chinese loans and the terms of obtaining such loans, on the economy.

These, among others, certainly will make interesting reading to you – our readers. Stay safe, the coronavirus pandemic has not been contained.

Njidekakelley

**Dr. Njideka Kelley is also the owner and Principal Consultant of New Generation Consulting LLc, 10101 Fondren Road Suite 353, Houston Texas 77076**

# CONTENTS



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**GRAPHIC ARTIST:** Imekan Augustus

Dr. Okwuosa at Ajaokuta, during the kick off of the AKK Project by the President, Muhammadu Buhari.

# OILSERV: ACTUALIZING NIGERIA'S LOCAL CONTENT DREAM FOR OIL AND GAS

*It is incontrovertible that Oilserv Limited is currently Nigeria's leading oil service company. But the most striking quality that stands out this Nigerian EPC Company is commitment to contract sanctity. Testimonials from its numerous clients including International Oil Companies and Independents show that it doesn't only deliver world class jobs but ensures such jobs are delivered within schedule and budget. As the Federal Government takes firm and sustainable steps to ensure energy security, infrastructure development and industrialisation through major gas projects – OB3, AKK, among others,* ***EMEKA UGWUANYI*** *examines how Oilserv has done Nigeria proud in all these projects, which hitherto were exclusively undertaken by foreign firms.*

• *Dr. Okwuosa with one of the members of the AKK Consortium.*

Just 23 years in existence having been established in 1992, Oilserv Limited - an engineering, procurement, construction, installation and commissioning company, has not only become a major brand but an industry leader, underscoring the managerial acumen and doggedness of the man behind it.

Besides, in only two decades plus three, the novel company has developed into a conglomerate with five subsidiaries - Frazimex Engineering Limited, FrazPower Limited, FrazOil Limited, Ekcel Farms Limited and Crown Energy Limited, strongly playing in various sectors of the economy, thus making the Company a unique integrated firm, a major player in the sector and a reference point for its contemporaries.

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On commencement of operations in 1995, the company worked exclusively for Shell for the next five years, after which it started working for other International Oil Companies (IOCs) and the Nigerian Liquefied Natural Gas (N LNG) in maintaining their pipeline transmission systems.

As a seasoned engineer, Okwuosa ensured his company provided the best onshore and offshore services in oil and gas sector because he returned to Nigeria with the vision of building the country's capacity in oil and gas technical services. The company started by building flow lines for Shell and eventually began building trunk lines and pipelines for them, after which we started building facilities like manifold stations, including the largest of such facilities in Nigeria. From there, the company grew to the point where its service delivery covers entire pipelines and flow lines of all sizes.

However, the majority of pipelines, the firm currently constructs are actually gas, rather than oil pipelines, as more and more gas pipelines are being built as distributions systems throughout the country. Today, the EPC Company has built over 30 pipelines, far exceeding the number that any other indigenous company has done. Oilserv is the only Nigerian company with the capacity to construct 10 pipeline projects simultaneously. In addition, it built the Obiafu-Obrikom Oben (OB3) 48-inch diameter pipeline, the largest in Africa, which will soon be commissioned for operation. OB3 is one of Nigeria's premium pipeline prjects.

To align with the continued evolving and challenging oil and gas sector, Oilserv has strategically restructured and positioned its operations to be able to deliver more optimal and effective services in the oil and gas industry. Also the company's determination to redefine


• *Oilserv HDD equipment ready to undertake a major river crossing operation*

• *Offloading and stringing of 3LPE coated linepipes along the right of way*

the Nigerian Content and ensure its expansion into other African countries has tremendously helped in placing it ahead of its competitors including competing ably with the multinationals. With state-of-the-art equipment and facilities, Oilserv Group provides the most reliable, sound and adequately engineered solutions to technical problems and lives up to its mettle.

In recognition of the enormous contributions Nigeria's development, His Excellency, Muhammadu Buhari, President and Commander in Chief of the Armed Forces, Federal Republic of Nigeria, in 2017 conferred on him the National Productivity Order of Merit Award (NPOM)

**Oilserv's remarkable footprints in local content development**

The EPC Company has made it its mark in the oil and gas industry even before enactment of Local Content law. However, since the passage and coming into effect of the Nigerian Oil and Gas Industry Content Development (NOGICD) Act 2010, Oilserv Limited has remained

***The company's track records in delivery of world-class turnkey projects remain remarkable in the industry and have contributed significantly to the growth and expansion of oil and gas pipeline infrastructure in Nigeria***

conspicuously visible as a major player in driving the growth and development of local content in Nigeria.

At a time when pipeline EPC business was an exclusive preserve of multinational companies like Wilbros, SAIPEM, among others, dominated the industry, Oilserv Limited's bulldozed its way into prominence despite being an indigenous company. However, over the years, Oilserv has weathered the storm and carved a niche in excellent service delivery, which shot it to the top of the list of indigenous companies of choice for pipeline EPC projects in Nigeria. It saw it all when militancy was at its peak in the Niger Delta but it was still able to deliver its jobs to standards.

The company's track records in delivery of world-class turnkey projects remain remarkable in the industry and have contributed significantly to the growth and expansion of oil and gas pipeline infrastructure in Nigeria.

Some of the projects executed by Oilserv using top-notch quality and safety standards include:

• The Greater Lagos Gas Distribution Network System (Phases 1, 2 3 & 4; Gaslink Nigeria Limited).

•The National Integrated Power Project (NIPP) Lot 1 & 2 (NDPHC).

•Oron Gas Transmission Pipeline System (SEPTA Energy) now Seven Energy.

•The South-South Gas Transmission Pipeline System, 18-inch x 128km with Gas City Gate and PRMS (East Horizon Gas

•Pipe tie-in, cold-cutting, pipe smoothening using grinding machine, and neutralizing PMS environment using form compound

Company Limited).

•The Gas Pipeline Transmission System for Geometric Power Plant with associated Metering System (for Nigerian Gas Company).

• Complete Upgrade of Ikeja Metering Station for NGC.

•Fabrication and Installation of Ebubu-Ogale Oil manifold for SPDC, the largest of its type in Nigeria.

• The 48-inch x 127km OB3 Gas Transmission Pipeline (OB3 LOT B Project), the largest pipeline in Nigeria with the associated Gas Treatment Plant (GTP) and a capacity of 2 billion standard cubic feet per day. Oilserv has done the pre-commissioning of the project. What is delaying the project from being commissioned is the inability of the contractor handling LOT A part of the project to cross the River Niger. The Federal Government is looking at hiring a foreign contractor from Thailand or Malaysia to carry out the river crossing.

•The construction phase of the $2.8 billion 614 kilometre Ajaokuta-Kaduna-kano gas ipeline of which Oilserv consortium is slated to deliver the first 200 kilometre.

Oilserv had been having commendations for outstanding delivery of jobs to the highest international standards. When the Chief Operating Officer (COO), Gas and Power, NNPC, Engr. Usman Yusuf and the Managing Director of the Nigerian Gas Company (NGC), Dr. Salihu Jamari, led the management of the NNPC on visit to Gas Treatment Plant (GTP) site of the OB3 Project of Oilserv, they confirmed that Oilserv has the competence, personnel, materials, equipment and expertise,

Also at last year's practical Nigerian Content Conference (PNC) in Yenagoa, Bayelsa State, Hon. Ochiglegor Idagbo of the National Assembly, mentioned Oilserv as a proud Nigerian Content story during a panel discussion.

On human capital development, Oilserv Limited has sustained the proud initiative of the human capital development and training scheme for many years which entails training of young graduates (Graduate Training Scheme (GTS)) and non-graduates (Technical Training Scheme (TTS)) in various fields of operation in the Oil and Gas sector of the economy.

The scope of Graduate training scheme include Project Management, Quality Control/Quality Assurance, Health Safety and Environment (HSE), Human RResources, ICT, Planning/Control and Engineering, among others.

The Technical training scope include but not limited to the following; Automatic welding, Manual welding and fitting, Rigging activities, Basic equipment maintenance/assets training, Horizontal directional drilling operation, operation of heavy duty equipment like excavator, forklift, crane, swamp buggy, side boom, boom truck and back how, among others.

**AKK Pipeline's potential benefits**

President Muhammadu Buhari finally on 30th June, 2020, virtually flag-off the construction phase of the Ajaokuta-Kaduna-kano pipeline simultaneously in Ajaokuta in Kogi State and Rigachikun in Kaduna State. The project is to realize the long held dream of building the nation's biggest domestic gas transmission infrastructure.

The 614 kilometre gas pipeline conceived

• Engr. Dr. Emeka Okwuosa in company of Hon. Azuka Okwuosa being received at the University of Nigeria, Nsukka where he was awarded the DOCTOR OF BUSINESS ADMINISTRATION (Honoris Causa) in 2017.

*L-R: Dr. Kaher Naser Tahat (GCEO Saudi Crown Holdings), Mele Kolo Kyari (GMD NNPC), Dr. Emeka Okwuosa (Chairman, Oilserv) and Engr. Khaled A. Albaz (MD, Saudi Crown Holdings, KSA) during meeting of Oilserv LTD & JV partners, Saudi Crown Holdings LTD with NNPC GMD, Mele Kolo Kyari regarding $6 Billion financing for NNPC pipelines and facilities.*

to provide the highly desired stimulus to domestic industrial growth will be delivered by a consortium of indigenous and international engineering firms. This project will also signal the finest hour so far for the Nigerian Content policy goals.

The President, by the flag off of this project, would be turning to reality some of the nation's long term economic aspirations of boosting domestic energy infrastructure, deepening the local gas market, creating industrial corridors with cleaner fuel, and commercializing the country's abundant gas resources.

The project, according to the Nigerian National Petroleum Corporation (NNPC), would significantly curb gas flaring in the Niger Delta and guarantee better air quality in the oil producing region.

Furthermore, the pipeline which was conceived to connect demand from the northern part of the country with supply from the south would be the biggest infrastructure development in the country's recent history. It will also mark a significant shift in the nation's energy policy; from revenue targeted export programmes to development focused domestic supply programmes.

Significantly, the $2.8 billion project broke through on the 30th of June after seven years of rigorous processes that morphed from policy conception through implementation strategy designs, master-plans and solid implementation programmes.

Perhaps the biggest value to the economy is the participation of indigenous engineering firms led by pipeline giant, Oilserv Limited, in the delivery of some of

> ***The 614 kilometre gas pipeline conceived to provide the highly desired stimulus to domestic industrial growth will be delivered by a consortium of indigenous and international engineering firms***

the phases of the project.

The company has successfully delivered over 17 similar challenging projects in the country including the engineering, procurement and construction (EPC) of the 67 kilometre Obiafu/Obrikom to Oben (OB3) 48 inch diameter Gas Transmission Pipeline System.

The Oilserv consortium is slated to deliver the first 200 kilometre phase of the AKK pipeline which covers the section between Ajaokuta and Abuja, after securing the EPC contract in April 2018.

Nigeria's Presidency had confidently asserted that, the AKK "pipeline project is itself a section of an ambitious pipeline project to supply gas to Europe through the proposed Trans Sahara Gas Pipeline (TSGP) and Nigeria Morocco Gas Pipelines."

Thus, in the short term the AKK will ensure energy sufficiency for domestic commerce and industry, and in the long term, having deepened and satisfied domestic demand, transform into an export pipeline and economic mainstay.

The AKK pipeline in Nigeria's prevailing socioeconomic downturn will prove to be fortuitous as well as strategic even as the world steps away from fossil fuel. Beyond the immediate need to stem the devastation of the corona pandemic and stimulate activity in the domestic economy, the AKK which is already potentially poised as a very central economic powerhouse in Nigeria, will also create deeper, more enduring values - multiplier effect in the local content circles, cleaner environment for the host communities, accelerated technical growth, direct citizen utility, industrial convenience, and of course general broadening of the economy, among others.

Oilserv Limited under the able leadership of its Group Chairman, Engr. (Dr.) Emeka Okwuosa, is honoured to be part of this historic project.

Flagging-off the project, Buhari directed


*• Engr. Emeka Okwuosa in company of Mr. Gbite Falade discussing with the former MD of SUN Newspaper; Eric Osagie during a courtesy visit by the management of SUN for Investor of the Year Award 2017*

the Minister of State for Petroleum Resources and Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC) to authorise the Engineering, Procurement and Construction (EPC) consortiums involving indigenous pipeline giant, Oilserv Limited, to commence construction operations at the project camp sites without further delay to buttress the importance of the project. "We promised the Nigerians that we will expand the key critical gas infrastructure in the country to promote the use of gas in the domestic market. These include the Escravos to Lagos Pipeline System – 2 (ELPS-2), OB3 pipeline and the AKK pipeline. I, therefore, directed NNPC to ensure that these critical projects are completed on time, within budget and specification," the president stated.

President Buhari summarised the key economic objectives of the project by saying: "When completed, the AKK Gas Pipeline Project will provide gas for generation of power and for gas-based industries which would facilitate the development of new industries and also the revival of moribund industries along transit towns in Kogi State, Abuja (FCT), Niger State, Kaduna State and Kano State. This will ultimately create numerous direct and indirect employment opportunities while fostering the development and utilisation of local skills and manpower, technology transfer and promotion of local manufacturing. The project is therefore part of the delivery of our Next Level Agenda for sustainable development and enhancement of the economic prosperity of our country."

## Policy Focus

The AKK pipeline which was conceived as part of the Nigerian Gas Masterplan (NGMP) by former administrations of the federal government had remained in the policy shelf for nearly a decade. Its implementation by the present administration is a significant progress from the delivery of the Obiafu-Obrikom-Oben (OB3) gas grid development. The AKK project was designed to enlarge the domestic gas market by using the energy demand from the northern parts of the country to enhance the commerciality of domestic market play and confer viability on investments in government's gas commercialisation agenda.

• *Intermediate Pigging Station (OB3 Gas Pipeline Project)*

***In the upstream sector of the petroleum industry, the AKK pipeline will enable more oil production by helping operators to meet the condition of zero flare development plans***

According to the Nigerian National Petroleum Corporation (NNPC), the gas commercialisation programme is meant to leverage on the nation's huge natural gas reserve base to stimulate growth and enable Nigeria's migration from the current mono-economy into a diversified economy. The AKK project would enable the injection of 2.2 billion standard cubic feet of gas per day (bscf/d) into the domestic market upon completion, and facilitate additional power generation capacity of 3,600 megawatts (MW), NNPC said.

The pipeline is expected to spark off economic activities that would ultimately deliver on a bundle of broad national economic aspirations in the petroleum industry through which the government targets to position the country's abundant natural reserves as the key enabler for economic diversification from oil dependence.

Processes in realising the policy targets include clearly mapped out strategies to deepen the domestic gas market, arrest gas flaring at oil production sites, enhance national revenue through natural gas commercialisation, boost the Nigerian Content of the huge budget petroleum industry, and build sustainable energy

*•Pressure reduction metering system facility*

infrastructure for the domestic economy.

According to the project profile from the Nigerian National Petroleum Corporation (NNPC), the $2.592 billion AKK pipeline project will provide channel for the upstream and midstream petroleum industry operators to deliver their natural gas output into the grid and spur industrial evolution along the new pipeline corridors in northern Nigeria.

**Economic significance of AKK project**

Energy is considered most critical among all factors of production, and acute shortage of energy has been the major bane of industrial and commercial enterprises growth in the country. Thus the AKK pipeline is, therefore, considered a key factor in sustainably resolving issues of energy for industrial growth for the present and future generation of Nigerians.

Before now, members of the Organised Private Sector (OPS) of the Nigerian economy, especially the Manufacturers Association of Nigeria (MAN), had consistently called on government to provide critical factors of production to make investment in the Nigerian business environment attractive, and economically rewarding.

OPS leaders agreed that the best response government has given to the agitation from the business community is to provide hope for production infrastructure that would make the domestic environment more attractive to investment. So, AKK pipeline when realised will be a sustainable factor of production that would enhance the local operating environment for business in the country. The facility will also remain central to all aspects of Nigeria's industrial development: boosting power generation, stimulating manufacturing activities and de-constraining new field development in the oil industry.

In the upstream sector of the petroleum industry, the AKK pipeline will enable more oil production by helping operators to meet the condition of zero flare development plans. So, operators who have been held down by market limited destination for associated gas are now provided space in the AKK pipeline.

Again, expanding the domestic gas market with the AKK pipeline will boost investor confidence in the government's flare gas commercialisation programme by providing ready offtake channel for harnessed gas. This strongly propels Nigeria's drive to attain zero emission at oil production sites and probably enable the country exit the inglorious global greenhouse emission chart.

The AKK pipeline promises double barrel economic advantage for the country by earning direct income for government and also helping develop indigenous industrial capacity by providing cheaper, cleaner and more sustainable energy. It will become a consistent revenue earner for all stakeholders including the government by operating a tariff based gas transmission services to assist producers to wheel gas to the market. It will also entitle government to tax income, equity dividend and direct market returns on volume gas sales.

The AKK pipeline flaunts all the attributes of industrial stimulus. Manufacturing capacity in Nigeria today is highly constrained by energy issues. Running manufacturing concerns on diesel or other fossil fuels is far too expensive and unprofitable; power supply for industrial


activity is grossly inadequate. So the AKK pipeline holds potentials to feed power plants with adequate fuel energy to generate adequate electricity for homes and businesses. The pipeline can also directly feed industry and commerce with cleaner, cheaper gas energy. In both ways the AKK pipeline is going to enable the industrial sector of the economy to optimise its potentials for growth, job creation and contribution to gross domestic product (GDP).

**Nigerian content**

The biggest value is that the AKK pipeline holds the biggest valid testament to government's commitment to the Nigerian Content policy. Save the funding arrangement, which is through contractor financing model and entails Chinese content in the project, the full project scope would have been delivered by the indigenous Oilserv consortium which also delivered the even more challenging OB3 pipeline on which the AKK pipeline is anchored.

More importantly, the involvement of Oilserv makes the project more realistic. The reliance on local expertise also makes the infrastructure more sustainable and cheaper in terms of long term maintenance plan. With the Oilserv consortium government would not suffer maintenance hitches similar to the impasse that plague the local refineries and Ajaokuta Steel Plant following the refusal of original equipment manufacturers (OEMs) to honour maintenance commitments.

It is, therefore, taken for granted that the Oilserv consortium would regularly be on ground to guarantee the integrity of the pipeline.

> ***Oilserv is a 100 percent indigenous company currently employing more than 600 staff. With this new AKK development, it probably will go to between 1,500 and 2000 at the peak of the personnel matrix***


- ***Gas Treatment Plant (OB3 Gas Pipeline Project)***

Chairman of the Oilserv Group, Engr. Emeka Okwuosa, said the consortium led by his company was working in concert to provide best in class EPC services for NNPC and Nigeria in consonance with the company's track record of delivering world class pipeline construction even in most challenging terrains.

He said: "Oilserv is a100 percent indigenous company currently employing more than 600 staff. With this new AKK development, it probably will go to between 1,500 and 2000 at the peak of the personnel matrix.

"But the fact remains that we are ready. This is not the first project. We are commissioning the OB3 gas project which is slightly larger than this in terms of diameter. The OB3 is 48 inches in diameter. So we have the experience, we have the personnel, we have the equipment and we are capable and we would deliver this project."

On the projects potential for job creation, Okwuosa declared that the company would significantly increase its workforce during the project's time frame, adding that additional staff would be recruited from the project's host communities. "Like I said, we will crank up our employment by more than 1000 and major part of this 1000 will be indigenes of the areas where we are. We have a clear programme to develop the areas where we build pipelines."

In advancing Oilserv's performance profile in petroleum industry pipeline delivery, Okwuosa declared that the consortium is conversant with driving through tough and challenging terrains. "Every project comes with its challenges. There are challenges in driving a project like this in virgin forests, to go through rivers, rocks, to deal with security issues. These are challenges but I don't have fears because we have the knowledge and the experience to deal with it all. We are very ready to deliver the project and deliver the project on time."

*• Engr. Emeka Okwuosa, Prof. B. Ozumba (immediate past Vice Chancellor, University of Nigeria) and Board members of the UNN Lion Science Park after the maiden board meeting in July 2018.*

Group Managing Director of the Nigerian National Petroleum Corporation (NNPC), Mallam Mele Kyari, corroborated Okwuosa. He said: "We are confident that the EPC contractors will deliver the project on time, within budget and to quality specifications," adding that the current Administration under the leadership of President Muhammadu Buhari has made it a priority to ensure revenues from oil and gas resources are utilized to support the emergence and growth of other non-oil sectors of the economy.

Also Governor Yahaya Bello of Kogi State said the use of indigenous Oilserv consortium in delivering the Ajaokuta-Kaduna-Kano pipeline project is one of the most significant economic stimuli that will catalyze growth activities in Nigeria in the prevailing coronavirus era.

Oilserv Limited will deliver the first phase of the 40 inch diameter pipeline which would run from Ajaokuta in Kogi State to KP303 between Abuja and Kaduna. The consortium is also to deliver a Terminal Gas Station (TGS) which is a 24 inch 15 kilometre spur line to a planned power station in Abuja.

Governor Bello's applause for Nigerian Content of the project laid ground for him to take early lead in projecting graduates of his government's technical training programme for absorption in the construction stages of the project, appealing that the involvement of the local youths would go a long way in building community stakeholding in the project.

The Chairman of the Petroleum Technology Association of Nigeria (PETAN), Nik Odinuwe, also confirmed that the AKK pipeline project will help to further deepen local content in the country. He congratulated Dr Emeka Okwuosa, and Mele Kyari on the successful groundbreaking making the project a reality.

The project is expected to greatly enhance the nation's energy security, create direct and indirect employment and promote development, technology transfer and local manufacturing, he added.

While commending the Oilserv Consortium and NNPC for their foresight, he noted that Oilserve was one of the founding members of PETAN, and a long time champion and advocate of Nigerian Content in the oil and gas industry.

He added that the AKK Gas project is a Nigerian Content milestone and a vindication of the passage of the

NOGIC Act, and a testament to the massive contributions of PETAN in the development of the Oil and Gas Industry and the Nigerian economy.

Odinuwe observed that the AKK Gas Project is positioned to realise the long-held dream of developing the nation's domestic gas transmission infrastructure as well as implementing Nigeria's Gas Master Plan. He emphasised that the project will also promote the domestication of technology in Nigeria, and concretize the gains of Nigerian Content by encouraging participation of indigenous companies in the delivery of the project.

In the past there have been white elephant projects that could have transformed the Nigerian economy such as Ajaokuta Steel Rolling Mill, Kogi State; the Aluminium Smelter Company Limited (ALSCON), and Nigerian Newsprint Manufacturing Company, Akwa Ibom State, among others. Prayers of Nigerians are that this noble project is not abandoned.

**Research and Development (R&D) support**

Oilserv Limited in collaboration with the Nanotechnology Research Group, Department of Physics & Astronomy, University of Nigeria, Nsukka is currently promoting the vigorous campaign for Research & Development in Nigeria since 2014 via full sponsorship of the 1st, 2nd and 3rd African Nanotechnology Conference & Workshop organized by the UNN Nano research Group with theme " Application of Nanotechnology to Energy, Health and Environment. The event gathers professors from around the globe, key government officials and captains of industry who share their wealth of experience via insightful presentations, interactive forums and workshops aimed towards development of Nanotechnology in the oil & gas industry.

*•R-L: Engr. Emeka Okwuosa and His Excellency, Gov. Ifeanyi Ugwuanyi of Enugu state during the donation of COVID 19 items to Enugu state Government*

***He has built roads, contributed to erosion control, provision of portable water, electricity infrastructure, among others to several communities across Nigeria***

Nanotechnology has been widely used in several other industries and can be very significant in the Oil and Gas sector as well. Adding Nanoparticles to fluids may significantly benefit oil and gas operations, Pipelines & facilities, Manufacturing of pipeline materials, and cleaning of oil spillages, among others.

**Support to growth of local companies – Oilserv/Innoson Motors' example**

To ensure that local firms that create jobs don't go under, Oilserv Group recently entered into partnership with Innoson Vehicle Motors (IVM) Company to boost local production of vehicles in Nigeria. Oilserv Group will take delivery of vehicles manufactured by IVM for use in its operations and for members of staff.

The Chairman/Group Chief Executive Officer Oilserv Group, Dr. Emeka Okwuosa, in his un-quenching desire to promote local content and capacity development, commended IVM during the tour of the IVM manufacturing plant in Nnewi, Anambra State. Okwuosa said the essence of the visit was to encourage local content in the company, adding that "the IVM CEO, Chief Innocent Chukwuma, remains a brand that cannot be comparable in vehicles manufacturing companies.

*•L-R: Engr Emeka Okwuosa and Chief Innocent Chukwuma during the visit to IVM Plant at Nnewi*

According to him, Innoson Motors manufactures vehicles from scratch to finish. This is a huge development to Nigeria's economy and growth to local content capacity.

"We are partnering with IVM on vehicles that are going to be used in the oil and gas industry and for our operations. The Company is very effective in fulfilling local content development. We are partnering with IVM in the area of conceptualisation, manufacturing and use of local vehicles in the oil and gas sector," he said.

The Oilserv Chairman said that Innoson Motors is a testimony to development of local capacity in Nigeria, adding that the company since the second quarter of 2020 has transacted ₦600 million with Innoson Motors in different projects.

He said the new confirmed partnership will further boost the economy and promote the use of local equipment and machinery.

Chairman/CEO, IVM, Chief Innocent Chukwuma, lauded Oilserv management for their support towards promoting local capacity, while urging other companies and individuals to do same. Chukwuma said the company sources about 60 per cent of its materials in-country, adding that the company is 100 per cent manufacturing company and not assembling company.

According to him, the company only imports engine and light while all the electrical aspects and others equipment are sourced in-country. "We are proudly Nigeria vehicles manufacturing company, like Oilserv who has excelled in engineering. We also partner with the military on special vehicles manufacturing and other companies," Chukwuma said.

Group Head, Supply Chain, Oilserv Limited, Chukwuma Nkwodinmah, said the partnership goes a long way in promoting local capacity. Nkwodinmah added that partnering local manufacturers will boost local capacity and also aid growth of the economy.

Group Chief Finance, Oilserv Limited, Mr Solomon Okodughi, said the partnership will create employment opportunities for teeming youths.

General Manager, Operations, Technical Services, Oilserv Limited, Engr Chigozie

***•Sir Emeka Okwuosa Foundation donated medical supplies worth over One Hundred Million Naira which includes the following items; 6000 numbers of FDA approved mask; 1,500 numbers of hand gloves; 150 cartons of face shields; 30 cartons containing 500pcs per carton, disposable protective suit; 1200 numbers of infrared thermometer; 350 numbers of facial and temperature monitor and 2500 numbers of COVID 19 rapid test kits (15 minutes results).***

Obi, said both companies has similar uniqueness in local content development in Nigeria. According to him, the products of both companies meet international standards. Both companies are Nigerian companies and are also champions of local content.

**Corporate Social Responsibility/Fight against COVID-19**

Oilserv Group has been in the fore-front of promoting education through the award of scholarship to students not just in the areas where his operations are domiciled. Through the Company's CSR budget and the Sir Chukwuemeka Okwuosa Foundation, he has built roads, contributed to erosion control, provision of portable water, electricity infrastructure, among others to several communities across Nigeria.

The company has spent multi-millions Naira on medical supplies and protective equipment to Federal and state governments for fight against COVID-19 pandemic.

One of the beneficiary states of such supplies is Enugu. The items donated include Disposable Face Mask 3-PLY Flu Virus Dust Protection (20,000pcs); FFP2 FDA Approved Mask (400 nos); Nitrile Protective & Disposable PVC hand glove (10,000 nos.); Transparent Medical Face Shield (200 nos); Disposable non-woven protective suit made with breathable film (200 nos); Neutral Infrared Thermometer (50 nos); and Facial and Temperature Monitor, Camera with Accessories and Brackets (1 nos).

Others were COVID-19 Rapid Test Kit (200 nos); Alcohol based hand sanitizer (70ml) – 500 nos; Alcohol based hand sanitizer (125ml) – 360 nos; Alcohol based hand sanitizer (500ml) – 120 nos; Alcohol based hand sanitizer (5 Litres) – 60 nos; and Antiseptic liquid handwash (600ml) – 180 nos.

Presenting the items to His Excellency, Governor Ifeanyi Ugwuanyi at the Government Housein Enugu, the Chairman of Oilserv Group, Engr Emeka Okwuosa, said the donation was in furtherance to the Group's corporate social responsibility initiatives and support in the fight against Covid-19 pandemic in the state.


*•Hook-up to existing 6" inlet line*

*•Shear wave test in progress*

*•Holiday detection of repaired joint*

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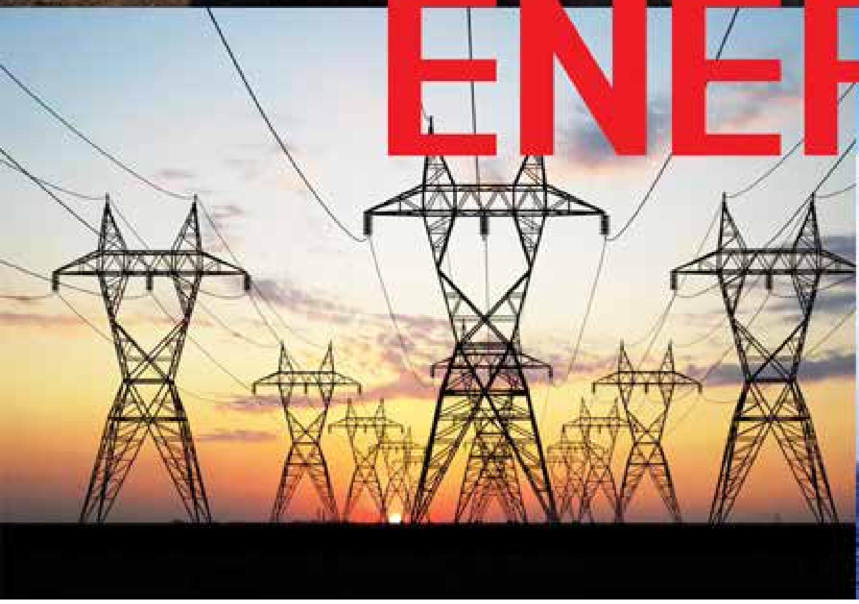
THE BUSINESS INTELLIGENCE

ENERGY

AUGUST 2020



# CONSIDERABLE UNCERTAINTIES SURROUND 2021 OIL MARKET OUTLOOK

*The outbreak of COVID-19 pandemic had an unprecedented and devastating impact on the global economy and oil market fundamentals in 2020. While the market still finds itself in the midst of the crisis, gradual stabilization was expected to begin in second half of 2020, leading to a cautious forecast of renewed growth in the year to come, reports M**eletus EZE.***

Gross Domestic Product (GDP) growth in 2021 is forecast at 4.7 per cent following contraction of 3.7 per cent seen this year. This assumption is based on the expectation that that COVID-19 would have been contained by next year especially in major economies, allowing for recovery in private household consumption and investment, supported by the massive stimulus measures undertaken to combat the pandemic. The 2021 forecast assumes no further downside risks materialize, particularly from trade-related issues.

Growth risks include high debt levels, which could pose serious challenges for anticipated growth, not only due to general limitations in fiscal space, but also a rise in debt-services. Indeed, the magnitude of the recovery in the travel and hospitality sector, along with general leisure services and transportation will be significant to economic recovery in 2021.

According to the Organisation of Petroleum Exporting Countries (OPEC), global oil demand in 2021 is projected to recover strongly from the downturn seen in 2020 registering historical high growth of 7.0 million barrels per day (mbpd) although remaining far below the preCOVID-19 level. Encouraging improvements in economic momentum are assumed to be the driving factors for increasing demand in 2021. In regional terms, the Organization for Cooperation and Development (OECD) is estimated to contribute around 3.5 mbpd to growth, driven by positive developments in OECD Americas. In the non-OECD, growth in petroleum product demand is also estimated at 3.5 mbpd with other Asia and China contributing a combined increase of more than 2.4 mbpd.

Gasoline and diesel are anticipated to record the highest year-on-year (y-o-y) gains as both products are foreseen rising by more than 3.8 mbpd. Jet fuel is expected to only partially recover. World oil demand growth is forecast to grow by 0.8 mbpd, as international travel will remain under pressure for the whole of 2021; lower travel and commuting activities will affect transportation fuel demand in general.

Non-OPEC oil supply is forecast to grow by 0.92 mbpd in 2021, following a deep contraction in the current year. This is mainly driven by an expected recovery in demand and a likely improvement in oil prices to levels that would lead to increased activities by United States (US) producers. US production in 2021 will see only a minor growth of 0.24 mbpd, compared to the growth of 2.3 mbpd seen in 2018 and the 1.7 mbpd seen in 2019.

US tight crude is expected to grow by 0.24 mbpd, mainly from the Permian Basin, offset by declines in onshore conventional crude. In North America, Canadian production is expected to recover, although pipeline constraints are likely to persist.

Oil production in countries such as Norway, Brazil, and Australia is expected to increase through the ramping up of existing projects and new field start-ups. In contrast, natural decline in Egypt, Mexico, Thailand, Colombia and Kazakhstan is expected to offset some of this growth.

Investment in exploration and production (E&P) in non-OPEC countries is expected at around $323 billion in 2021, with US shale at around $63 billion, down by $100 billion from the peak levels seen in 2014.

Overall, the outlook for 2021 remains dependent on the considerable uncertainties in 2021, both to the upside and the downside. At the same time, the historic cooperation between OPEC member countries and non-OPEC countries participating in the Declaration of Cooperation (DoC), together with the supportive actions of many of the G20 producers have helped the global oil market, and the world economy, to overcome recent unprecedented challenges. The historic decisions taken amid a vast range of uncertainty have provided a substantial and highly effective contribution, paving the road for the global economic and energy markets recovery in 2021.

# EXXONMOBIL HALTS FLAGSHIP UPSTREAM PROJECTS TO PROTECT BALANCE SHEET

By Meletus EZE

ExxonMobil Corporation is ripping up its debt-fueled $30 billion-a-year plan to rebuild an aging worldwide portfolio after cash flow evaporated and threatened the company's vaunted dividend.

The shift by the Western world's premier oil explorer represents an about-face after more than two years of doing pretty much the opposite of the its biggest rivals, who have been shrinking and looking to a future beyond fossil fuels. As recently as March, the Texas giant had pinned its future to huge capital spending on oil and natural gas at a time when peers were exploring ways to decarbonize.

ExxonMobil Chief Executive Officer Darren Woods' plan was to lean on the company's impeccable balance sheet to drill for gushers and still cover almost $15 billion in annual dividends. If cash flow fell short, Exxon's stellar credit rating would allow it to borrow its way through lean times, or so the thinking went.

But the black swan event of a global pandemic that smashed energy demand amid a stubborn glut of crude overwhelmed Woods' ambitions. Cash flow from operations fell to zero in the second quarter, Exxon disclosed, and one of the CEO's top lieutenants announced all bets were off.

The company is pursuing "significant potential" budget reductions and some managers may find themselves out of a job as a result, Senior Vice President Neil Chapman said during a conference call with analysts.

Those cuts would be in addition to ongoing efforts to trim its U.S. workforce by as much as 10 per cent and a $10 billion scale-back in capital outlays announced in April. More striking was Chapman's announcement that work on Exxon's five marquee developments — deepwater oil in Guyana and Brazil, Permian Basin shale, gas exports from Mozambique and Papua New Guinea — will all be curtailed or delayed.

# NNPC, PARTNERS RESOLVE OML 130 DISPUTE

By Shile GIWA

The Nigerian National Petroleum Corporation (NNPC) has agreed with its partners to settle all outstanding issues surrounding the development of Oil Mining Lease (OML) 130.

The Group General Manager, Group Public Affairs Division, NNPC, Dr kennie Obateru, disclosed in Abuja.

The partners are China National Offshore Oil Company (CNOOC), and South Atlantic Petroleum Limited (SAPETROL). Obateru said the move was in line with the effort to meet the target of revving up production to three million barrels per day.

He said it would also unlock gas revenues to the tune of about 225 million dollars in the short term and 510 million dollars in the long run for the country.

He quoted the NNPC Group Managing Director, Malam Mele Kyari, as saying at the signing of Head of Terms (HoT), agreement with the partners that the deal was part of the Corporation's Production Sharing Contract (PSC), Dispute Resolution and Renewal Strategy of 2017.

Kyari said the resolution was aimed at securing out of court settlement of all disputes around the 1993 Production Sharing Contracts (PSC), and agreeing on terms for their renewal. He explained that the dispute arose from recognition of certain cost and

*NNPC GMD, Mallam Mele Kyari*

discordant interpretation of the fiscal terms of the PSC by NNPC and the contractor parties.

"With the resolution and signing of HoT, apart from unlocking over 225 million dollars of gas revenues, it will also enable settlement of renewal fees. It will create conducive environment to further development of OML 130 with associated benefits to the federation.

"We are doing this with every other partner in the PSC dispute, we believe that we can close this engagement and conversation with all of you.

"The HoT will clearly enable us to proceed and have a full settlement, and this will benefit all of us," Kyari said

He commended CNOOC and SAPETROL for their understanding while expressing delight that the HoT would facilitate the conclusion of all renewal issues.

Managing Director of CNOOC, Mr Xie Vincent Wensheng, said the agreement had opened a new chapter in his company's relationship with NNPC, stressing that it had provided a win-win situation for all parties.

On his part, Managing Director of SAPETROL, Mr. Toyin Adenuga, said the resolution of the dispute was a very important step toward further development of OML 130 and other new fields as the terms were now clearly spelt out.

The execution of the HoT signals the resolution of a tax dispute that arose from the 2.3 billion dollars acquisition of a 45 per cent stake in OML 130 by CNNOC from SAPETROL in 2006.

The OML 130 consists of the Akpo and Egina Fields which have been producing since 2009 and 2018 respectively.

It is operated by Total Upstream Nigeria Limited which holds 24 per cent stake, while Petrobras Oil and Gas BV and SAPETRO hold 16 per cent and 15 per cent stakes respectively.

# FG BEGINS FEASIBILITY STUDY FOR BRASS SHIPYARD PROJECT

By Meletus EZE

The Federal Government has begun the feasibility study for the construction of a shipyard on Brass Island in Bayelsa State.

The Minister of State for Petroleum Resources, Chief Timipre Sylva, confirmed the development on the Twitter account of the Nigerian Content Development and Monitoring Board (NCDMB). Sylva said the feasibility study would cater for the maintenance and repair services of cargo vessels, oil tankers and Liquefied Natural Gas (LNG) carriers.

He said it would be executed by China Harbour Engineering Company, which had carried out similar projects across the globe as well as in Nigeria.

According to him, the feasibility study will be funded by the NCDMB as part of its overarching mandate to domicile key oil and gas industry infrastructure and increase retention of industry spend.

"The scope of the feasibility study includes geotechnical and bathymetric surveys, conducting a market study and ascertaining an optimal construction scale. It also includes developing technical proposal and construction plan and estimation of the required investment to bring the project into reality, " he said.

The minister noted that the high traffic of vessels in and out of Nigeria provided huge opportunity to retain substantial value in-country through the provision of dry-dock services.

He said that shipyard project would further develop and harness the nation's position in the oil and gas value chain and linkage to other sectors of the economy.

On shipyard prospects, Sylva said the Nigeria LNG's Train 7 project was expected to increase the company's LNG capacity from 22MTPA to 30MTPA.

He said this would induce the acquisition of additional LNG carriers to the existing ones, all of which would need maintenance and servicing.

The minister added that the project would also benefit from the upcoming Africa Continental Free Trade Agreement (AfCFTA) implementation as Nigeria could serve as hub for ship-building and repairs.

He expressed confidence that the outcome of the feasibility study and subsequent construction and operation of the shipyard would create employment opportunities and contribute to poverty reduction.

NCDMB Executive Secretary, Engr. Simbi Wabote, said the Brass Shipyard and other ongoing efforts to catalyse manufacturing would help the board achieve the target of 70 per cent Nigerian Content by 2027.

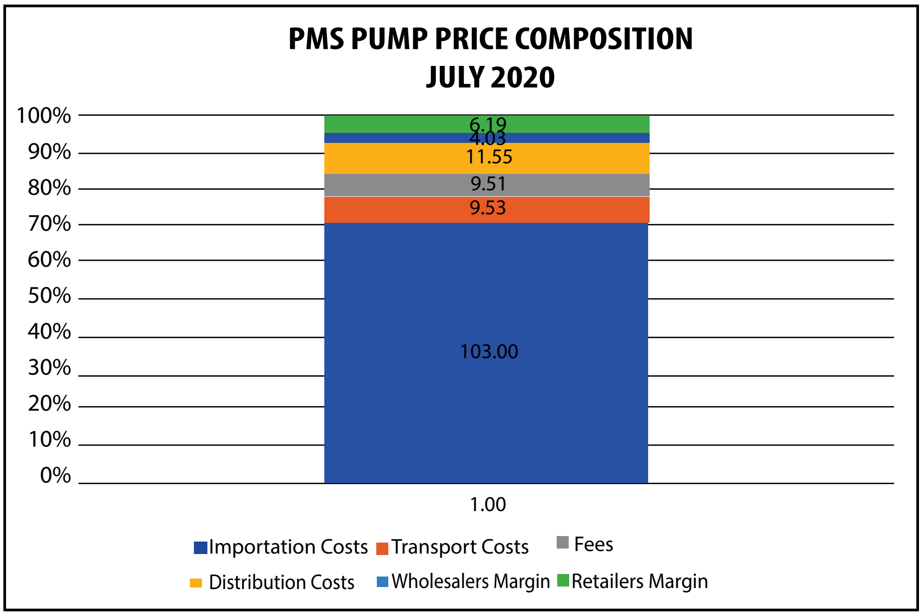
# THE POLITICS OF FUEL PRICING –MOMAN

Even though the effects of the Coronavirus pandemic have highlighted the financial risks innate in the current approach to the pricing fuel policy, there still appears to be an interesting balancing act at play when it comes to retail pricing of petrol in Nigeria. There is an inherent trade-off between the efficiency and sustainability of the downstream sector and 'not rocking the boat', as the determining factors seem to be more political than fiscal. This is most evident in the period when pump prices moved from N97 to N87 per liter. This price change was not supported by any legislature, policy or formula – that we are aware of.

| DATE | PMS PRICE PER LITER |
|---|---|
| June 2000 | 22 |
| 1 January 2002 | 26 |
| 23 June 2003 | 40 |
| 29 May 2004 | 50 |
| August 2004 | 65 |
| 27 May 2007 | 75 |
| June 2007 | 65 |
| 1 January 2012 | 97 |
| 18 January 2015 | 87 |
| May 2016 | 145 |
| March 2020 | 125 |
| June 2020 | 121.50 – 123.50 |
| July 2020 | 140.80 – 143.80 |
| August 2020 | 148.00 |

The Honorable Minster of State Petroleum Resources and the GMD NNPC have both announced the removal of subsidy and the subsequent deregulation of petroleum prices, indicating the country's attempt at ensuring cost-reflective prices at the pump. However, this has not been fully translated into policy. For the last few months, up until July 2020, the Petroleum Product Pricing Regulatory Agency (PPPRA) was mandated, based on a regulation published by the Agency in June 2020 and backdated to March 2020, to announce and publish petrol pump price bands. In August, the PPPRA announced that they would no longer assume this responsibility. This singular act could be interpreted in a few different ways.

Using the pricing template as at July 2020, the market price composition of fuel is made up of Importation Cost; Transport Costs; Fees; Distribution Costs; Wholesalers Margins and Retailers Margins as seen below.




Importation costs are assumed to reflect international fuel prices (which are out of the control of the government) as well as the effective exchange rate. The importation costs and all the other components on the template should reflect costs based on efficient operations by the suppliers and operators. In developed countries, the different components of their pricing templates are usually updated monthly, quarterly, or semi-annually, according to agreed policies and timelines, ensuring a complete pass through of any charges. The last time the PMS pricing template was adjusted in Nigeria was 4 years ago.

There are fundamentally 3 types of pricing mechanisms that could be applied to fuel pricing.

**Ad-hoc Pricing:** usually associated with delayed and/or partial pass-through of international price changes and related costs

**Automatic Formula:** usually associated with delayed but in the long term, full pass-through of international price changes and related costs

**Liberalized Pricing:** provides full pass-through with minor delays.

What any sector should advocate for is a policy that is based on full pass-through of costs. A full pass-through encourages greater efficiency by the operators, which in turn will provide the highest level of service to consumers. It also helps reduce any adverse macro-economic impact of international price volatility on the country.

Petroleum pricing in Nigeria will continue to be a troubling issue in Nigeria until a few principles based on international best practices are addressed and addressed quickly.

1. There should be introduced, a clear workable policy with a regulatory approach

2. Prices must reflect the changes in production/importation costs, transportation costs. The prices should also cover depreciation and other external costs

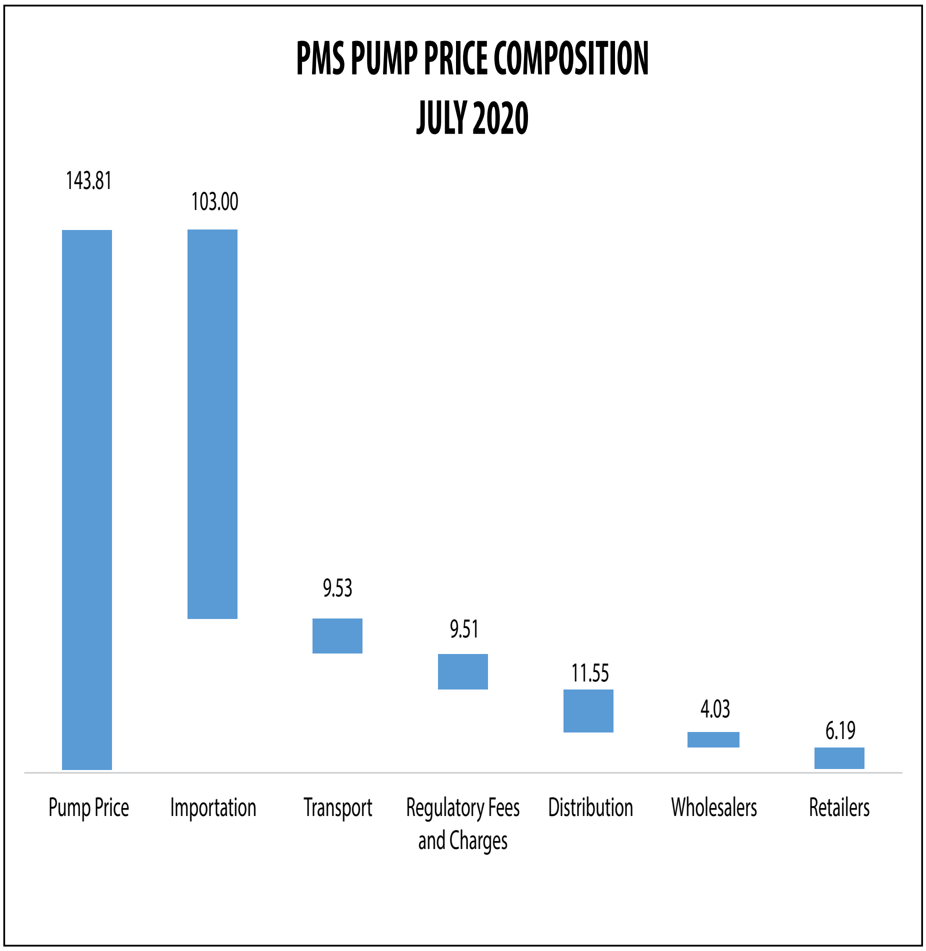
3. Prices should allow for inflationary adjustments

4. The Principles of fuel price setting should be disclosed, along with the frequency of updates and composition of prices. This should be published publicly in an easy to understand and easily accessible manner. Not only does this strategy encourage full transparency, it also builds trust between the government and its citizens.

5. Depoliticize fuel pricing

*By Ogechi Nkwoji; Head: Economic Intelligence Research & Regulation, MOMAN*

***Sources:***
***- BBC News***
***- Armin Wagner, GTZ www.gtz.de/fuelprices***
***- The IMF***




# METROLOGY AND STOCK MANAGEMENT IN DEPOTS

Stock management has far reaching effects into a firm bottom-line due to its impact in inventory management. The importance of accurate stock management cannot be over emphasized due to high cost of the product in a market regime where margins of the product is low and fixed by government. To be competitive in today's downstream petroleum marketing business, every litre discharge into the storage facility must be accounted for through an accurate and effective stock management system to prevent unnecessary loss of income to the business.

Nowhere in our entire value chain can the effects of stock management be more clearly seen than in the depots (tank farms). These storage facilities, receive, store, and load out petroleum product to different retail outlets and consumer locations and a good stock management at these key facilities can improve efficiency and company bottom line.

Stock control is a critical objective in the management of depots. Losses can result from measurement errors, unknown leakages, metering issues in tank gauging, or in temperature measurement, Unrepresentative sampling leading to incorrect density measurement. Losses may also come from operator incompetence/negligence or equipment errors due to defect or inadequate calibration.

Effective Stock management consists of the following activities and these activities should be carried out by competent and well-trained depot functionaries because of the importance these activities play in the overall management of stock in the depots. Improper gauging or temperature reading could give huge variances from actual quantities in tanks.

1. Computation of stock is done every day by the depot to ascertain the gain and loss positon. These losses and gains are expressed as a percentage and it is necessary and important that losses and gains be investigated daily to track and close them out. To effectively measure stock, measuring equipment must function correctly. These instruments are categorized as working and standard equipment and every depot must have these two types of instruments. Standard equipment is identified and kept separately under appropriate conditions, this equipment is calibrated by authorized agency and the metrological certificate kept properly in a secured place. Standard equipment should not be used for daily operation.

2. Tank calibration are carried out every five years as per regulation or after out of service/internal inspection. Without an accurate tank calibration table, even the best gauging system and the most accurate manual measurement are of little value.

3. A daily stock balance report is prepared for each product line stored in the depot. The basic equation for the material balance of product is Book Stock = Opening Stock + Receipt - Deliveries. Gain and loss is the difference between the Book Value and Physical stock. Gain and loss are expressed as the percentage of gain/loss in volume over deliveries at standard temperature.

# MAKING STRONG, SAFE LPG CYLINDERS LOCALLY, MY GREATEST JOY, SAYS OBI

By Shile GIWA

An industrialist, Mrs Nkechi Obi, says that presiding over a company that makes affordable, safe and strong cooking gas cylinders for West African markets is her greatest source of happiness, and playing in the Nigerian oil and gas sector.

Obi, who is the Executive Vice-Chairman of Techno Oil Limited, a leading indigenous company, stated that in an interview with newsmen in Lagos. She was speaking as part of activities to mark the third anniversary of the inauguration of Techno Oil Liquefied Petroleum Gas (LPG) cylinder manufacturing plant, which was unveiled by Vice-President Prof. Yemi Osinbajo on June 7, 2017.

"I'm excited to say that it is dream come true. Our story is all about the making of the safest cooking gas cylinders in Nigeria." She said it was a thing of joy that top grade cylinders were now being made in Nigeria by Nigerians for Nigerians and making the difference steadily for the nation's economy.

"It is a thing of pride that cooking gas cylinders are now being made in Nigeria, rather than for consumers to continue to rely on fake imported cylinders. Where there is a will, there is always a way. We are happy to be counted in the Federal Government's effort to deepen LPG usage in Nigeria.

"We know that Nigeria is getting there with the

*•Nkechi Obi*

way things have turned out in the LPG cylinder sub-sector of the economy in recent years. The commissioning of our manufacturing plant three years ago has turned out to be the game-changer in the LPG cylinder sector," she noted.

The industrialist assured that her company would continue to roll out strong, safe and reliable LPG cylinders to meet the needs of users.

Obi noted, however, that she was still worried over what she described as unbridled importation of fake and sub-standard cylinders into Nigeria. She said that government should take a decisive action to save the populace from the effects of importation of fake products, especially LPG cylinders.

The LPG advocate also expressed her optimism that the target of the Federal Government to ensure that up to 13.8 million households embraced LPG for their cooking within the next two years would still be realised.

She restated her position on the need for government to challenge countries that had been dumping fake cylinders in Nigeria, saying that the development had been hurting the Nigerian economy.

Obi charged the Nigerian Customs Service, Standards Organisation of Nigeria and the Department of Petroleum Resources to introduce measures to stop importation of fake LPG cylinders.

The Techno Oil chief argued that dominance of fake LPG cylinders in the market was discouraging many homes from embracing cooking gas, a development she said, was affecting the nation's LPG penetration drive.

Obi restated that in spite of the fact that Nigeria had more gas than oil, the nation had failed to exploit its gas resources optimally, resulting to more homes using fire wood and other unviable energy sources.

"We have always recommended that government should give and sustain incentives, including tax holidays to cylinder manufacturing companies, to make cylinders more affordable and available for everyone."

# FG TO ENCOURAGE MORE PRIVATE/PUBLIC PARTNERSHIP TO BOOST DOMESTIC GAS –SYLVA

By Abisola THOMPSON

The Minister of State for Petroleum Resources, Chief Timipre Sylva, has said that more private and public sector collaboration will be encouraged as Nigeria steps up effort to realise its target of boosting domestic gas utilisation.

Sylva made this known on the Twitter account of the Nigerian National Petroleum Corporation (NNPC) while inaugurating the Rainoil Limited Liquefied Petroleum Gas (LPG) facility with a tank capacity of 8,000MT in Ijegun, Lagos.

He said the facility which also has about 40 LPG trucks would help to deepen cooking gas penetration in the country in line with the vision of the Federal Government.

Sylva said Rainoil Limited had strengthened its partnership with the government in gas utilisation and development of the gas sector in the country with the establishment of the facility.

He said: "Rainoil is really working in tandem with the vision of the Federal Government, in making gas a preferred fuel in the country.

"I am excited at what I am seeing here today. Everything can speak for itself. As you can see, energy is very important in the global economy and I am glad that Nigerian's are playing key roles in the oil and gas industry."

Sylva noted that Rainoil's investment in gas development aligns with President Buhari's agenda in the National Gas Expansion Programme (NGEP), adding that the government has declared 2020 as "The Year of Gas".

He said Nigeria had sufficient gas reserves to meet its energy needs as the government intensifies efforts to deepen LPG penetration and attain five million metric tons (MT) of LPG consumption by 2022.

Speaking at the inauguration, Group Managing Director of NNPC, Mallam Mele Kyari, said the Corporation was ready and willing to support all the companies that are making effort in accomplishing the Federal Government developmental agenda.

"We believe that gas is our next instrument for developing our economy, and we commend Rainoil in its effort in ensuring the use of gas in the country," Kyari said.

The Group Managing Director, Rainoil Limited, Dr Gabriel Ogbechie, said the decision to invest in growing the LPG sector started in 2018. Ogbeche said: "Rainoil Gas will meet the energy needs of customers at the retail end in the coming months. There are filling plants in process where LPG can be supplied in cylinders to consumers.

"The expansion of Rainoil Limited perfectly aligns with the company's vision and mission to continually proffer solutions to fill the voids in the energy sector. Nigeria has the fastest growing LPG sector in the world with a projected LPG market size of $10 billion, with the domestic demand seeing an increase of 40 per cent."

# DISCOS GIVE CONDITIONS TO ACCEPT FG, WORLD BANK FORENSIC AUDIT

By Abisola THOMPSON

Ten out of the Nigeria's 11 electricity distribution companies (DisCos) have said they will take part in a planned forensic audit of their operational activities by the Federal Government through the Nigerian Electricity Regulatory Commission (NERC) and the World Bank if certain conditions are guaranteed to them.

NERC also has released guidelines for heavy electricity consumers who wish to exit the services of DisCos to get supply directly from the Generation Companies (GenCos).

The DisCos, excluding Yola, met with a team from the World Bank, and a copy of their deliberation was sighted by our reporter.

In the document, the DisCos insisted on the inclusion and execution of a comprehensive audit of the entire power sector as one of the conditions that must be met to guarantee their participation in the audit.

They equally told the World Bank, which intends to support Nigeria's power sector with funds through the Power Sector Recovery Plan (PSRP) that the NERC miscalculated the total tariff shortfall in the sector by N53 billion.

According to them, the total tariff shortfall in the sector so far was N2.17 trillion and not N1.64 trillion as calculated by the NERC. The DisCos explained that the NERC did not consider the collection losses incurred from government's Ministries, Departments and Agencies (MDAs) as well as exchange rate differentials.

The World Bank had noted that its board of directors approved $750 million in International Development Association (IDA) credit to improve the reliability of electricity supply, achieve financial and fiscal sustainability, and enhance accountability in the power sector in Nigeria. The approval was part of the PSRP.

In their meeting, the DisCos noted that they were not, "averse to NERC's audits, given that NERC periodically conducts annual and open book audits of their financial books," but they were concerned with the intentions of the planned forensic audit.

"At a minimum, the definition of forensic audit conveys the following: A wide range of investigative activities that are conducted to prosecute a party for fraud, embezzlement, or other financial crimes.

"A process where an auditor may be called to serve as an expert witness during trial proceedings for financial fraud disputes related to bankruptcy filings and business closures.

*•Engr Sale Mamman, Minister of power*

"An examination and evaluation of a firm's or individual's financial records to derive evidence that can be used in a court of law or legal proceeding," they told the Bank.

They added that the forensic audit implied that they had failed in their operations but that the financial troubles of Nigeria's power market were directly related to historical policy and regulatory inconsistencies as well as commercial and technical misalignments.

In this regard, they stated that: "An audit of the DisCos without a complete system audit of the value chain, would not necessarily yield the desired sector/market discipline, transparency and improved governance."

"The PSRP financing plan and the distribution recovery operations are unlikely to succeed without a commercial and technical alignment of the NESI value chain. A forensic audit creates a criminal narrative against the DisCos," they added.

The DisCos explained their preference for a holistic audit of the power sector, stating that regulation of the industry has been politicised with inconsistent tariff making and implementation; just as gas-to-power price has remained dollar-denominated as well as the pipeline network and commercial framework of the subsector inadequate to support the entire electricity industry.

They also said that questionable available generation capacity, opaque Power Purchase Agreements, the inconsistency of grid invoicing, frequent collapses of the transmission network as well as payment indiscipline, high Aggregate Technical Commercial and Collection (ATC&C) Losses and load rejection were the other reasons for their preference for a holistic audit.

"A forensic audit sends the wrong signal and perception of government's scapegoating of the DisCos' investors and operators for the purpose of other malicious intent, (it) promotes perceived political bias against DisCos investors and potentially worsens the lack of investment interest in the sector and ignores the fact that Discos are subject to annual audits, as well as periodic open book audits," they further stated.

# OIL, GAS FIRMS GRAPPLE WITH HUGE DEBT BURDEN AS OIL PRICES CRASH

*As oil prices hit rock bottom at the international market,* ***Olamilekan FAWAS*** *takes a look at indigenous operators' massive exposure to the financial sector and concludes that dire times lay ahead if urgent steps are not taken quickly to save the sector from imminent collapse.*

The COVID-19 pandemic has profound implications for many sectors, and the oil and gas industry is no exception. In fact, the prevailing mood in the oil and gas industry is one of anxiety and concern.

Even before the pandemic disrupted financial markets, upended supply chains, and crushed consumer demand across the global economy, oil-industry leaders were not optimistic about 2020. The industry was already on high alert, and executives expressed pessimism across all geographies and price points.

But fast-forward a few months, and the oil and gas outlook has gotten dramatically and suddenly bleaker with the continuous shutdown of key economic centres in Europe, America, and South-east Asia on the outbreak of the novel Coronavirus.

Indeed, the industry is now on red alert as demand has plummeted and loans obligations of players in the industry remained unpaid.

This unforeseeable humanitarian and financial crisis have rendered previously planned strategies for 2020 redundant, leaving oil and gas businesses exposed or rudderless as their leaders confront a disorienting future and vulnerable workers worried.

For many in the oil and gas industry, the glass is half empty. The mood among respondents to our executive survey is sober across geographies and price points, and the pockets of optimism seen last year have steadily evaporated.

The survey of the industry indicates that players may have to shut down if the global lockdown persists and government does nothing to help operators.

To this end, there is need for the industry to be rewired, especially as it is the mainstay of the Nigerian economy and the major revenue earner for government. In other words, there should be a conscious policy intervention, especially on the issue of debt overhang arising from the global energy crisis and its impact on indigenous Nigerian upstream oil and gas players.

**Covid-19 flashpoint for disruptions in oil market**

COVID-19 could spur the biggest economic contraction since World War II, hitting every sector from finance to manufacturing and to hospitality. Yet energy, because of its supply and demand sensitive nature, is particularly vulnerable.

The average market capitalisation of oil and gas companies on the Nigerian Stock Exchange dropped significantly before the outbreak of COVID-19 and has witnessed much steeper decline than that of the overall stock market in the first quarter of 2020.

Particularly, the bane of the downstream section of the local industry has often been linked to failure of the fiscal authorities to come up with market-driven reforms such as the implementation of Petroleum Industry Governance Bill (PIGB), removal of subsidies on petroleum resources, revamp of local refineries and adoption of flexible exchange rate system.

For the upstream segment, the general crash in global economic growth has contained demand just as competition among oil reliant-economies has flooded the market with products leading to falling prices.

Initially, when prices started to plunge at the end of January 2020, US Energy Information Administration (EIA) had forecast that Brent crude oil prices (the equivalent of Nigeria's Bonny Light) would average \$43/barrel in 2020, down from an average of \$64 per barrel in 2019.

The forecast had also gone on to predict that oil will average \$37 per barrel during the second quarter and then rise to \$42 per barrel during the second half of the year, but all that projections fell flat.

Besides, there was also a horde of unsold inventory given the shutdown of most global economies on the heels of the COVID-19 pandemic. Given this scenario, liquidity of most Indigenous oil concerns was severed as a result of the loss of cash flow due to the global energy crisis occasioned by the coronavirus pandemic.

This disruption has a dire consequence for the local players in Nigeria's upstream and downstream oil and gas industry, who are fighting to maintain operations and margins.

**Loan exposure to Nigerian banks**

Nigeria's banking sector is the second largest in sub-Saharan Africa behind South Africa. Total assets were worth over N40 trillion in September 2019. But with crash

in oil prices in the wake of COVID-19, small and mid-sized Nigerian banks may be constrained to rebuild capital levels going forward as it would be difficult for businesses to repay loans, including oil companies.

Presently, many indigenous oil and gas producers in Nigeria are struggling to stay afloat, as prices of their products have fallen below production costs. This is just as they are failing to meet their debt obligations to deposit money banks. The result is that their portion of non-performing loans in the banking industry is threatening the soundness of the nation's banking sector.

The oil and gas sector represented about 30 per cent of Nigerian banks' gross loans at the end of third quarter of 2019. Accordingly, loan quality is highly correlated to oil prices, as seen during previous oil price shocks in 2008-2009 and 2015-2016. Though impaired loans have decreased since 2017 due to rising oil prices as well as recoveries and write-offs, the current shock could lead to a significant increase. Any closures of oil fields due to a collapse in global oil demand would exacerbate the impact.

The biggest problem local upstream operators face to today is the apparent mismatch between their loan exposure and the significantly dwindled revenues due to the Coronavirus pandemic. With low oil prices for crude, these companies are in dire straits. Average cost of production per barrel in Nigeria is about $30 per barrel due largely to high cost of operation and security related expenses that are peculiar to the Nigerian environment. The burden of managing community restiveness has been practically left to these operators alone.

The Trans Forcados Pipelines and the Nembe Creek Trunkline through which most of these operators evacuate their crude are often the target of militant attacks leading to incessant force majeures. However, the loan agreements with these indigenous players were structured in a manner that does not provide for force majeure. Interests on these loans continue to mount regardless of the reality on ground. A chief executive of one of the indigenous companies who spoke on the condition of anonymity said banks needed to be more sensitive to the plight of their customers. He maintained that moratorium on principal alone would not be sufficient as the operators simply cannot pay the interests for now.

He called out the banks for striving to make profit in an economy where the companies they are funding are going under. According to him "banks need to put their skin in the game and realise that this is a symbiotic business. All stakeholders must partake in the shared losses at this time so that when the rebound occurs, we equally share in it."

As at the beginning of the year, tier-one banks were estimated to have had an oil exposure of over N4.33 trillion, meaning banks could be forced to make trillions in loan loss provisions and impairments as bonny light oil prices fell from around $66 at the start of the year to as low $12 per barrel.

The impact of current situation would lead to weaker earnings in 2020 if the oil loans, especially the upstream oil loans are fully provided for. In other words, banks may have to declare losses at the end of the year despite modest results released in first quarter.

Reflecting its expectation that banks will face material pressures from the weaker operating environment in the coming months, Fitch recently downgraded three Nigerian banks' Long-Term Issuer Default Ratings (IDRs) to 'B' from 'B+' and placed all 10 Nigerian banks' Viability Ratings and IDRs on Rating Watch Negative. It explained that the resilience of banks' asset quality, profitability and capital during the economic downturn would influence, among other considerations, how it resolves the Rating Watches.

Meanwhile, reports have it that commercial banks are set to begin the recovery of N6.125 trillion borrowed by oil firms to braze themselves amidst the sector's recapitalisation fears. The banks have reportedly issued correspondences to oil firms, marginal filed operators and downstream operators, as debts in the sector, according to a 2018 CBN financial stability report, showed that N1.235 trillion had been added to the sector's debt profile since 2016 when it stood at N4.89 trillion.

"Banks are beginning to takeover collateral tied to the loans," says a management staff of one the marginal field oil firms as banks followed up on the correspondence sent to his firm.

**Mitigating inherent risks to the economy upstream oil Industry to banks**

The current demand and price crisis in the oil and gas sector, which started in February 2020, has gone on for months now with a lot of upstream oil industry players already defaulting. Consequently, since global demand is not expected to increase significantly in the near term, crude oil prices will remain low putting Nigeria banks at risk to oil companies' exposure once again.

Most commentators on the topic say mitigation efforts on the inherent risks to the economy should look at what was done or not done during the 2015 – 2017 price crash since the same scenario is playing out once more, noting that non-involvement of government in the oil industry exposure of 2015 – 2017 had huge impact on both the companies and the economy.

They canvassed that a moratorium on debt repayments should be worked out between banks and oil-producing companies in Nigeria to cushion the effects.

On the part of oil majors, they should adopt leverage and hedging strategies against lower prices, which would determine their chances of survival as well as the size of the hit to their lenders.

The determining factor, according some analysts, would be whether or not producers hedged when oil was above $60 and that a number of more conservatively managed firms would be dragged into restructuring discussions with their lenders if the current level is maintained beyond a couple of months.

"Depending on how long this thing lasts,

• CONTINUED ON PAGE 26

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high-cost producers could suffer. If it lasts for a long period, then they will be in trouble because most of them need the oil price to reach above $40 per barrel to break even," one of them said.

They recommend that oil companies should appeal to their lenders that the current operating environment is a case of force majeure, which could buy them time. They strongly advocate the involvement of both fiscal and monetary authorities to mitigate and contain the crisis in the oil sector. They however, noted that that volatility could bring its own opportunities for those who have avoided excessive borrowing.

"The oil price crash creates openings for cash-rich and under-leveraged players to pick up 'quality producing or near-producing assets at a significantly lower price' than previously."

**Policy intervention to stave-off collapse of indigenous upstream players**

The government cannot sit on the sidelines and watch the banks and the oil operators wade through the current turmoil in the oil market. The fiscal and monetary authorities should evaluate their non-involvement in the 2015 – 2017 crises and come out with relevant policies to sustain the oil companies throughout this coronavirus-induced price crash as well as stave off a recurrence in the future.

**Monetary policy option**

The Central Bank of Nigeria (CBN) through the Bankers Committee should work out a moratorium on debt repayments by local oil-producing companies as long as the coronavirus lockdown lasts. This would create a win-win position for both the banks and the oil companies without adversely affecting their operations. There should also be a restructuring plan for the companies to exit the bad-loans overhang, thereby creating buffers for recovery as the global economy gradually opens up.

While banks focus on negotiating with local oil companies to restructure their loans in line with current realities, it is expected that all banks will migrate a significant portion of oil companies' exposure due within the next 12 months from stage 1 to stage 2. That should be based on the IFRS 9 requirement on expected credit loss because the probability of default variable has increased and the small companies would most likely default.


These should be codified into a guiding policy by the CBN, which could include regulations on single obligor limits for oil industry operators.
XXX

**Fiscal policy option**

The fiscal policy option should include bail-outs or tax concessions to indigenous oil producers in order to aid recovery and help advance the government's push for local content and a connection of the upstream oil sector with the local economy going forward. The fiscal option should also include removal of subsidy so that the local downstream section to be market driven.

In the United States, President Donald Trump has already hinted a bailout for U.S. oil companies that have been hard hit by a recent historic dive in crude oil prices.

Trump tweeted his support for the industry after crude oil futures prices dove into negative territory for the first time ever, a signal that the drop in demand from the pandemic-shuttered economies around the globe had outstripped the production cuts from OPEC, Russia and the U.S. companies that have moved to rapidly idle oilfield operations. The Nigerian government should consider this as well.

Since plummeting demand is the source of the problem, so to create demand the Federal Government should revamp local refineries to promote local demand for crude.

**Conclusion**

A prolonged lockdown, low demand and crash in oil prices would not only affect the oil firms, but government, the banks and the general economy. The financial health of energy companies based in Nigeria and their efforts to service their debts is extremely vital to the banking industry and government's earnings.

Just as the drop in crude oil prices was expected to breach Federal Government's 2020 projected revenues, the commercial banks are not exempted from this effect because there could be an extension of moratorium periods and loan repayments and a significant drop in new debt to oil companies as Nigerian banks seek to proactively prevent a 2015 oil crisis déjà vu. This would surely lead to a fall in the interest and non-Interest income banks have projected to earn from oil companies.

The financial approach used by Nigeria's local oil companies against lower oil prices would affect their chances of making it through and negatively affect their financial lenders.

The fiscal and monetary authorities should intervene to save the local oil industry, which is the mainstay of the economy.

Once the dust settles on the current crisis, the oil and gas industry would face a rebound albeit slowly and government should intervene for the industry to come back to pre-2014 market conditions.

# SHELL DIALOGUES WITH HOST COMMUNITIES ON DEVELOPMENT FUND REVIEW


By Shile GIWA

The Shell Petroleum Development Company of Nigeria (SPDC) has begun discussions with 12 host communities in Bayelsa which demanded upward review of development obligations.

SPDC's Media Relations Manager, Mr Bamidele Odugbesan, gave the assurance in an interview in Yenagoa, Bayelsa State.

SPDC has since 2006 been administering community development initiatives driven by community development boards under a Global Memorandum of Understanding (GMoU) funding template.

Communities hosting Shell's Estuaries Area (EA) oilfields in Bayelsa had at a press and urged the oil company to review its annual development fund from $1 million to $10 million.

They also asked SPDC to review its other social obligations to them. The communities made up of four Cluster Development Boards (CDBs) – Iduwini, Mein, Kou and Bassan – funded by Shell, also demanded payment of outstanding $14 million for sea anchorage for vessels deployed by Shell.

According to them, the amount, which accrues from 2006 till date, must be offset within the next 21 days or they will be compelled to stage a peaceful protest at Shell's EA oilfield in Bayelsa.

They claimed that 80 members of the host communities engaged by Shell in the ongoing oil drilling campaign to acquire experience had been rendered redundant and paid 'stay-at-home allowance' for the past one year.

The communities, which are in Ekeremor and Southern Ijaw local government areas of Bayelsa, claimed that SPDC was marginalising them in spite of their hospitality.

Odugbesan told NAN that SPDC was engaging representatives of its EA oilfields on the issues raised. "We are engaging the leadership of the communities for a peaceful resolution of the issues," Odugbesan said.

Mr Wuka Brisibe, Chairman of Community Development Community (CDC) in Ekeni, had said that coastline settlements lacked development in spite of having a Global Memorandum of Understanding (GMoU) with SPDC.

"The sum of One million dollars irregularly paid to the four CDBs covering the 12 host communities of the EA fields as the GMOU funds is inadequate.

"Each of the host community receives approximately 83,333 dollars which upon conversion at the present rate of N450.00 per dollar amounts to N37,499,850 only per annum.

"Our people cannot bear the brunt of years of oil and gas exploration and exploitation and not benefit from contracts, supplies and services provided for the operations of the said facilities.

"We are utterly displeased by the disposition of the SPDC in awarding vessel, service and supplies contracts envisaged within the local community content to non-natives and their companies.

"This is done in flagrant disregard for the capacity and capability of natives of host communities to provide the said services or execute such contracts.

"We totally condemn the attitude of the SPDC in its non-compliance with the Local Community Content Policy against its hosts at the EA oil fields in Bayelsa," Brisibe said.

He called for review of the GMOU to limit interference by SPDC officials in determining the pace of the GMoU, especially concerning remuneration of contractors upon completion of contracts.

SPDC had at its 2019 inauguration of projects in Yenagoa, said its official contribution to the development of host communities in Bayelsa stood at over N23 billion.

The company said under the GMoU, the model placed the choice of community projects on the people while the company provided the funding and necessary mentoring.

# OIL MARKETERS BEMOAN CONFUSION, ACCUSE FG OF PRICE DISPARITY

## ...PETROL STATIONS SELL FROM N147,50 TO N150 PER LITRE

By Abisola THOMPSON

Oil marketers, under the aegis of Independent Petroleum Marketers Association of Nigeria, IPMAN, and Petroleum Products Retail Outlets Owners Association of Nigeria, PETROAN has bemoaned the confusion fostered on the downstream sector of the Nigerian petroleum industry by the Federal Government, warning that hike in the price of petrol would negatively impact oil marketing companies.

This came as majority of the petrol stations across the country adjusted their pump price to between N147.40 and N150 per litre, from N143 at which most of them sold the products.

Already, the Coalition of United Political Parties, CUPP has described the increase "an insensitive and wicked infliction of pains on Nigerians.

Recall that the downstream subsidiary of NNPC, Petroleum Products Marketing Company (PPMC) had in a memo by its Manager, Sales, Mohammed Bello fixed ex-Depot of petrol to 138.62 per litre with directive to take effect from August 5th 2020.

According to the memo, ex depot price of diesel was fixed at N160 and N165 per litre for Lagos and Oghara respectively, while ex depot for kerosene was 160 per litre.

Speaking in Abuja, National President of PETROAN, Dr. Billy Gillis-Harry, advised the government and its agencies to desist from arbitrarily fixing the price of Premium Motor Spirit, PMS, also known as petrol and engage all stakeholders before arriving at prices.

He further disclosed that at the new ex-depot price of N138.62 per litre for PMS, the, PPMC, actually hiked the price of the commodity by around N30.30 per litre, forcing marketers seeking to purchase 30,000 litres of petrol, to source for additional N900,000.

Gillis-Harry informed that with the hike in ex-depot price, marketers would be compelled to sell at a minimum of about N148 per litre, while in extreme cases; the price of PMS could be sold as high as N170 per litre.

Disparity

The PETROAN president also accused the government of price disparity in fixing the new ex-depot prices, stating that while the commodity is sold to retail outlets owners at N138.62 per litre, the PPMC is selling the commodity to tank farm owners at N113 per litre.

"The PPMC set the amount tank farms can buy from it at N113. Who are the tank farms owners selling to? They are still selling to PETROAN members. This leaves PETROAN members with two choices; we either go to the government depots to buy at extra N30, which is N138.62, or we go to private tank farms and buy at N5 more.

"With this action, the PPMC is closing the government depots; and we are all going to patronize the private depots, because they would have about N25 margin. They can now decide to sell at N10 profit and share the remaining other ones. If that is the idea, at the end of the day, all the federal government depots that taxpayers money had been used to build would be moribund. There is so much in the issue that needed to be seen and addressed.

If you really want to talk about return on investment, and when you spend N138.62 per litre to buy from depots, which does not include logistics and loading expenses. By the time you add loading expenses, it is now going to be about N3 to N5 per litre, depending on the terrain you are buying and taking it to; which comes to about N143, N144 per litre.

"If that is the price at which you bought, how much profit are you envisaging for you to remain in business; you cannot sell less than N5 to N10 per litre. You can see this is why we said government should allow market forces to determine the prices."

"Now, on the prices, the first problem that has come is confusion. In Kano, IPMAN members are selling at N150 per litre; in Port Harcourt, IPMAN members want to sell at N152; in Lagos, probably they are calculating to sell at N155. This is because there is no clear cut dynamics of how this has been designed."

**IPMAN sells PMS at N150**

Meanwhile, South West chapter of IPMAN, while berating the PPPRA for what he described as "policy inconsistency," directed members in the zone to increase the dispensing pump price of petrol from N143 to N150 in their respective filling stations.

IPMAN South West Zonal chairman, Alhaji Dele Tajudeen, who spoke with journalists yesterday in Abeokuta, among others, said: "Even after announcing the new ex-depot price, they should have fixed the pump price for marketers to prevent unnecessary debt. It is very disheartening to hear that a new price regime is coming to effect, without considering the plight of marketers who bought these products at an expensive price

"The Federal Government needs to know that some of us obtained loans from banks to run this business and we have to pay interest on them. We are still struggling with debts incurred before this increase with nothing to show for it, or how can somebody work with only N2.00, and yet we will pay workers, maintain the loan and also fulfill our obligations to the government.

"Yes, it is mandatory that we meet the needs of FIRS, pay state taxes, DPR fees, pay Weight and measure fees, pay salaries of our workers, pay union dues, pay our insurance fees and of course, buy diesel to power generators at our various filling stations. So, when we removed all these expenses we are left with almost nothing."

**Petrol stations' prices vary**

Meanwhile, most of the filling stations visited in Abuja yesterday, were selling between N147.40 and N148.70 per litre. In Ogun State, filling stations sold between N148 and N151 per litre.

It was sold for between N145 and N150 per litre in Ondo, while in Ibadan, Oyo State capital, most filling stations sold at N147.50.

**CUPP kicks**

Condemning the hike, Coalition of United Political Parties, CUPP, in a statement by its Co-Spokesman, Mark Adebayo, amomg others, described the increase as "an insensitive and wicked infliction of pains on Nigerians who are yet to recover from the debilitating effects of Covid-19, which the present government did next to nothing to assuage the suffering masses and small scale businesses.

This government has demonstrated, time and again, that it lacks empathy for the suffering of the citizens under an economy that has been so terribly mismanaged due to its obvious incompetence and humongous corruption.

"We advise the government to immediately revert to either the N123.00 that it was reduced to during the lockdown or, better still, make it N100.00 flat which would cushion the combined negative effects of Covid-19 and the badly managed economy of the country."

# NNPC RECORDS 43% DROP IN OIL PIPELINE VANDALISM IN MAY –REPORT

By Abisola THOMPSON

The Nigerian National Petroleum Corporation (NNPC), recorded 43 per cent drop in cases of damage to its oil pipeline infrastructure by suspected oil thieves in May, 2020, the corporation said.

The corporation disclosed this in its Monthly Financial and Operation Report (MFOR), released in Abuja.

The report indicated that 37 pipeline points were vandalised, representing about 43 per cent decrease from the 65 points recorded in April.

A breakdown showed that Mosimi-Ibadan pipeline axis accounted for 38 per cent of the vandalised points while Atlas Cove -Mosimi axis recorded 19 per cent of the breaks.

It noted that the Suleja-Kaduna area logged 16 per cent of the breaks, while other locations made up for the remaining 27 per cent.

It revealed that the NNPC in collaboration with the local communities and other stakeholders had agreed to continuously strive to bring the malaise under control.

On Premium Motor Spirit (PMS), also known as petrol, it said that the corporation had continued to diligently monitor the daily stock of the product to achieve smooth distribution and to ensure zero fuel queues across the nation.

It stated that 950.67million litres of white products was sold and distributed by the corporation's downstream subsidiary, the Petroleum Products Marketing Company (PPMC), in May.

This, it said, comprised 950.67million litres of PMS only with no Automotive Gas Oil (AGO) or Dual Purpose Kerosene (DPK), adding that there was no sale of special product in the month.

"Total sale of white products for the period May 2019 to May 2020, stood at 19,865.8 million litres and PMS accounted for 19,704.49 million litres or 99.19 per cent," it said.

The report further stated that ₦92.58 billion was made on the sale of white products by PPMC in the month under review.

"Total revenue generated from the sales of white products for the period May 2019 to May 2020, stood at ₦2,393.88 billion, where PMS contributed about 98.84 per cent of the total sales with a value of ₦2,366.15 billion," it noted.

In the gas sector, it said that natural gas production in May increased by 2.38 per cent at 226.51billion Cubic Feet (BCF), compared to output in April.

This, it noted, translated to an average daily production of 7,480.36 million Standard Cubic Feet of gas per day (mmscfd).

"The daily average natural gas supply to gas power plants increased by 5.87 per cent to 834mmscfd, equivalent to power generation of 3,128MW," the report stated.

The May report revealed that the Group's operating revenue, compared to April, increased by 15.33 per cent or N31.68 billion to stand at N238.33 billion, while expenditure for the month decreased by 0.76 per cent or N1.81 billion, to stand at N235.66 billion.

The report indicated a trading surplus of ₦2.68 billion compared to the ₦30.81 billion deficit posted in April when the effect of COVID-19 was at the peak, leading to reduced demand with fluctuating prices.

It said the 109 per cent upturn in revenue in the month under review, was the cumulative result of improved performances by some of the corporation's Strategic Business Units.

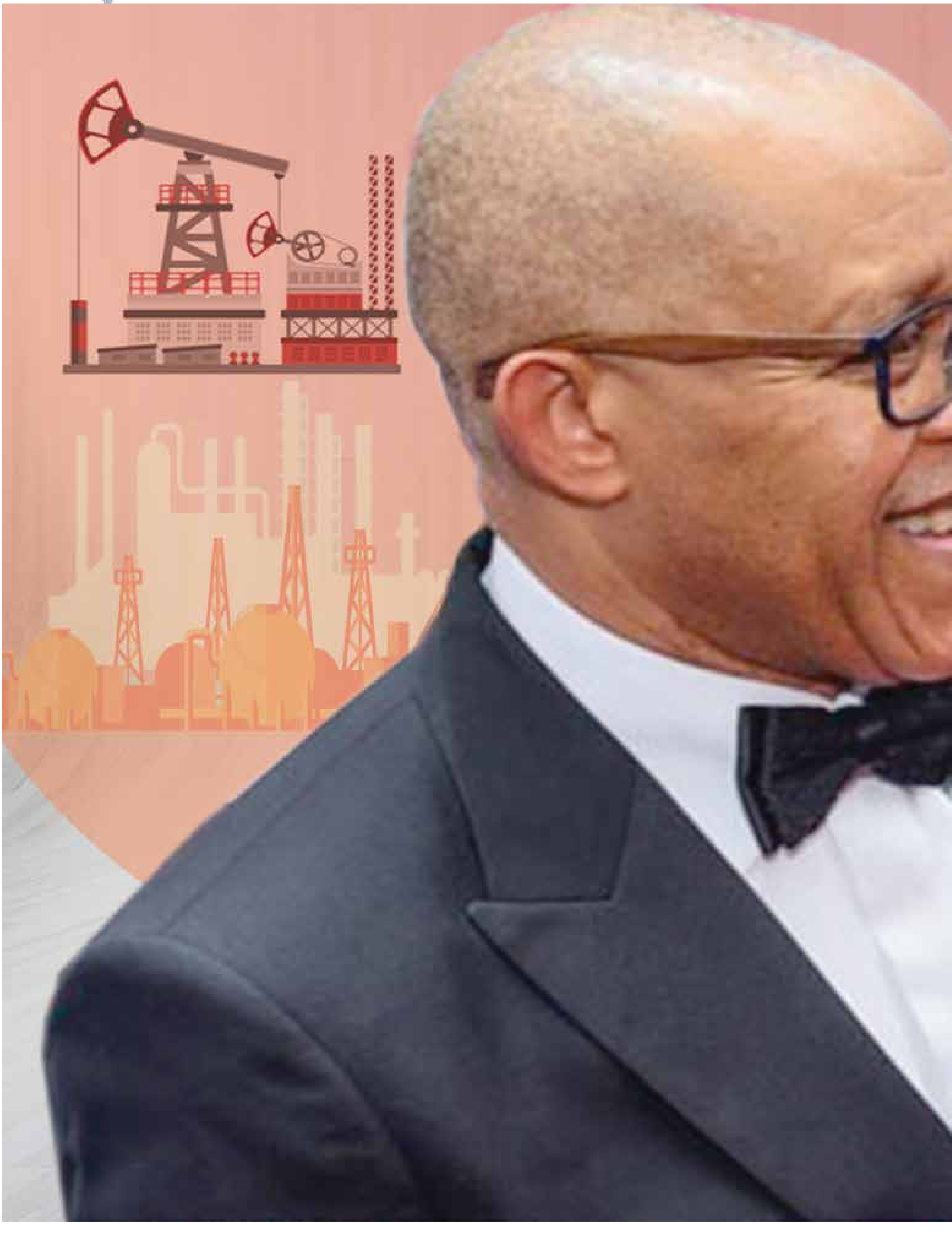
"The Nigerian Petroleum Development Company (NPDC), posted a surplus due to substantial growth in the market fundamentals as demand began a slight recovery.

"The Nigerian Gas Marketing Company (NGMC) recorded 257 per cent increased profit, attributed to improved debt collection.

"Similarly, PPMC's surplus rose 250 per cent from investment dividend received and significant drop in average product landing cost," it said.

It further noted that Corporate Headquarters deficit ebbed by 47 per cent in May, compared to April, while NNPC Retail, Integrated Data Services Limited (IDSL), NNPC Shipping and Ventures also contributed positively to the month's performance.

This, it said, led to the significant NNPC Group surplus position during the period under review.



# DR EMEKA OKWUOSA @59

If wishes were flowers we would pluck a thousand, and make a crown for your indefatigable head.

We are lucky to have a boss whose main passion is impacting lives and uplifting society; by creating opportunities, teaching, giving, living by example.

Some of us see you as a Boss, a Brother, a Daddy, a Role Model. You are a brilliant torch that lights up the path of many.

We seize the opportunity of this day to tell you that we feel blessed working with you, growing with you.

**You are a rare gem.**

*Happy birthday Sir*

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# REPOSITIONING THE DOWNSTREAM SECTOR POST COVID-19

*The clamour for the deregulation of Nigeria's downstream sector gained currency long before the coronavirus pandemic which unfortunately, has continued to take its toll on not just the nation's economy but the global economy, enveloped the world,* ***Olamilekan FAWAS*** *write.*

Because oil remains the major driver of Nigeria's economy, talks about resetting the economy in the midst of the ravaging effect of COVID-19 pandemic cannot, in all modesty, be complete without taking cognizance of the seeming endless debate about repositioning the oil and gas sector.

Indeed, the call for deregulation of the sector has, as should be expected, placed a burden on key players in the industry even as Nigerians continue to analyse the roles performed by each of these industry players.

Unarguably, one industry player whose role is instrumental in this clamour for the nation to prioritise economic recovery post COVID-19 is the Petroleum Equalisation Fund (Management) Board-PEF (M) B.

The Petroleum Equalisation Fund (Management) Board-PEF(M)B, a Parastatal of the Ministry of Petroleum Resources, was established by Decree No.9 of 1975 (as amended by Decree No. 32 of 1989), mainly to administer uniform prices of petroleum products throughout Nigeria.

This is achieved by reimbursing a marketer's transportation differentials for petroleum products movement from depots to their sales outlets (filling station), in order to ensure that products are sold at uniform pump price throughout the country.

By implication, in the absence of the agency, a petroleum product marketer who has transported fuel from Port Harcourt to Maiduguri would have to add the cost of transporting the products to the pump-prices and this would have resulted in selling the products at a higher price in Maiduguri than in Port Harcourt.

It is an established fact that there is near absence of alternative means of transportation of petroleum products except by road network. Today, due to what some critics claim is a deliberate effort caused by negligence of the nation's railway coupled with the frequent vandalism of petroleum pipelines, the only realistic option of transporting petroleum products is the use of trucks.

From inception, the board was charged with the performance of two basic functions, namely: the administration of price equalization scheme to ensure the sustenance of government policy of uniform pump prices for petroleum products nationwide and the administration of bridging payment scheme to complement the Nigeria National Petroleum Corporation (NNPC) pipeline distribution network of petroleum products to all the depot areas nationwide, during breakdown/maintenance of local refineries and or pipeline breaks/vandalisation.

However, with the later aim becoming a permanent reality as the refineries and pipelines are now moribund, PEF (B)M, as an institution has become a market stabilizer.

Increasingly, the agency is playing dominant role in ensuring price uniformity across the country.

But how does PEF(M) B operates? As stated earlier, the Board was created to facilitate the sale of the products at uniform prices as approved by the Federal Government throughout the country.

To implement this role, the board over the years has structured strategic means of meeting up with its key role of reimbursement of marketers through various claims verification processes which includes the Bridging Claims. The bridging scheme was originally introduced as a temporary measure during turn-around maintenance (TAM) wherein government sought to encourage and support marketers in transporting petroleum products nationwide.

An industry player, Festus Adewale told our correspondent that the bridging was meant to be a temporary solution until the refineries were producing at full capacity.

'But unfortunately, the state of the refineries has worsened over the years' Adewale who has spent close to three decades in the oil and gas sector', enthused.

It is observed that the initial projection was to have a maximum of 10% of total petroleum products bridged while the remaining portion will be pumped through the pipelines. However, trend analysis indicate that bridging of products have consistently increased over the years to about 40%.

There is also a noticeable trend whereby products are bridged from Lagos to the South East and South-South areas of the country to address products unavailability from the refineries in Port Harcourt and Warri.

Aside the Bridging Claims, PEF (M) B also handles the Inter-District Claims which was introduced upon realizing that some products movement to certain parts of the country did not qualify for reimbursement under the bridge scheme despite the additional transportation costs incurred by marketers who move their products across depot districts under 450 kilometres but without full bridging support.

This scheme is a crossbreed created to facilitate movement of products from one district depot to another to ensure availability of products in areas of scarcity. The level of inter-district movements has increased so rapidly as a result of shortage in available products.

There is also the National Transportation Allowance (NTA) or equalisation which many believed, is the original function of the board and was restricted to eight major marketing companies at inception.

Like the Bridging and inter-district schemes, it has been extended to the existing six major marketing companies, Depot and Petroleum Product Marketers Association (DAPPMA) operators and over 9,000 Independent Petroleum Marketers Association of Nigeria (IPMAN) members.

For effective implementation of the equalisation function to achieve the uniform pricing of petroleum products, the country was divided into depot district, and as such district were further sub-divided into zones. A depot district is the part of the country served by particular depot. There are presently 21 depot districts.

The districts are further sub divided into bands of 50 kilometres each known as zones. These zones are progressive bands of 50km radius, with the depots as the centre-point to the maximum of 9 (nine) zones, that is a total of 450km. Each outlet is allocated to a depot, and the distance between them applied in determining the transport cost of moving the product, which is the only variable factor in uniform pricing. This arrangement is affected by the use of the Transportation Differential Zone (TDZ) Map.

To effect equalisation, all marketers are required to submit returns to the PEF (M) B in relation to products lifted from each depot to the respective zones within the district. The net effect of the returns culminates in either Claims from, or Contribution to the fund.

For every litre of petroleum product transported within zones 1 and 2, the marketer has a Transport Allowance built into the price of the products which the marketers hold in trust on behalf of the consumer, and is required to turn it over to the Board.

Also, for every litre of product transported from zone 3 through to zone 9, the additional submits claims to PEF (M) B for the additional Transportation Average (NTA). The board will thus reimburse the marketer for the losses incurred, solely and exclusively, for transporting the products for sale at a uniform price in those zones.

***Without PEF, most of the filling stations currently in business with the multiplier effect of jobs for many unemployed youths will disappear***

Of what benefit is PEF (M) to Nigerians? Goddy Nnadi is the Fund's General Manager Corporate Services. He told our correspondent that PEF(M) has been playing a stabilization role and insisted that without the agency, scores of Nigerians would have been buying petroleum products at ridiculously higher prices.

The ordinary Nigerian no doubt approves and enjoys availability, stable and uniform pump prices of petroleum products due to its numerous economic value additions.

For instance, economic experts propagate that PEF (M)B's activities which leads to price stability in the market translates to reduction in inflation level, thus supporting the consumer and the economy. This is particularly important as virtually every single business engagement has energy input.

Similarly, the availability of petroleum products saves a lot of man-hours as the time workers spend looking for products when they are scarce is saved. The time saved would be used in many ways that are more productive. Similarly, adulteration of petroleum products which is usually blamed on scarcity have been eliminated, thus reducing the possibility of explosions, which lead to loss of lives and property as well as physical injuries to victims.

In fact, the PEF (M) B has made it possible for marketers to deliver products to the doorsteps of customers, regardless of the difficulties of terrains, such as the mountainous and riverine areas of Nigeria.

According to market analyst, Tunde Amos, "The bridging system managed by the Petroleum Equalisation Fund enhances the well-being of every resident of Nigeria."

There is no contesting the fact that every economy has some form of subsidy for its citizens. In advanced economies like the US and the United Kingdom, government provides subsidy to farmers aside from social packages for the unemployed and the aged.

Allowed to be determined by the market forces, without the government putting in anything, the price of petrol for instance, will be way beyond the reach of an average Nigerian.

Indeed, it is in a bid to assuage this that the PEF was birthed. And without any iota of doubt, the agency has lived up to its calling. But for PEF, and its policy of bridging, residents of areas far flung from where the fuel is being refined, will have to be purchasing this inelastic commodity at an outrageous price.

Musa Dankaka is retired teacher who is currently into oil and gas business. He told our correspondent that those agitating for the scrapping of PEF (M) are either ignorant of its 'laudable role or are just being too naive'.

"Without PEF, most of the filling stations currently in business with the multiplier effect of jobs for many unemployed youths will disappear. The economic activities that go around filling stations which are scattered in all corners of the country will naturally disappear once PEF is scrapped.

"To deregulate fully means marketers are at liberty to import and sell the product at the prices they so wish. Of course, average Nigerians will bear the brunt because the fact that an increase in price of fuel has a multiplier effect on the prices of other essential commodities and indeed, transportation cannot be underestimated.

The proponents of deregulation assert that once that is done, there will be competition and prices will naturally go down. But one is compelled to jettison such thinking because the complete deregulation of AGO has not translated into cheaper price. When AGO was deregulated, the last price was N78 per litre and today, Nigerians are buying it at over N200 per litre.

"Those advocating for deregulation, especially the marketers, are asking government to sell dollars to them at a rebate, allow them to import fuel and then fix the price. If this doesn't amount to asking someone to give you money so you can buy something and sell it to him at a price you so determine, then nothing is" he posited.

# ENGR. EMEKA OKWUOSA,

## ENTREPRENEUR AND PHILANTHROPIST,

# TURNS 59

When a man is diligent in his work, he will stand before kings and not before mean men, this is what the holy book said in Proverbs 22:29. The Chairman and Group Chief Executive Officer, Oilserv Group, Engr. Emeka Okwuosa, aptly fits into this scripture.

On August 19, 1962, an infant was born into the family of Late (Sir) Godfrey Egbuniwe Okwuosa (Amalunweze), KSC and Dame Irene Nneka Nmachukwu Okwuosa, KSM, of Umunzalu kindred, Umueshi Irefi, Oraifite in today's Ekwusigo Local Government Area of Anambra State. The child was named Chukwuemeka, which literally means (God has done great thing) or essentially (Thank God). Like it is said in Igboland that someone's name follows or guides him, the reward of that thankfulness to God by his parents followed Emeka even 59 years on.

Having been born by humble, peace-loving, God fearing parents, and community leaders, Emeka was given the best parental upbringing, and as expected, with all the discipline and scruples from such a home. Although, Emeka, it was said, had always been seen as a child of destiny having exhibited a great deal of brilliance and sense of duty. This manifestly underscores the kind of upbringing he had, which appropriately proves the scripture in Proverbs 22:6 "Train up a child in the way he should go, and when he is old, he will not depart from it."

Today, Emeka has made his parents proud, he has made his community, state, Nigeria, the world and his profession – the engineering world and the oil and gas industry proud.

Emeka who is the Chairman and Chief Executive Officer of Oilserv Group, is a seasoned Engineer, Administrator, Entrepreneur and a Visionary leader but most of all, God fearing. He founded and incorporated his company, Oilserv Limited, in 1992 but began operation in 1995 offering world class services such as wireline logging and interpretation, seismic acquisition, processing and interpretation, pipeline engineering, engineering,procurement ,construction, installation and commissioning (EPCIC), project management, drilling, drilling services, maintenance and operations. While at Schlumberger, he oversaw some jobs in Europe, North Africa, West Africa, Gulf of Guinea/Central Africa and Indonesia, among others.

Before establishing his own company, Emeka worked in various capacities for Schlumberger, a French oil service giant, as Field Engineer, Technical Manager, among others in Europe (Pau, France, Scotland), North Africa (Libya), West Africa (Mauritania, Senegal, Cote D'Ivoire, Ghana), Gulf of Guinea/Central Africa (Nigeria, Benin Republic, Cameroun, Gabon, Congo, Angola) and Indonesia.

Oilserv started operations fully in 1995, and worked exclusively for Shell Nigeria for over five years, after which it diversified into working for other international oil companies (IOCs) and for Nigerian Liquefied Natural Gas (NLNG) in maintaining their pipeline transmission systems.

Today, Emeka sits on a group of companies - Oilserv Limited, Frazimex Limited, Frazimex Energy Services Limited, Frazimex Engineering Limited, Frazpower Limited, Frazoil Limited, Crown Energy Resources Limited, and Ekcel Farms Limited.

Oilserv Limited focuses on Pipeline/Facilities EPC and maintenance. It has wide ranging activities In the Niger Delta And across Nigeria. It is a major player In actualization of the Gas Master Plan In Nigeria especially for domestic gas distribution. It is ISO 9001:2008 certified and currently operates In Uganda, Kenya, Tanzania, Benin Republic and Togo.

Frazimex Engineering Limited undertakes

Front End Engineering Design (FEED) and Detail Engineering for Pipelines, Facilities, Civil Engineering works, Instruments and Electrical, among others.

Frazoil Exploration and Production (E&P) Limited undertakes exploration and production of oil. The company is the owner and operator of Block 3 offshore Republic of Benin.

Frazpower Limited is a gas development company (gas-to-power) positioned to deliver at least 10 trillion cubic of gas In the next 10 years.

Ekcel Farms Limited is an Innovative industrial agricultural project, incorporating Cassava and Tomato Farming with full industrial processing facilities. Farmland covers a total of 5,000 hectares (2,700 hectares already allocated. The project Is estimated to cost about $150million, excluding land cost in the first phase. It will generate employment for over 2000 peoples. The memorandum of understanding (MoU) between Anambra State Government And Ekcel Farms Limited was signed on 29th September, 2014 at Awka. Ekcel Farms Limited has affiliation with technical partners In Europe and Canada and has developed a blueprint that will aid massive agricultural development, create employment and reduce poverty.

Crown Energy Resources Limited activities focus solid minerals extraction. It also executes a quarry project at Old Netim, Akamkpa Calabar, Cross River State. The Company will promote quality production output, build the local capacity and consolidate on Oilserv Group's overall investment strategy initiatives.

Emeka Is a 1982 graduate of Electronics and Electrical Engineering of the University of Ife, Ile-Ife, Osun state, Nigeria. He belongs to several professional bodies including Council for the Regulation of Engineering (Emeka, A COREN),

Society of Professional Well Log Analysts (SPWLA),

Petroleum Technology Association of Nigeria (PETAN),

Pipeline Professionals Association of Nigeria (PLAN),

Nigeria Society of Engineers (NSE),

Society of Petroleum Engineers (SPE), Nigerian Gas Association (NGA),

Institute of Directors (IoD).

The Oilserv boss has also received several awards of excellence. Such awards include OTC/PETAN (Offshore Technology Conference/Petroleum Technology Association of Nigeria) Awards of Excellence in 2009, 2010, 2011, 2012 , 2013, 2014, 2015, 2016 and 2017 in Houston, Texas, USA; US Africa International Oil & Gas Leadership Award, Best of Africa – 2013;

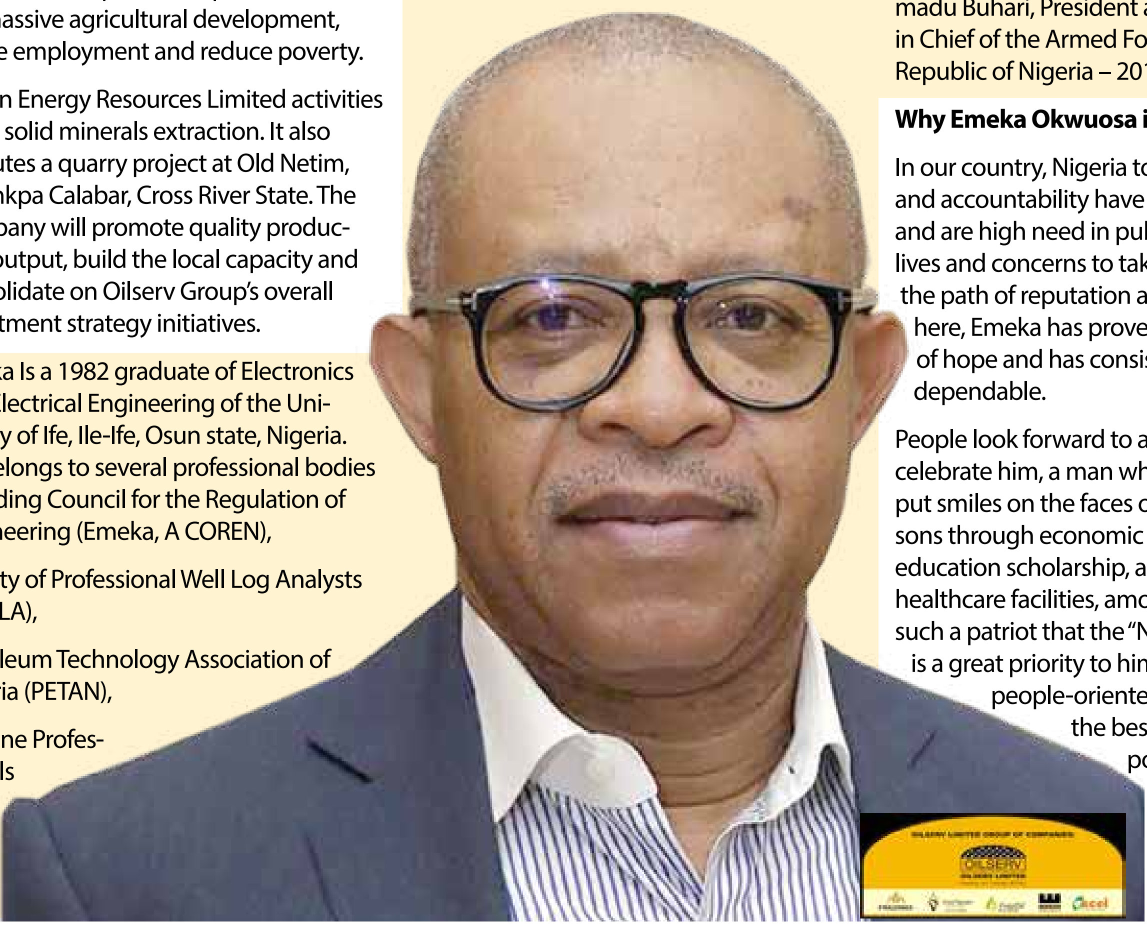
Lifetime Achievement Award by Petroleum Technology Association of Nigeria (PETAN) – 2015;

Award of Excellence by the Nanotechnology Research Group of the Physics Department, University of Nigeria, Nsukka, in 2014 and 2016;

Nigeria Advancement Award for Creativity and Enterprise – 2016;

International Socrates Award (UK) – 2016;

Award of Excellence by Nigerian Gas Association (NGA) – 2016;



PETAN Corporate Social Responsibility Award – 2016;

PETAN Capacity Development Award – 2016;

Honorary Doctorate Degree Award (Hon.D.Eng) by the Enugu State University of Science and Technology (ESUT) – 2016;

Industrialist of the Year Award – 2016; Agro Entrepreneur of the Year Award – 2016;

Honorary Doctorate Degree Award (Hon. DBA) by the University of Nigeria, Nsukka (UNN) – 2017;

Award of excellence in Engineering by the Association of Anambra State Development Union – 2017;

Award of excellence in Engineering by the Nigerian Institution of Highway & Transportation Engineers – 2017;

Award of Excellence by Nigerian Gas Association (NGA) 2016

Oil & Gas organization of the year award by African Entrepreneurs Foundation - 2017

National Productivity Order of Merit Award (NPOM) By his Excellency, Muhammadu Buhari, President and Commander in Chief of the Armed Forces, Federal Republic of Nigeria – 2017.

**Why Emeka Okwuosa is Outstanding**

In our country, Nigeria today, integrity and accountability have been eroded, and are high need in public and private lives and concerns to take nation back on the path of reputation and honour, but here, Emeka has proved to be a beacon of hope and has consistently proved dependable.

People look forward to a day like this to celebrate him, a man who has selflessly put smiles on the faces of numerous persons through economic empowerment, education scholarship, and provision of healthcare facilities, among others. He is such a patriot that the "Nigerian Project" is a great priority to him. He is that people-oriented that he wants the best for the Nigerian populace and the economy.

As a philanthropist whose sense of mission is hinged on the socio-economic development of his people and country, he is unrepentantly committed to enriching humanity by giving back his resources and knowledge to the society.

Certainly, Emeka Okwuosa is a rare breed. A self-effacing individual, which has made a considerable number of his close associates and those to whom he has extended his princely hands actually figure, and perhaps rightly too, that he is shy, but sometimes, unapologetically blunt when it comes to matters of integrity and accountability. To them, Emeka is outstandingly clean to be a politician, and perhaps that is the reason God elected him to focus mainly on especially his chosen field and business, where he has excelled. He relishes the comfort and ambience of his calling - socio-economic investments, engineering, entrepreneurship, administration and care for the less-privileged.

Over these past but exciting decades on mother earth, he has fulfilled that divine responsibility by doggedly nurturing men and materials, built a successful business empire, which cuts across the continent of Africa and beyond.

Through the Sir Chukwuemeka Okwuosa Foundation, he has immensely contributed to the divine responsibility through commitments to education, road, erosion control, water, electricity infrastructure provision, among others. He built a N1 billion medical facility at Oraifite, Anambra State named after his mother "Dame Nneka Okwuosa Medical Centre

Today, Emeka Okwuosa is outstanding an influential personality, wealthy but importantly unassuming. He has and applies this peculiar human-oriented philosophy to his businesses and relationships irrespective of class. He shares his profits through a very thoughtful methodical redistribution of wealth among numerous host communities where he operates or that yearn for development or attention. These include communities in Anambra, Enugu, Rivers and Abia States. He aids higher institutions, for instance, the support for nanotechnology in the University of Nigeria, Nsukka, research and evelopment support to schools, support to students in need, training and retraining of his employees and other Nigerians to proficiently fit into the oil and gas industry.

He has positively impacted lives of peoples and communities in different ways. His philanthropic hands had been extended youths, women, organisations, orphans and widows, among others. He is a passionate giver.

His company is in the vanguard for appreciable local content development for Nigeria's oil and gas industry, which participated in the construction of the network of gas pipelines across Nigeria, nurtures the nanotechnology aspirations of professors of University of Nigeria, Nsukka, has three fully sponsored biannual international workshops with plan for an impressive first-in-Africa science park. The PETAN Roundtable at the annual OTC (Offshore Technology Conference), in Houston, Texas, which has also been bank-rolled by Oilserv for several years, has grown into a formidable, intellectual and professional indigenous body that has inspired competition and growth among members. Several member companies of PETAN currently compete competently with their foreign counterparts and play overseas.

Agriculture can be lucrative as a business but how many people who have tasted proceeds from sweet crude will come down to investment in the agricultural sector with trickling returns. But that is not for Emeka. He aims high with his Ekcel Farms, where he hopes to grow and produce tomatoes for tomato paste and cassava pellets. Ask why agriculture, and he would tell you that though the end products are for export, the substance of it all is far-reaching, employment creation for skilled and unskilled Nigerians.

A look at the works of Emeka has proved that what we dearly need In Nigeria today is not just the money spinning mineral deposits but dependable human resource base that can build stable and sustainable mountains from mole hills. The likes of Okwuosa, blessed with verifiable sound entrepreneurial, economic and investment sense, are needed at this dire period of our nationhood to diversify the economy, create jobs, establish skills acquisition and entrepreneurship programmes for the teeming unemployed youths.

If many wealthy Nigerians in politics, public and private sectors, were to take a cue from Okwuosa, Nigeria would certainly be out of its economic woes and intractable insecurity challenges. These woes are majorly caused by corruption, bad leadership, and swarming youth unemployment, among others.

As you turn 59, many people, those you know and those you don't know, whom you have positively touched their lives in different are celebrating and joining you in prayers that you live very long in good health to continue the good works of thy hands.

At 59, you a solid pillar of the Nigerian society, a rare gem, a huge blessing to the country. Your footsteps need to be followed by the big and mighty to make our country a better place.

**Emeka Okwuosa, who is a Knight of St. Christopher (KSC) of the Anglican Communion, is married and blessed with three children.**


# CAN NIGERIA ACHIEVE N18TRN REVENUE TARGET?

*The Minister of Finance, Budget and National Planning, Zainab Ahmed, has hinted of plans to generate N13trillion to N18trillion across oil and non-oil sources, which is 15 per cent revenue to GDP target by 2023. A cross-section of experts who have monitored the nation's economic trajectory thus far have argued that though this is a rather ambitious target but can be achieved and surpassed if the nation's economic managers get their acts together,* ***Olamilekan FAWAS*** *reports.*

Although the economy has literally gone south, no thanks to the disruptions imposed by the raging coronavirus pandemic across the globe, but for those who control the levers of the economy, all hope is not lost.

This seems to be the blessed assurance of the Minister of Finance, Budget and National Planning, Zainab Ahmed, when she said the federal government has no revenue worries any more as it has the key to unlocking some untapped revenue sources hitherto neglected and overlooked.

**Eyes on new revenue streams**

Specifically, the minister said the federal government had identified oil and non-oil initiatives that could help the country generate between N13trillion to N18trillion and achieve its 15 per cent revenue to Gross Domestic Product (GDP) target. She also stated that states would need to generate N3.4trillion to realise this, adding that the COVID-19 pandemic had brought to the fore the need and urgency to further diversify the sources of government revenue.

Ahmed, who spoke during a webinar that focused on leveraging data to drive inclusive policy, revenue generation and improved governance, said the Strategic Revenue Growth Initiative (SRGI) of the government inaugurated last year would help the government in achieving this revenue growth target.

She said: "Under the SRGI, therefore, we have identified various revenue initiatives that could potentially generate N13tn to N18tn across both oil and non-oil sources, and ensuring that we are able to achieve 15 per cent revenue to GDP target by 2023.

"Importantly, we recognised that the support of states would be necessary to achieve the 15 per cent target. In fact, the states would need to cumulatively generate about N3.4trillion."

According to her, "Analysis of revenue data shows that as at 2018, Nigeria's revenue to

GDP ratio stood at about eight per cent, significantly below many comparator countries on the continent, as well as the continent average."

She said the economy faced serious challenges in the first half of 2020, seeing about 65 per cent decline in projected net 2020 government revenues from the oil and gas sector, with adverse consequences for foreign exchange inflows.

Ahmed said the government's anticipation was that these challenges would continue into the third quarter of this year.

**Not a forlorn hope**

Speaking with a cross-section of experts in different walks of life, they expressed optimism that though the government's ambitious target of raking in the princely sum of N18trillion into the public till was achievable, they however gave a caveat: government must be ready to roll up its sleeves in dogged determination in order to achieve the set target.

"It's a very good projection. I don't see it as ambitious but it now depends on what the government intends to do to realise that much flow of cash," he deadpanned.

While advising government on what to do, the Director-General, Nigeria Employers' Consultative Association, Olawale Timothy, an industrial relations expert said: "In addition to the regular inflow of taxes, regular inflow from export of crude, government can deepen its activities in the solid mineral resources area and invest massively in that sector so that government can pluck all the leakages that are currently happening there."

Besides, the NECA boss said: "Apart from solid minerals, the government can also rake in funds through the sales of moribund or inactive national assets. An example is the Federal Secretariat, in Lagos state, which is rotting and decaying away. This (secretariat) can either be commercialised or sold outright to interested investors.

"We have the National Stadium edifice which can be commercialised through public, private partnership. Already the National Theatre is one of the assets that have been handed to the Central Bank of Nigeria (CBN), and the Bankers' Committee for upgrade. That's just an example of the several other assets that are rotting and wasting away," Olawale maintained.

Prof. Adi Bongo, an economist and senior lecturer at the Lagos Business School, also shared the same sentiments that the N18trillion revenue target is doable and can even be surpassed.

"Where the problem is depends on what

*• Hajya Zainab Ahmed*

the government is going to focus on to garner this largesse. I think that if they should focus on the real sector, which essentially has been run on a rent-seeking basis and is full of all manner of corrupt practices, the oil and gas sector, and the government can get more than N18trillion even within a year.

People who know and understand the workings of this system can tell you that. I'm not an insider in the oil and gas sector but I understand a bit of the business model. Government doesn't collect what is rightfully theirs. Each time it is negotiated away as certain individuals are looking at what goes into their pockets," Prof Bongo said.

He was, however, quick to add that the government should not only focus on the oil and gas sector alone. "Of course, Nigeria has sufficient potentials to yield more than that.

But as things stand today, it is going to be hard; it's going to be difficult. Then we have to look at government-owned institutional strategy to mop up funds. What are the fiscal strategies?"

For Prof. Uche Uwaleke of the Nasarawa State University, the N18trillion target is achievable in a country where non-oil tax revenue to GDP is less than eight per cent leaving wide room for improvement.

"The implementation of the 2020 Finance Act, especially with respect to the stamp duty holds a lot of potential. Government can also develop new revenue lines through sale/privatisation of some government assets such as the refineries."

**Corruption remains crux of the matter**

While attempting a prognosis of the socioeconomic crisis induced by Covid-19, Prof. Bongo said at the root of the country's problem is the issue of corruption which has eaten deep into the national fabric.

The economist who fell short of blaming the government and its agents for the parlous state of the economy due in part to some incurably defective policies, said: "We run a system of patronage essentially, on rent-seeking such that instead of people supporting the government, it's been the other way round.

You see government supporting businesses, government doing everything. Sometimes the government doesn't support anybody because it has direct access to the money. They dig up the oil and sell it and the money is theirs.

They now dispense of it however they like, and to whom they want. So that's just the cavalier way of putting it, the kind of crude system that we run in Nigeria. It is very crude. That's what it is.

"We can dress it up in fine grammar and technicalities but the crude way to put Nigeria's system is that the government is simply the bandit, doing what it likes, what it wants.

Over the years, the government has inebriated itself in petrol dollar, they didn't care about the private sector, they didn't care about the market, they didn't care about the system. So the system was run on its own, nobody was collecting anything and nobody had any incentive to pay anything to the government."

**The poor can't take Nigeria out of the woods**

The analysts, who expressed worry that the federal government may be persuaded to shift the burden of additional revenue generation on the masses through imposition of taxes, were quick to warn that this may backfire; as such the idea should not be tinkered with.

Olawale who noted that there is a combination of the various interventions which the government can bring to bear to realise its ambitious target, insisted that the citizenry should not be made to bear the brunt.

"However, because of the situation of things in the country now, especially with regards to the very low purchasing power of the citizenry, it will be a disservice to the masses if their burden is further increased through either direct or indirect addition to their taxation.

So you are saying that as much as the government must apply measures, it must be careful in suggesting measures that could further impoverish the suffering masses. This is my position."

Bongo who is also on the same page with Olawale, said, "If the government interest is to begin to harass small businesses and every other person for this revenue, of course, it's not going to be viable; it's not going to be feasible, it will not be realised.

First of all, we have been visited by this unusual crisis of the coronavirus pandemic. Businesses are all on life support so hoping that you're going to get anything out of them is just a wishful thinking.

People have lost their jobs, so there is a limit to which you can even increase taxes. Other countries are giving reliefs to their citizens. So you can't just tax people under the guise of trying to improve revenue.

**VAT revenue increases**

Meanwhile, the total Value Added Tax (VAT) revenue recorded by the federal government increased by N50.79 billion to N651.77 billion in the first half of the year (H1 2020) compared to N600.98 billion in H1 2019, according to the National Bureau of Statistics (NBS). This represented 8.45 per cent growth year-on-year with the professional services generating the highest amount of VAT with N95.92 billion.

According to the sectoral distribution of VAT data for H1 2020 report released yesterday by the statistical agency, the other manufacturing segment generated N67.63 billion followed by commercial and trading, which generated N31.10 billion.

Textile and garment industry as well as pharmaceutical, soaps and toiletries generated N499.19 million and N648.78 million respectively while mining recorded the least VAT of N127.58 million.

According to the report, a total of N327.19 billion was generated from VAT in Q2 2020 compared to N324.57 billion (revised) in the preceding quarter.

Quarter-on-quarter, VAT increased by 0.81 per cent. Non-import (foreign) VAT rose by 3.92 per cent quarter on quarter to N82.42 billion from N79.31 billion in Q1.

On the other hand, the Nigeria Customs Service (NCS) import VAT rose by 12.44 per cent to N81.66 billion compared to N72.59 billion in Q1.

The marked improvement in VAT performance in both Q1 and Q2 has been attributed to the recent hike in VAT from five per cent to 7.5 per cent which became effective from February 1.

In Q1, the federal government generated additional N30.46 billion helped by the increment in VAT.

VAT receipts from banks and financial institutions amounted to N10.53 billion by half year and N5.11 billion in Q2 compared to N5.42 billion in Q1.

# BUSINESSES GROAN AS COVID-19 IMPACT ON ECONOMY WORSENS

*The Coronavirus (COVID-19) pandemic has raised several challenges across different sectors of the economy. No sector from banking, telecoms, manufacturing, to e-Commerce, among others, are exonerated from the uncertainty and rising costs of operations triggered by the pandemic. Therefore, getting the economy and businesses working post-COVID-19 will require collaboration with private sector operators on key issues like taxation and stimulus packages for businesses across all sectors of the economy, writes* ***Abisola THOMPSON.***

The Coronavirus (COVID-19) outbreak has caused widespread concern and economic hardship for consumers, businesses, and communities across the globe. It is estimated that there is no sector of the economy that has not been affected negatively including the banking, telecoms, e-commerce, manufacturing sectors.

The situation came with widespread impacts across different sectors of the economy. In this vein, many economies have injected stimulus packages in the form of government spending, tax breaks, loan guarantees, to mention but a few.

Many countries have, therefore, intervened to save businesses and their economies from the pandemic impact. According to the International Monetary Fund (IMF) report on economic responses governments are taking to limit the human and economic impact of the COVID-19 pandemic, the United States inaugurated the US$483 billion Paycheck Protection Programme and Health Care Enhancement Act.

The legislation includes US$321 billion for additional forgivable Small Business Administration loans and guarantees to help small businesses that retain workers; US$62 billion for the Small Business Administration to provide grants and loans to assist small businesses; US$75 billion for hospitals; and US$25 billion for expanding virus testing.

For China, an estimated RMB 4.2 trillion of discretionary fiscal measures have been announced. Key measures include increased spending on epidemic prevention and control, production of medical equipment, accelerated disbursement of unemployment insurance and extension to migrant workers, tax relief, and waived social security contributions.

According to the IMF, in Australia, fiscal stimulus consisting of expenditure and revenue measures worth A$134.5 billion put in place through the fiscal year 2023 to 24, with measures like sizable wage subsidies, income support to households, cash flow support to businesses, investment incentives, and targeted measures for affected regions and industries.

In Canada, the government carried out key tax and spending measures worth CAD 262.6 billion, with $5.7 billion to the health system while around $171.9 billion in direct aid to households and firms, among others.

Nigeria has been severely hit by the spread of COVID-19 and the associated sharp decline in oil prices. Government policy is responding to both developments. The Federal Executive Council (FEC) approved the N2.3 trillion stimulus packages (1.6 per cent of Gross Domestic Product) proposed by the Economic Sustainability Committee, designed to cushion the impact of the COVID-19 pandemic on Nigeria's economy.

The Central Bank of Nigeria (CBN) cut the monetary policy rate on May 29 to 12.5 per cent, reduced interest rates on all applicable CBN interventions from nine to five per cent. The CBN Governor, Godwin Emefiele, also announced a one-year moratorium on CBN intervention facilities and created a N50 billion targeted credit facility, among other measures including N100 billion to support the health sector.

Stakeholders insisted on the need to re-evaluate other ways to use tax incentives to grow the economy post-COVID-19 without over-emphasis on multiple taxations for sectors that are required to support the economic recovery process.

Would it not be more sustainable for the Federal Inland Revenue Service (FIRS) to provide adequate incentives to taxpayers in key sectors as it is done in other climes, instead of seeking to ramp up collection of advance tax?

There are certain steps FIRS needs to take to reflate the economy and promote sustainable growth. FIRS can push for banks to provide loans for working capital for all private companies that were tax-compliant and solvent before the pandemic.

The agency can also adopt tax deferral measures allowing all large companies to defer payment of profit tax for the second and third quarter of 2020 in 2021. Telecom, Manufacturing, active processing, and call centres can defer payments for the rest of 2020 to 2021. Small businesses with turnover below N25 million could be advised not to pay profit tax for the remainder of 2021.

In a recent report entitled "Changing Competitive Landscape in the Fintech and Banking sectors in Nigeria" by PricewaterhouseCoopers (PwC), said that all sectors of the economy are facing the adverse impact of COVID-19 at various degrees. The banking sector has had to contend with rising bad loans, although the ongoing shift to remote work is driving demand for networking infrastructure and connectivity in the telecom sector; the demand, could also strain the system and lead to public perception issues if the right technology, which requires a heavy capital outlay, is not provided.

The PwC report explained that excessive demand on mobile and communications networks — including temporary suspension of data caps — could affect service quality, creating a ripple effect as companies across various sectors implement remote-work plans.

PwC said the crisis underscores the need for more flexible, resilient business models that do not include draining liquidity through taxes from the telecoms, banks, or manufacturers. It said a number of telcos have high debt loads, which could put pressure on their debt-reduction programmes.

To succinctly capture the overall situation in the telecom industry, Analysys Mason (Global consulting and research firm specialising in telecoms) in its April 2020 report, while commenting on revenue impact during the COVID-19 lockdown, says: "Overall revenue declines are expected to amount to 3.4 per cent in 2020 (against a previous forecast of an increase of 0.7 per cent) with a modest rebound of 0.8 per cent in 2021."

"Consumer services, which account for the majority (68 per cent) of telecoms revenue, have a demonstrable level of resilience during economic downturns. The restrictions of movement in place that are in many countries and the emphasis on home working and entertainment, means that fixed services perform relatively well. However, business telecoms will be badly hit. Increased unemployment, business closures and the overall decline in activity mean that spend by businesses on telecoms will fall sharply."

This is exactly what telcos in Nigeria are facing at the moment. They have lost a huge percentage of their revenue which comes from their Enterprise customers (Organisations, big corporates).

In the banking sector, the CBN Deputy Governor, Financial Systems Stability Directorate, Mrs. Aishah Ahmad, said 17 commercial banks have submitted requests to restructure 32,000 loans in their portfolios to the CBN. The majority of the loans were taken by energy companies affected by a drop in crude oil prices due to the COVID-19 pandemic.

Director-General of the Lagos Chamber of commerce and Industry, Muda Yusuf, said the manufacturing sector has also been hit. He said aside difficulty in accessing foreign exchange due to a drop in Nigeria's dollar earnings, the cost of operation for the sector has risen rapidly, impacting demand for goods and services. For instance, the manufacturing and non-Manufacturing Purchasing Manager's Indices (PMIs) declined significantly to 42.4 and 25.3 index points, respectively, in May 2020, compared with 51.1 and 49.2 index points in March 2020.

The e-Commerce segment of the economy has also not been left out. As people have embraced social distancing as a way to slow the spread of the pandemic, there has naturally been a drop-off in brick-and-mortar shopping, but that has not led to increased sales for e-commerce companies.

An economist and Managing Director, Financial Derivatives Company Limited, Bismarck Rewane, said the attractiveness of the banking industry is deteriorating and rivalry is intensifying. For him, transaction banking is being threatened and cannibalized by leading financial technology firms.

According to Rewane, the economy is heavily challenged, and every segment is impacted by the COVID-19 pandemic. He said even though ICT resources were part of the tools used to adapt to the new normal that does not exclude the sector from the negative impact the pandemic has had on the economy.

He said taking advance taxes from the telecom, banking, or manufacturing sectors will be unfair, and will be based on estimation, which is not the right optimization for tax collection.

Senior Vice Chairman, Africa Standard Chartered Bank Group, Mrs. Bola Adesola, said the world has changed, including the way people live and do business. Speaking at a webinar organized by Financial Institutions Training Centre, Lagos, she said that COVID-19 has had an enormous impact on people's lives and businesses, hence the need for government, its agencies, and private sector operators to take steps that would guarantee continuous profitability for companies.

Globally, the COVID-19 pandemic has had a significant negative impact on employment. According to the maiden report of COVID-19 impact monitoring recently released by the National Bureau of Statistics (NBS), the impact of COVID-19 pandemic on the employment of Nigerians has been prevalent.

The report stated that nearly 40 million Nigerians are projected to lose their jobs by the end of this year, due to lockdowns and social distancing measures put in place to curb the spread of COVID-19, underscoring the widespread devastation to the Nigeria labour market from the coronavirus. Preemptive measures can save this situation and cases have been made that good tax practices ultimately lead to job creation.

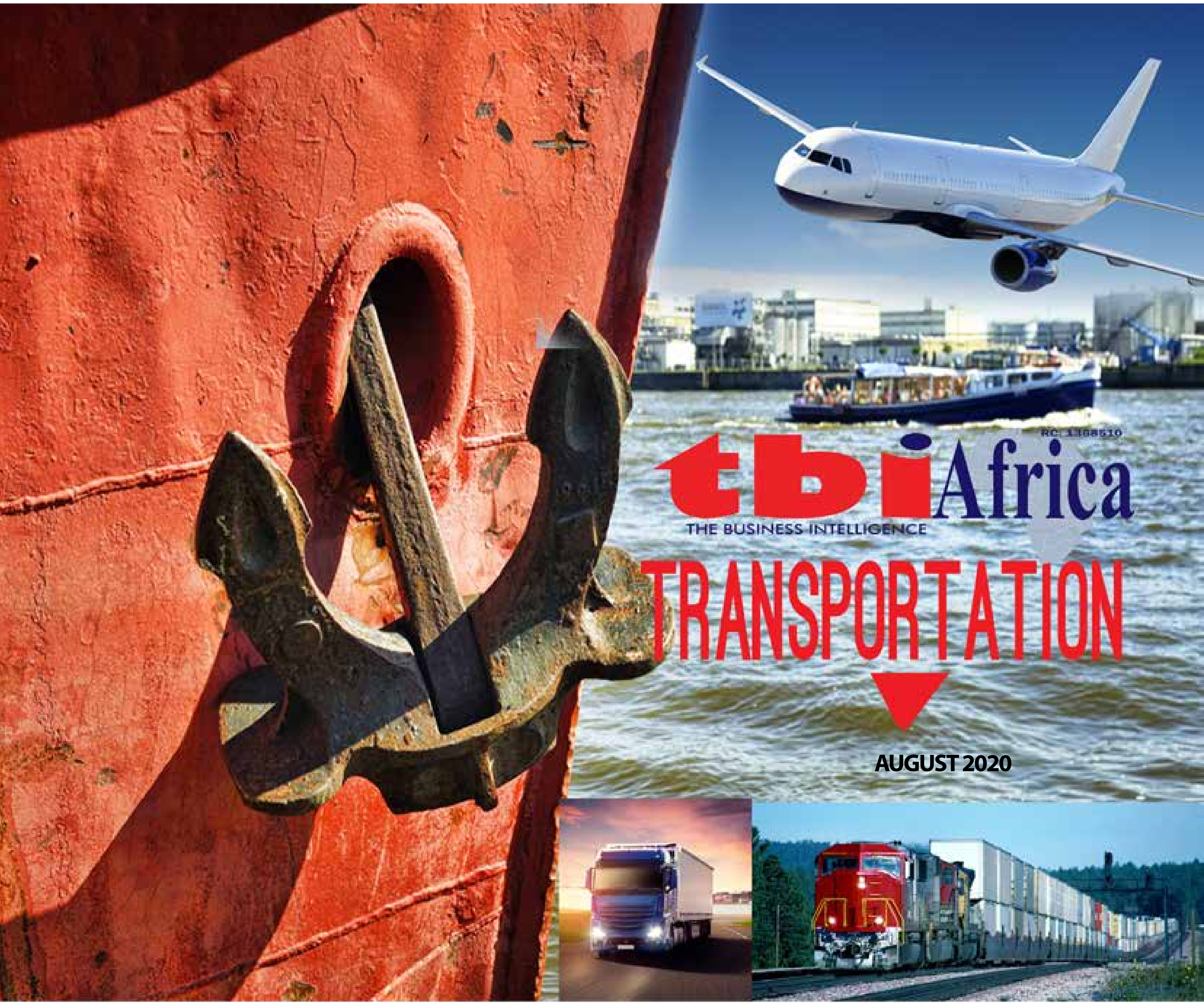
The theory behind the argument is that an increase in taxes will increase the real price of labour, decreasing the demand for labour and increasing the unemployment rate. In response, firms will replace labour with capital, and the long-run shift from labour to capital will eventually decrease the marginal product of capital low enough to reduce investment and growth. Now more than ever, policies should encourage job creation as the economy is grappling to survive and good tax practices can only be more beneficial to us.

It is common knowledge that the Nigerian economy has taken a big knock because of COVID-19. In line with established best practices, it is the responsibility of government (like most western countries) to reboot the economy by supporting businesses with various incentives which can also include a business support fund.

It will be important at this stage to recognise what the Nigerian government has so far done through the various COVID-19 committees, particularly in the injection of funds to support the economy.

Some of the notable initiatives being implemented by government include the investment of N2.3 trillion into the economy over 12 months, N10 billion loans and grants approved for various groups and organisations for pharmaceutical and healthcare-related research, under the COVID-19 intervention scheme and Micro, Small and Medium Enterprises (MSMEs) Survival Fund, which incorporates a Guaranteed off-take Stimulus Scheme and the Credit Support to MSMEs.

While stakeholders commend the Federal Government for these initiatives, it is strongly believed that there is a lot more to be done to ensure that all sectors of the economy are adequately reflated post-COVID-19. This is therefore not a time for various State Governments, Ministries, Departments and Agencies of Government (MDAs) to invent new taxes or increase existing ones, rather, it is a time for them to see how they can reduce some taxes, outrightly eliminate some others, and provide the enabling business environment to help businesses tide over this period, leading towards a positive effect on job creation and overall economic growth.




# CAUTIOUS OPTIMISM AS NATIONS EASE FLIGHT, TOURISM RESTRICTIONS

*Countries are opening up to tourists and travellers alike but with stringent conditions that are similar to a travel ban, writes* ***Abisola THOMPSON*** *.*

More countries are opening up the international airspace for commercial airlines and tourism to resume. Travellers will, however, find that some of the conditions are not encouraging for immediate travel or tourism.

Across many of the countries that have announced resumption of flights, the mandatory 14-day quarantine and recent COVID-19 certificate remain in place. Some simply placed a ban on travellers from certain regions and COVID-endemic countries. Few others, like the UK did recently, could pull the rug off travellers that are already close to boarding or mid-air. It is still as messy as it can get in air travel.

Indeed, the COVID-19 curve is yet to flatten out globally. But countries are getting to live with it, treat cases as they come and reinstate lockdown where recurrence starts going haywire.

In Nigeria, the aviation authorities and foreign airlines this week began to consider possible reopening of the international airspace with COVID-19 safety protocols. The Minister of Aviation, Hadi Sirika, who earlier hinted of an opening before October 15, said local authorities would not be railroaded into hurried resumption just because other countries are doing so.

is right. Other countries that are partially opening are doing so with a lot of caution and barely leaving anything to chance.

We are ope, but…

Holiday sites visited by The Guardian showed that flights are beginning to take-off in some countries that earlier imposed lockdowns.

In Africa - Benin, Cameroon, Ethiopia, Ghana, Kenya, Rwanda, Senegal and Tanzania have allowed or announced the imminent resumption of scheduled international passenger flights.

In Benin, passengers are being subjected to medical screening but at the traveller's expense. In Cameroon, limited international air travel has started as at July 17. Services by Air France, Brussels Airlines, and Ethiopia Airlines operate out of Douala International Airport, and Yaounde Nsimalen International Airport. All passengers intending to travel to Cameroon must present a negative COVID-19 test taken up to three days before the flight.

Egypt has reopened all its airports for scheduled international traffic. Foreign tourism is limited to resorts in three coastal provinces. All arriving passengers in Ethiopia must have a negative COVID-19 test done within the last 72 hours and undergo medical checks and quarantine for 14 days at a government designated hotel.

Tunisia has also reopened its sea, land and air borders to 45 countries with no restrictions and over 50 countries with testing needed.

Tourists are allowed to enter the United Arab Emirates (UAE) again through Dubai airport. Arriving passengers must have proof of adequate health insurance and a negative COVID-19 PCR test done within the last 96 hours. Passengers without a test will be tested on arrival and quarantined for 14 days if the result is positive. Emirates Airline has hinted Nigerian travellers that they will pay COVID expenses of up to $174,000 for travellers that test positive away from home, and pay quarantine costs of €100 a day for 14 days.

America-bound passengers, who have transited or have been in Austria, Belgium, Brazil, China, Czech Rep., Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Iran, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland or in the UK, in the past 14 days are not allowed to enter and transit, as at the last check.

And for the United Kingdom, passengers arriving from over 65 countries will not have to self-isolate for 14 days. Passengers from other countries will need to self-isolate for 14 days.

Dramatic turn

To tell how quickly travel policies could change in COVID-19 era, the UK, early this week, introduced mandatory two-week quarantine on travellers from Spain. Around 1.4 million Britons were in the popular holiday destination when the directive took effect.

Queues of home-bound travellers reacted with anger and confusion as they prepared to board a plane from Madrid on Sunday morning.

The government suddenly pulled its air bridge with Spain with almost immediate effect following a spike of coronavirus cases in the country. The rules apply to all regions of Spain, including the Canary and Balearic islands – though politicians in the latter say they are attempting to thrash out a regional air bridge.

Tough recovery ahead

World airlines, apparently unimpressed with the level of progress in the COVID-19 era, said the industry would not return to pre-COVID-19 levels until 2024, a year later than previously projected.

The recovery in short haul travel is still expected to happen faster than for long haul travel. As a result, passenger numbers will recover faster than traffic measured in RPKs.

Recovery to pre-COVID-19 levels, however, will also slide by a year from 2022 to 2023. For 2020, global passenger numbers (enplanements) are expected to decline by 55 per cent compared to 2019, worsened from the April forecast of 46 per cent.

IATA's Director General and Chief Executive Officer (CEO), Alexandre de Juniac, said passenger traffic hit bottom in April, but the strength of the upturn has been very weak.

"What improvement we have seen has been domestic flying. International markets remain largely closed. Consumer confidence is depressed and not helped by the UK's weekend decision to impose blanket quarantine on all travellers returning from Spain. And in many parts of the world infections are still rising. All of this points to a longer recovery period and more pain for the industry and the global economy.

"Domestic traffic improvements notwithstanding, international traffic, which in normal times accounts for close to two-thirds of global air travel, remains virtually non-existent. Most countries are still closed to international arrivals or have imposed quarantines that have the same effect as an outright lockdown. Summer — our industry's busiest season — is passing by rapidly; with little chance for an upswing in international air travel unless governments move quickly and decisively to find alternatives to border closures, confidence-destroying stop-start re-openings and demand-killing quarantine," de Juniac said.

# NPA HALTS LICENCES RENEWAL FOR SHIPPING FIRMS OVER HOLDING BAY CRISIS

By Abisola THOMPSON

The Nigerian Ports Authority (NPA), has stopped the renewal of licences for shipping firms who fail to provide holding bays for empty containers.

Failure of the shipping firms to establish a holding bay where empty containers are to be stacked is a major factor for the congestion currently being experienced at the ports.

The Managing Director, NPA, Hadiza Bala Usman, who confirmed this during the 14th yearly, Business Law e-conference, said: "We actually refused to renew licences to shipping companies; they have to give evidence of having empty container holding bays that is commensurate with the vessels they bring in.

"I encourage stakeholders to write directly to us to the extent that you identify issues affecting this procedure, and I will also push that in our system to ensure there is adequate monitoring.

"I will get our team to get back to you by next week so that we can ensure that the shipping companies adhere to what was agreed in terms of maintaining the balance between what is coming in and what is going out.

Bala Usman also advocated for an intermodal system to ease the movement of cargoes, and attributed the incompletion of the rail project to the COVID-19 pandemic.

"I think there is a need for us to recognize the need to use intermodal transportation systems. You can't have 90% of your cargoes being moved through the road alone; the road will get congested and will be spoilt. We must strengthen the utilisation of inland waterways. We must drive and have our rails system concluded; if not for the COVID-19, we would have concluded our rail connectivity," she said.

She also bemoaned the dearth of truck parks, stressing the need for designated places for trucks to stay and wait for call-up, saying: "If we don't have designated places for trucks to wait and only to wait for a call-up, the trucks will just wake up and drive to the ports.

Lagos State Government must take ownership in providing dedicated truck terminals, where there will be linkage and a call-up with the terminal operators at the ports. But when we have 36 No truck locations all around the Apapa environment, how

• *Hadiza Bala Usman*

do you think you are going to sanitize the area? In the Apapa environment, we have 36 truck parks that lack any form of equipment. I have always advocated for us to have larger truck parks that are outside of the port environment, dedicated for that purpose and only come when we are using the call-up system.

"Nigerian ports are not responsible for providing truck terminals. What we know is that truck parks are local government issues, it is a Lagos State issue, so Lagos State Government must rise up to that and provide those parks," she said.

She added that to ease the situation, NPA had converted its Lilypond Terminal to a Truck Park, while arrangements are ongoing with Lagos and Ogun State governments to provide more truck parks.

Agreeing with Usaman, the Managing Director, Connect Rail, Edeme Kelekume, said: "There is no bigger word to describe the crisis we are going through with empty containers. The cost implication is running into billions of naira. The demurrage cost is too high and beyond what smaller players, especially the small and medium enterprises can handle.

"Having access to where you can keep your empty containers is one thing, and the holding bays around the ports are not enough, so there is a need for more holding bays.

"The infrastructure at the ports is not adequate, and this is also a challenge, as you don't know how you can quickly be attended to and nobody is addressing the losses that are incurred. The Shipping lines must be compelled by the NPA to comply and provide holding bays," he said.

# SHIPPERS COUNCIL, NAICOM TO DE-RISK COSTS AT PORTS

By Meletus EZE

The Nigeria Shippers Council (NSC), and the National Insurance Commission (NAICOM), plans to collaborate to reduce the cost of doing business through the introduction of insurance cover on containers, and also looking into risk management at the various ports.

The Lagos Chamber of Commerce and Industry (LCCI), had complained of the high cost of doing business at the ports due to poor infrastructure, the multiplicity of levies, excessive regulations, among others, which were further worsened by the Covid-19 pandemic.

But the Executive Secretary, NSC, Hassan Bello, during a courtesy visit to the NAICOM management, stressed the need for a policy review of insurance covers for goods in transit, accidents, losses and damages, devoid of religious sentiments that everything happens for a reason that could be prevented.

He said the primary aim is to make Nigerian ports more competitive by reducing the cost of doing business, and one of the costs is insurance deposits that shippers pay for taking the containers out of the port.

For instance, shippers deposit N150,000 to N200,000 on containers for moving their goods from the port, while insurance cover would have been cheaper, and the impact on the prices of goods and services would be lower.

Bello said: "The containers are the assets of the shipping companies, and it is expected that the containers are returned in perfect condition. But unfortunately, most freight forwarders don't get back the deposits because most times the containers are not in good conditions when they are returned, and even when returned in perfect condition, shippers don't get their deposit back in good time."

He, therefore, urged insurance companies to come in and ensure the containers are covered at a lower cost, to reduce some of the challenges faced by shippers, while working toward door-to-door delivery of cargoes.

Bello, however, said despite the pandemic, the Council was working with all other maritime agencies to look into digitalisation of ports processes to limit physical contact.

Responding, the Chief Executive Officer, NAICOM, Olorundare Thomas, said he has been looking forward to collaborating with NSC on making insurance more relevant in the maritime sector.

# NIMASA, CUSTOMS TO CHECK ABUSE OF TEMPORARY IMPORT PERMIT

By Abisola THOMPSON

The Nigerian Maritime Administration and Safety Agency (NIMASA), and the Nigeria Customs Service (NCS), have agreed to join forces to close loopholes in the Temporary Importation Permit (TIP) system that importers often exploited to avoid levies due to the government.

Director-General of NIMASA, Dr. Bashir Jamoh, stated this in Abuja when he visited the Comptroller-General of Customs, Col. Hameed Ali (rtd).

Jamoh said the temporary import permit issue was one of the biggest challenges faced by the maritime sector, stressing that it has denied the Federal Government huge revenue.

He said it is important for the NCS and NIMASA to develop a common platform for dealing with problems arising from the TIP.

Jamoh stated, "The biggest issue we have, has to do with temporary importation. What we observed is that people capitalise on the good gesture of government policies.

"Those that are benefiting from this temporary importation bring in their own ship and after one year they will take it back to their country and import back with a different name. They do it constantly and this is to the disadvantage of our Nigerian shipowners."

He said Cabotage trade, which falls within the core functions of NIMASA, was suffering as a result of the abuse of the temporary import permit, and, "At the end of the day, it is indigenous ship-owners that bear the brunt."

The Director-General noted that the Merchant Shipping Act provided that vessels used in importation should be registered with the Nigeria Ship Registry, but in most cases, the importers did not.

• *Dr. Bashir Jamoh*

He called for greater synergy between NIMASA and NCS, and indeed, all agencies in the maritime sector, to address pertinent issues and improve the sector.

Responding, Ali pledged the commitment of the Service to pooling resources with NIMASA to address the TIP issue and other problems in the sector, adding that there was a need for both agencies to design a common framework for tackling the issues.

Ali said such an approach would ensure that if Customs registered a ship and gave it a TIP, NIMASA would also have records of that registration on its own platform.

He said: "We should create that synergy based on ICT. I request that your IT staff synergise with ours to develop a platform that will create that collaboration, such that everything we record or register will reflect in your own record."

Ali said the Customs was in the process of launching two patrol boats that would go beyond the creeks, to enhance maritime security.

"We have mounted the necessary machine guns, one had an accident but it has been repaired, and very soon we will launch them into operations. We will keep you posted as we intend to synergise with you to ensure the safety of our waterways.

"It is my hope that we will strengthen the relationship and increase the synergy between us as maritime operators, and, most importantly, to ensure that not only the revenue aspect of it is improved, but also to secure our waters.

"The security of our people is more important than the revenue, because no matter how much you collect, if our people are not settled, or not in peace, then the whole essence of the revenue is bastardised.

"So, it is our hope that we join hands with you and make sure that we work assiduously to ensure that our waterways are safe and profitable," Ali said.

# FRESH $100 MILLION INVESTMENT TO BOOST NIGERIA'S SHIPPING SECTOR

By Aliyu DANLADI

Fresh $100 million investment is under way by the West Africa Container Terminal (WACT), to buoy Nigerian terminal handling capacity in the next three years.

The funds will be deployed to acquiring more equipment for ports operations, and further lift the status of the Onne Port in Rivers State.

Managing Director, WACT, Aamir Mirza, who stated this during the company's 20th anniversary celebration, said the need for further investment in cargo handling equipment is in response to the significant volume growth witnessed in the Eastern Nigerian market.

He said: "We are at that point where we will experience new changes. With more equipment coming in, the mode of operation will change, and we believe we are setting that up for the next 20 to 25 years so that we can serve our customers better in terms of service delivery, customer satisfaction and improved capacity.

"Right now, we are going to invest $100 million, and will continue to invest over the years. For example, in 2019, we did about $14 million and in previous years, we have been doing that regularly."

He said WACT has done a lot of work in marketing Onne Port to the global community even as "the service level that the customers are getting in Onne is far superior to what they are getting elsewhere in Nigeria."

Also speaking at the event, the Country Manager of APM Terminals Nigeria, Klaus Laursen, described as impressive the successes recorded by WACT over the years, linking it to the growth in Nigeria's economy.

Laursen said: "There will be no cargo coming in or going out if it wasn't for the economy of Nigeria. We serve only the population of Nigeria. So the first part of it is that Nigeria's economy is still growing every year.

"If you look at Onne 20 years back, we would not have compared it to Lagos but today, because of our capabilities in terms of operation and equipment available and being able to handle bigger container vessels that are calling at Nigerian ports, we are increasingly becoming the preferred destination. With that, we can also put pressure on the West for them to do their job better."

# The University of Nigeria, Nsukka (UNN), conferred an Honorary Doctorate Degree Award to Engr. Emeka Okwuosa during the Convocation/Award Ceremony, in Nsukka, Enugu State.

*• (L-R) The Chancellor, Oba Enitan Babatunde Ogunwusi (Ooni of Ife), Engr. Dr. Emeka Okwuosa, Archbishop Emmanuel Olisa Chukwuma and Ven. Barrister Amaechi Okwuosa.*

*• (R-L) Petan Chairman - Bank Anthony Okoroafor and Engr. (Dr.) Emeka Okwuosa*

*• (L-R) Mrs Azuka Okwuosa, Prof. Rose Osuji, Engr. (Dr.) Emeka Okwuosa, Prof. Benjamin Ozumba, Archbishop Emmanuel Olisa Chukwuma, Hon Azuka Okwuosa.*

*•(L-R) The Chancellor, University of Nigeria - Oba Enitan Babatunde Ogunwusi (Ooni of Ife) and Engr. Dr. Emeka Okwuosa.*



*• (L-R) Engr. (Dr.) Emeka Okwuosa, Hon. Azuka Okwuosa, Ven. Barr. Amaechi Okwuosa and Arch Bishop Emmanuel Olisa Chukwuma Chukwuma (Diocese of Enugu).*


*• Engr. Dr. Emeka Okwuosa delivering the 48th Annual Convocation Lecture at the University of Nigeria.*

tbiAfrica CEO
RC: 1368510
THE BUSINESS INTELLIGENCE
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# 'AKK PIPELINE WILL COMMERCIALIZE UPSTREAM GAS, SPUR INDUSTRIALISATION'

*The groundbreaking ceremony for Ajaokuta-Kaduna-Kano (AKK) pipeline project currently dominates the hype in the infrastructure delivery agenda of the government. The AKK projects goes beyond infrastructure to amplify the gains of the Nigerian Content policy in the petroleum industry with the choice of indigenous Oilserv Limited as lead contractor. Chairman of the company,* ***Engr EMEKA OKWUOSA****, who was on ground at Ajaokuta provides insight into the significance of the project. Excerpt.*

**May we know your role in the AKK pipeline project?**

I am Emeka Okwuosa. I am the Chairman of Oilserv Limited. Oilserv is an Engineering, Procurement and Construction (EPC) company. We are a consortium partner and the lead contractor for the first segment of the AKK pipeline project.

**Considering the scope of work and criticality of the first segment of the project which is going to carry the full pressure of the full pipeline volumes, do you guarantee readiness and capacity for delivery?**

We are ready for it. In fact, what we are carrying out today is official flag off which is the groundbreaking ceremony. But as you can see over there, we are ready. We are already working: we are laying the lines. Oilserv is a 100 per cent indigenous company currently employing more than 600 staff. With this AKK, we probably will go to between 1,500 and 2000 at the peak of the personnel matrix. But the fact remains that we are ready. This is not the first project. We are commissioning the Obiafu, Obrikom, Oben (OB3) gas project which is actually slightly larger than this in terms of diameter. The OB3 gas pipeline is 48 inch in diameter. So, we have the experience, we have the personnel, we have the equipment and we are capable and we will deliver this project.

**What plans do you have for the host community youths that might seek participation in the project?**

Like I said, we will crank up our employment by more than 1000 and major part of this 1000 will be indigenes of the areas where we are. We have a clear programme to develop the areas where we build pipelines.

**What does this project represent in the Nigerian Content policy implementation?**

First of all I give thanks to Mr President for being in the forefront of driving progress in the oil and gas industry. As you may be aware, which a lot of people may not, President Muhammadu Buhari built the infrastructure we had in the 1970s when he was the Federal Minister of Petroleum Resources. Most of these refineries you see today were

***We will crank up our employment by more than 1000 and major part of this 1000 will be indigenes of the areas where we are. We have a clear programme to develop the areas where we build pipelines***

built within the period when he was there. When President Buhari came to power in 2015, he made the domestic gas infrastructure development a cardinal project. This project has been in the drawing board since 2008, 2009. He made it happen. What this project shows clearly is the dedication of President Buhari to local content and local capacity. Oilserv is an example of that, and Oilserv shows clearly that government means what it says. We have been operating before the local content law came into being, but we have continued to build capacity, including building capacity beyond Oilserv by empowering other contractors to grow. So, we constitute a team with Federal Government in this regard.

**How are you managing the project partnerships to guarantee smooth process and collaboration in the project delivery within the time frame?**

We have partners as I said earlier. It's a consortium arrangement and this consortium arrangement has a Chinese company called CFHEC. You may be aware that this project is also not funded directly by the government. This project is funded using facilities or loan that is obtained for this project. This project is commercially viable. It's a project that the loan can be taken care of by the commercial nature of the project. So in lieu of that we have injected a Chinese partner to meet the Chinese content requirements. But Oilserv is the primary EPC Company. Our experience is what will also help to drive this process.

**May we get more clarification on the viability profile of the project and how it is going to generate funds to address the loan?**

Like I said, this is fully viable. The facility being taken is meant to be repaid in 15 years; but this project can pay itself in less than 10 years because this is a commercial venture. When you pipe this gas you have gas flowing through to industries, to power plants. There are tariffs to be paid to even transport this gas. If you understand the mechanism of gas transportation, for every cubic meter of gas that passes by, there is an amount that is paid by those who use it. In addition to that, the gas itself that passes by would have to be paid for to be used. So this is a commercially viable project. It's not the kind of a project that government has to support for it to be viable.

**What challenges do you envisage in delivering the project, and what are your fears?**

I won't say I have fears. Every project comes with its challenges. There are challenges to build a project like this in virgin forests, to go through rivers, to go through rocks, to deal with security issues. These are challenges; but I don't have fears because we have the knowledge and the experience to deal with it. We are very ready to deliver the project and deliver the project on time.

**May we share your perspectives on the value proposition of AKK pipeline for the economy?**

Gas is very important to the economy of Nigeria. Nigeria is predominantly a gas country, and not necessarily an oil country. We have abundance of gas reaching up to 200 trillion cubic feet of gas already proven and existing reserves; but clearly there is far much more than that because exploration has not gone far in the gas sector. When we look at the real gas issues in the country, I would say that Nigeria has not developed the capacity to utilize gas; and the capacity for gas utilization is about infrastructure. You cannot easily store gas after producing it. The reason is simple. Gas is very difficult to hold unlike liquids. And for you to keep gas in a place, you have to pressurize it in order to move it to a location. There are many ways to move gas. One is the liquefaction system in which you have to pressurize, compress and freeze it in order to ship it. That is what the NLNG does presently. But to utilize gas in Nigeria, what is required is clearly a gas transportation infrastructure. Nigeria has conceived this in a clear way since the early 2000s and come up with the Nigerian Gas Master Plan (NGMP) of which a portion has been constructed. One is the Escravos to Lagos Pipeline which starts from Escravos, goes through Benin and then heads to Lagos.

***So with AKK you will be able to locate these plants where you need the fertilizer which is where you have agricultural activities going on. That makes it cheaper and more available***

It goes all the way to the Egbin Power Station and feeds the entire Lagos. The other section of the NGMP is actually what was going to kick off from the Qua Iboe Terminal (QIT) in Akwa Ibom State, and then goes through Ibom node, then to Umuahia and Enugu to Ajaokuta. The system would now progress from Ajaokuta to Abuja, to Kaduna and Kano. So what we are working to achieve now is the AKK which is the section from Ajaokuta to Kano. And the Ajaokuta-Kaduna-Kano is very important because without the existence of this pipeline, the entire section of the Qua Iboe pipeline which ends in Ajaokuta will not be commercial enough in the sense that the offtake will not be robust enough to justify that pipeline. So, in reality gas will make a lot of difference because with gas availability industries can run. And besides industries running, we are also talking about power generation, gas based industries like the urea plants which manufactures fertilizers. So with AKK you will be able to locate these plants where you need the fertilizer which is where you have agricultural activities going on. That makes it cheaper and more available. So, in terms of the economic effect it is going to be massive. So, AKK is very important and it is going to make a lot of difference in the economy of Nigeria.

**Why is AKK now perceived as the main project in the entire Nigerian Gas Master Plan, especially when there are no sales agreements justifying pipeline?**

It is important to state clearly here that this issue of Nigerian Gas Master Plan is well articulated, and it has been there for more than 20 years. The implementation of the Master Plan started with the Escravos to Lagos pipeline which is already in place. I will come to that. The Master Plan also involves the OB3 pipeline which is the East to West interconnector. Now, when you look at the NGMP, it is just well articulated. The execution of the AKK part of it, as well as other southern parts, has been delayed for quite a while and the reasons are there. But we give credit to President Muhammadu Buhari for taking the gauntlet and making this a reality and supporting it strongly.

**Most private operators in the country's petroleum industry already**

**have plans for their equity gas commercialization. Is there obligation on operators to feed gas into the AKK pipeline?**

Let me say that all these activities are centred on Nigerian National Petroleum Corporation's (NNPC) state of operations. They articulate this with the International Oil Companies (IOCs). When you look at the midstream industry which is these pipelines, you find out that NNPC is at the centre of activities; and the Corporation has done a lot of studies, a lot of operations economics, a lot of work on long term outlook value generation, a lot of work on industry collaboration. I am privileged to be pretty involved in all these. I am an optimist and that is why I am also an entrepreneur.

As we speak today, the reason industries are bubbling around Ikeja and environs is the presence of energy source. And this energy is gas. So, let us also put this in perspective when we talk of AKK pipeline. Industries that are already moribund are huge in number. If you go to Kaduna you will see that, and if you go to Kano you will see that. So, when there is energy in the form of gas, these industries will have the impetus to kickstart again. Of course, we are not yet talking about other industries that will spring up from the scratch. So I am optimistic.

**There are arguments that gas infrastructure is needed more in the upstream industry to connect and enhance production of stranded gas?**

In addressing the issues of stranded gas, let me point out that when you talk of stranded gas it doesn't translate to production. But let us remember one thing: that you do not talk of production when there is no offtake. And the reason why production is muted is because of offtake issues. Offtake cannot happen if you do not have infrastructure to deliver the gas. These are step by step issues. Now let me be a bit selfish. When you have stranded gas and you have this need of interconnecting it to demand centres, it creates a business case for investments. And the investment that comes in is what drives employment; it is what drives capacity building. As we speak today, we all know that AKK will generate thousands of jobs. It is not just all about jobs, local

> ***As we speak today, the reason industries are bubbling around Ikeja and environs is the presence of energy source. And this energy is gas. So, let us also put this in perspective when we talk of AKK pipeline***

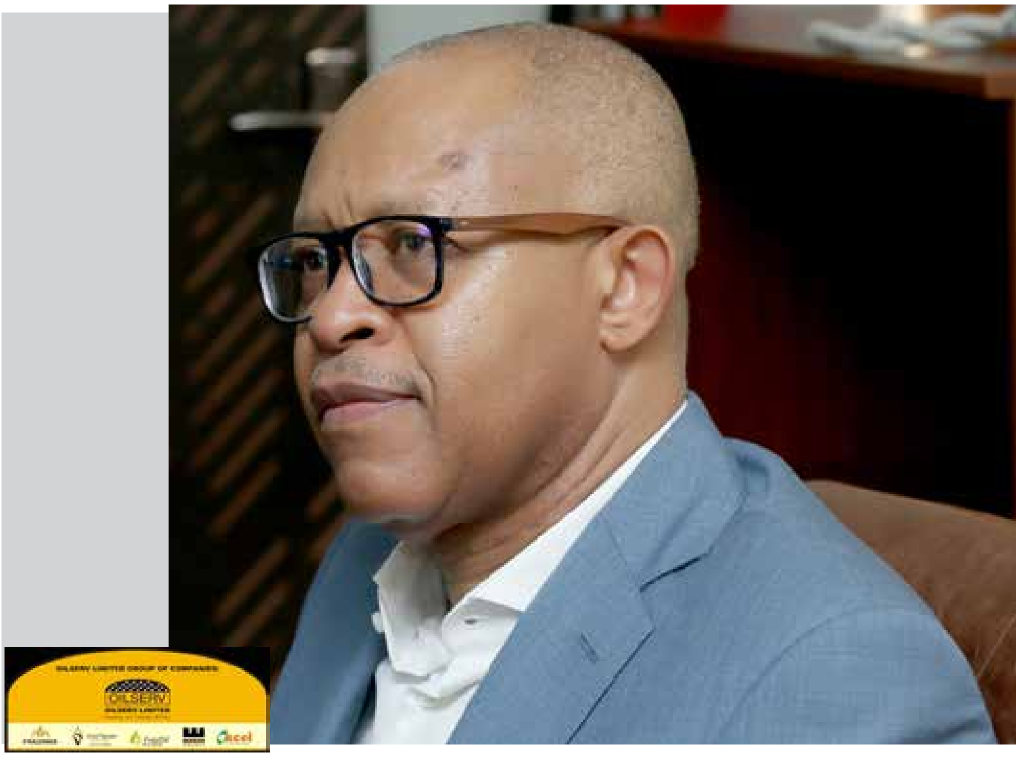
vendors will come in, and materials will be supplied locally during construction phase.

**Given the terrains that the pipeline will traverse, do you think the 2023 timeline for delivery is feasible given the obvious challenges in the operating environment?**

Of course, you will always have challenges when you construct pipelines in Nigeria. Those challenges come from the issues of security, issues of local conditions, road conditions because you have to move the line pipes by road most of the times. We do not have the robust rail system to do that. So, that impacts a lot on the speed. Having said that, the timing put on this project is well articulated. It is feasible and we know it is possible. It is just that we have to work hard on it because it is necessary to do that. So, when you look at the economic impact, I would say clearly that the impact of this project is massive in concept and will be massive in reality.

**What guarantees do we have that the AKK pipeline will not be vulnerable to fuel thieving syndicates that plague NNPC's pipelines?**

On pipeline security, I would emphasize that we are not waiting for explosion to happen, but the issue of public education is necessary. Gas pipeline is not oil pipeline. Gas pipeline has massive amount of pressure. And when you talk of pipeline of 40 inch diameter size, and you look at the length of this pipeline, then you imagine the amount of pressure that is built up there. Any attempt by anybody to sabotage the pipeline will lead to catastrophe for the person and for any person around. It is not oil pipeline, so people should endeavour to keep away from it. Having said this, we take serious action during construction to bury this pipeline about two metres below the surface. We also install fibre-optic system to monitor when somebody is trying to break in. These are some of the measures to prevent third party infringement. There are other measures we take but these are some of the ones that we put on ground to ensure that no unauthorized person interferes with the lines.



# IS CHINESE INVESTMENT A THREAT TO NIGERIA'S ECONOMY?

Over the past several decades, the economies of the world have become greatly connected through international trade and globalization. Foreign trade has been identified as the oldest and most important part of a country's economic relationship. Olamilekan FAWAS examines the impact of Chinese loans on Nigeria's economy.

The basis for foreign trade rests on the fact that nations do differ in their resource endowment, preferences, technology, scale of production and capacity for growth and development. Over the past decades the volume of trade between nations of the world has increased considerably. Particularly, Nigeria has witnessed a sharp rise in the volume of trade and investment with other nations of the world. The relations between Nigeria and China which cut across political, trade, investment, aid and military spheres have grown so much in recent years.

The inevitability of inter-state relations emanating from the inherent tendency of man for social relations; The world of a man is in a flux. The fluidity of social relations conduces into the search for social coalescence, partnership and cooperation. Naturally, man is created with inbuilt and ever elastic gregarious instincts which propel man to enter into social relations with other men basically to eke out a living. These gregarious instincts combine with differential natural resource endowments to induce man to develop the propensity to partner with others to address the needs of the community.

Fundamentally, the scenario opens new vistas of relations between and among states in a world of change. International trade is recognized as the most significant determinant of economic development of a country, all over the world. The foreign trade of a country consists of inward (import) and outward (export) movement of goods and services, which results into: outflow and inflow of foreign exchange.

The Nigerian House of Representatives have resolved to set up an investigation committee to look into all extant China-Nigeria loan agreements since 2000 with a view to ascertaining their viability, regularising and renegotiating them. This was sequel to a unanimous adoption of a motion by House of Representative Benson Igbakpa (PDP-Delta) at a plenary.

Moving the motion earlier, Igbakpa said that the National Assembly, the arm of government responsible for appropriation had been kept in the dark on how most of these Chinese loans were collected and utilised.

He said there is widespread global concern about the fraudulent, irregular and underhand characteristics of Chinese Loan contracts with African states.

According to him, it has resulted to a new form of economic colonialism foist by China; there is an urgent need to subject all subsisting Nigeria/China contractual loan agreements to forensic fiscal scrutiny and review.

He said that records from Nigeria's Debt Management Office (DMO) revealed that the People's Republic of China emerged Nigeria's major creditor under the bilateral deals with $2.3 billion out of $3.3 billion.

Igbakpa said that the EXIM Bank of China is Nigeria's biggest bilateral creditor in nearly two decades, having lent the African largest economy $6.5 billion (N1.9 trillion) since 2002.

"Transportation and ICT sectors have six projects each financed by loans from the Chinese bank, while energy, agriculture and water sectors, respectively, have three and two projects tied to Chinese loans.

"According to the Daily Post of Sept. 5, 2018, the first Chinese loan to Nigeria was agreed on March 27, 2002, as follows: $114.89 million each for constructing two 335 MW gas power plants, namely Omotosho and Papalanto (Olorunshogo) in Ondo and Ogun states, respectively.

"Both plants were completed in 2007; the loan was obtained at six per cent interest rate and it covered 65 per cent of the costs of the project, while Nigeria then covered the 35 per cent balance.

"Four months after, two other loans totalling $159.83 million for rural telephony were offered at a 3.5 per cent interest rate."Then from 2006 to September 2018, the country obtained 13 more loans, at between 2.50 per cent and three per cent interest rates.

"The last loan obtained by the government from China was $328 million used for the National ICT Infrastructure Backbone II Project.

"At the last count Nigeria has obtained 17 Chinese loans to fund different categories of capital projects and Nigeria would still be servicing the Chinese loans till around 2038, the maturity date for the last loans obtained in 2018," he said.

The legislator expressed concern that the IMF as reported in the Guardian of Nov. 3, 2019, had raised the alarm that most of the Chinese deals are not Paris Club compliant, and for which the The World Bank has blacklisted six Chinese companies currently operating in Nigeria.

According to him, this is over alleged fraudulent corrupt practices including deceptive tactics, illicit trade, extortion, Greek gifts and neo-colonial proclivities.

Igbakpa listed the companies as published on the World Bank's website to include CCECC Nigeria Railway Company Limited, CRCC Petroleum and Gas Company Limited and CCECC Nigeria Company Limited.

Others are China Railway Construction (International) Nigeria Company Limited, China Railway 18th Bureau Nigeria Engineering Company Limited and CCECC Nigeria Lekki (FTA) Company Limited.

Igbakpa said that one of the blacklisted companies, China Civil Engineering Construction Corporation (CCECC), is the major vehicle through which Chinese projects in Nigeria are financed.

"This much has been corroborated by Minister of Transportation, Mr Rotimi Amaechi, who stated that since China was financing the projects through the China Civil Engineering Construction Corporation (CCECC), the contractors had 100 per cent execution right on them.

"This means that materials and skills are imported from China thus undermining local industry and jobs.

"The fact that some of the latest loans tied to the said CCECC as reported on March 3, 2020, are as follows:

"On Railway alone, this administration has recently signed loans mainly categorised under Belt & Road Initiative (BRI)'s government to government agreements of approximately $17 billion with China Civil Engineering Construction Corporation, a subsidiary of the state-owned China Railway Construction Corporation.

"The Federal Government in 2016 signed a $5.1 billion Kano–Kaduna and Port Harcourt-Calabar Rail Contracts; in 2018, the country signed a $6.7 billion for Ibadan-Kano rail.

"It signed in 2019, a deal worth $1.488 billion for Lagos–Ibadan rail and again in 2019 signed another loan for construction of $3.9 billion Abuja-Warri rail," he said.

The lawmaker said that amidst widespread allegations of heavily inflated Chinese contracts and fears expressed by stakeholders that most of the projects allegedly did not follow extant regulations, particularly the Public Procurement Act, which enforces tendering or competitive bidding.

He said that industry watchers have also raised fears over why the Public Procurement Bureau (PPB), the National Assembly and Debt Management Office were by passed in the approval and execution of these loan regimes.

He said this was done knowing full well that 70 per cent of the corruption in the

***China has catapulted from being a relatively small investor in the continent to becoming Africa's largest economic partner. Africa-China trade is poised to grow 20 per cent year on year making it seem like dragons are the new king of the African jungle***

country is being fuelled by contracts.

Igbakpa said that Nigeria is the most vulnerable in the bilateral loan pacts with China because Nigeria is susceptible to currency volatility risks.

According to him, such risks, most often are transferred to the country with a weaker economy.

"In this connection, we must heed the warning of the IMF Director of Monetary and Capital Markets Department, Tobias Andrian, in the Guardian Sunday Magazine of Nov. 3, 2019.

"It says that because these Chinese loans do not conform to the Paris Club standards, if there is any debt restructuring down the road one day, that can be very unfavourable to those debtor countries," he said.

Igbakpa recalled that in Business Day of May 14, 2019, countries like Sri Lanka, Zimbabwe, Djibouti, Zambia, Namibia, Kenya and Angola, are at the verge of forfeiting their infrastructures to China over unpaid debts.

He said that industry watchers such as Obadiah Mailafia, a former Deputy Governor of Nigeria's Central Bank, who played a key role in Nigeria's debt relief negotiations with the Paris Club of public creditors in 2005, and Dr Oby Ezekwesili who also helped Nigeria's debt forgiveness during her time as Director at the World Bank, have warned.

According to him, they said that the assistance from China will come with a price of economic takeover if Nigeria is unable to repay her loan.

The legislator said that the Chinese attitude to indebtedness is the hardest in the world as they do not offer debt relief or cancellation.

"Further worried by the startling revelation as published in an online article by Mma Ama Ekeruche in Stears Business Economy Oct. 26, 2018, that Chinese companies generate their highest revenue from Nigeria.

"Between 2000 and 2016, these companies have earned $34.2 billion from implementing projects in Nigeria, some of which are tied to loan agreements.

"On employment, about 64,500 Chinese workers are employed locally thus we are forgoing alternative streams of income and jobs," he said.

The house resolved that in the light of the COVID-19 starting from China, the House Committees on Treaties, Protocols and Agreements, Finance as well as Debt Management be mandated to liaise with the Ministry of Finance and the Debt Management Office to seek for review or outright cancellation of latest China loans to Nigeria, on the principle of force majeure.

The Green Chamber also recommended that henceforth, loans should be in tandem with statutory obligations as prescribed by the Fiscal Responsibility Act.

The existing frosty bilateral relationship between some African Countries and China which has largely led to bitter acrimonies may have further fuelled fears in some quarters that Asia's Super Tiger has clearly hidden motives behind its quest to invest in Nigeria, Africa's largest economy and most populous African Nation.

When a handshake goes beyond the elbow, it ceases to be a friendly gesture and signals a fight."

The above wisecrack becomes apposite in describing the existing poor relationship between China and some of its former allies both within the continent of Africa and beyond. China's incursion into Africa which began on a friendly note has become less cordial over time, no thanks to irreconcilable difference by the parties.

**China's Scramble for Africa**

China's contact with Africa can be traced to the time when Zheng's fleet arrived at the Indian Ocean west coast in today's Kenya about 600 years ago during the Tang dynasty. But official relations with the continent dates back to the 1950s when most African nations attained independence and China's economic engagement with black nations at a strategic level gained currency early 21st century.

Consequently the country's investments in Africa have increasingly diversified into manufacturing, retails, business services, mining, banking and construction industries.

The influence of China can be felt in several countries of Africa, which clearly shows that in spite whatever anybody would say or argue, the Chinese are really in for a complete physical, mental and ideological contestation in Africa.

China has catapulted from being a relatively small investor in the continent to becoming Africa's largest economic partner. Africa-China trade is poised to grow 20 per cent year on year making it seem like dragons are the new king of the African jungle.

Investment in Africa has however been structured around Chinese ownership, with roughly 90 per cent of firms either majority controlled or owned outright by Chinese nationals. There are estimated to be over 10,000 Chinese firms in Africa that have created work for several million Africans. This economic stimulus continues to have significant economic impact in communities riddled with historic economic disparities.

Chinese firms have shown remarkable prowess in sectors such as manufacturing, resources, and infrastructure. One of the first famous examples is the Tanzania-Zambia Railway built between 1970 and 1975, for which China provided a zero-interest loan of RMB980 million ($150 million). Sectors including agriculture, banking, insurance, transport and logistics, housing, information communications technology and telecommunications are poised to see significant shifts to Chinese firms. Chinese firms have the benefit of tried-and-tested business models which bear great similarities to the African marketplace.

According to The Economist, Africa's growth is primarily attributable to China's demand for African resources. Analysing the phenomenon in detail, the impact of Chinese investments is based on seven factors: commodity prices, capacity to extract, infrastructure, manufacturing, employment, market access and consumers.

On the other hand, it has to be noted that the costs of China's contribution to African infrastructure may exceed the benefits, Chinese investment transfers limited technology, skills, and employment to Africa; Chinese investment may deindustrialise Africa; African manufacturing productivity is low and African goods are more expensive than similar Chinese ones.

It is now nine years since China overtook the US as Africa's largest trading partner. Although Kenya and Ethiopia were the only two African nations among the 30 countries signing economic and trade agreements at the Belt & Road Forum (Barf) in Beijing in May last year, China has been busy on the continent.

The flagship Belt & Road project is Kenya's 290-mile railway from the capital, Nairobi, to the port city of Mombasa, which opened to the public last year. There are plans to extend that network into South Sudan, Uganda, Rwanda and Burundi; it was already the country's largest infrastructure project since independence.

Meanwhile, landlocked Ethiopia got a 470-mile electric railway from its capital, Addis Ababa, to the port in the neighbouring dictatorship of Djibouti. The £2.5 billion project financed by a Chinese bank and built by Chinese companies opened in January. Addis's new light rail system, too, was funded and built by China, and operated by Shenzhen Metro Group. And Djibouti, in exchange for major investments, preferential loans, a pipeline and two airports, got China's first overseas military base.

While east Africa has been the main focus

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of Belt & Road on the continent, Chinese infrastructure projects stretch all the way to Angola and Nigeria, with ports planned along the coast from Dakar to Libreville and Lagos. Beijing has also signalled its support for the African Union's proposal of a pan-African high-speed rail network.

Writing on the impact of Chinese investment and trade on Nigeria economic growth, Djeriwake Nabine said, "According to the China Customs, the bilateral trade volume between China and Nigeria in 2006 reached US$3.13 billion, up by 10.6, from 2000 to 2006, among which China's export to Nigeria was US$2.85 billion, up by 23.9, while China's import from Nigeria was US$280 million, down by 47.3 China had a surplus of US$2.57 billion.

China mainly exported motorcycles, machinery equipment, auto parts, rubber tires, chemical products, textiles and garments, footwear, cement…China's increasing presence in Nigeria, and elsewhere in Africa, has spurred much speculation about the nature of the emerging partnership model. A national debate across sectors on this partnership will be a healthy exercise and may drive more rigorous analysis of what best serves African countries' quest for human material advance; friendly, mutually beneficial relations in trade and politics; and stewardship of the shared heritage of the planet."

**A Peep into China-Nigeria Relations**

The bilateral relations between the Federal Republic of Nigeria and the People's Republic of China have expanded on growing bilateral trade and strategic cooperation. China is considered one of Nigeria's closest allies and partners. China is also one of Nigeria's important trading and export partners. According to a 2014 BBC World Service Poll, 80 er cent of Nigerians view China's influence positively, with only 10 per cent expressing a negative view, making Nigeria the most pro-Chinese nation in the world.

Nigeria and the People's Republic of China established formal diplomatic relations on February 10, 1971.Relations between the two nations grew closer as a result of the international isolation and Western condemnation of Nigeria's military dictatorships (1970s-1998).

Nigeria has since become an important source of oil and petroleum for China's rapidly growing economy and Nigeria is looking to China for help in achieving high economic growth; China has provided extensive economic, military and political support.

Bilateral trade reached US$3 billion in 2006 up from $384 million in 1998.During Chinese President Hu Jintao's visit in 2006, China secured four oil drilling licenses and agreed to invest $4 billion in oil and infrastructure development projects in Nigeria, and both nations agreed to a four-point plan to improve bilateral relations a key component of which was to expand trade and investments in agriculture, telecommunications, energy and infrastructure development.

Furthermore, China agreed to buy a controlling stake in the Kaduna oil refinery that would produce 110,000 barrels per day (17,000 m3/d). Nigeria also promised to give preference to Chinese oil firms for contracts for oil exploration in the Niger Delta and Chad Basin. In 2006, China also agreed to grant a loan of $1 billion to Nigeria to help it upgrade and modernise its railway networks. In 2005 Nigeria agreed to supply PetroChina with 30,000 barrels per day (4,800 m3/d) of oil for $800 million.

In 2006 the CNOOC purchased a share for $2.3 billion in an oil exploration block owned by a former defence minister. China has also pledged to invest $267 million to build the Lekki free trade zone near Lagos.

However, the "flooding" of Nigerian markets with cheap Chinese goods has become a sensitive political issue, as – combined with the importation of second-hand European products – it has adversely affected domestic industries, especially in textiles, and led to closure of 65 textile mills and the laying-off of 150,000 textile workers over the course of a decade.

**Chinese Companies Investments in Nigeria**

As at last year, the quantum of investment in the Nigerian economy by Chinese companies hit $20 billion.

According to the President, China Chambers of Commerce in Nigeria, Mr Ye Shuijin, about 160 Chinese firms operating in the country had also employed over 200,000 Nigerians, noting that the companies were promoting what he called the 'people to people' cultural diplomacy of the Belt & Road Initiative of the People's Republic of China in Nigeria.

Shuijin, who is the Managing Director, China Geo-engineering Company, stated that his company, which was established in Nigeria in 1983, had offices in 30 states.

He said that CGC, a construction firm, had faced and surmounted various challenges, adding that the improved infrastructure development in the country, however, was encouraging many more Chinese businessmen and firms to invest in the economy.


# PROSPECTS, CHALLENGES OF NIGERIA'S AGRICULTURE IN 2020

*In 2019, the Federal Government continued with its renewed focus on the agricultural sector in an attempt to diversify the economy away from oil, **Olamilekan FAWAS** examine challenges confronting the sector in 2020.*

The sector which was neglected had since 2016 become an option for diversification, owing to its vast potentials to drive a more sustainable economic growth in Africa's most populous nation in terms of job creation and revenue diversification.

To accelerate this growth, the government in the last five years had devoted a lot of energy at deepening agriculture with initiative like the Anchor Borrowers Programme (ABP), ban on the importation of some agro commodities and the shutting down of its land borders without addressing fundamental issues of mechanisation, irrigation, seeds, extension service, insurance, research and development, among others.

As a result, yields have continued to remain low and progress made initially is now on a downward trajectory as the sector's growth rate has been slowed.

Data from NBS shows that the sector grew by 3.17 percent, in the first quarter of the year, it also grew at a slower rate of 1.79 percent in second quarter and picked up marginally to 2.28 percent in the third quarter of 2019.

Data for the fourth quarter is yet to be published by the Bureau of Statistics.

Similarly, during the year, agricultural export for the period experienced strong growth from January to September 2019 but this was fast eroded as the agricultural imports for the period far outweighed exports, thus, dragging the sector's trade balance into deficit.

Nigeria imported N949.8 billion worth of agricultural goods in the period as against N180.7 billion of exports for the same period despite the ban placed on the importation of several agro commodities, data from the Trade Report shows.

Experts attributed the slow growth and trade deficit to the inability of the government to address fundamental issues.

They noted that the country can only drive growth in the sector when agricultural products become highly competitive.

The experts noted that the country must increase its mechanisation scale to meet the ever-increasing demand for food before the country can talk about earning foreign exchange through the sector.

Also, they added that the government must provide the needed infrastructures such as power and motorable roads to drive down production cost, effective and efficient rail transportation linking where the food are produced in the north and markets in the south as well as irrigation facilities to aid all-year farming.

With all this in place, they stated that the country's agricultural products will be competitive as a result, importation will be discouraged.

Issues such as land ownership, infrastructural deficits, and inadequate access to finance, quality seeds and mechanisation among others are inherent problems the government is yet to address.

"We have increased our crop production of various commodities but the government has still not done anything in addressing fundamental issues. We still do not have sufficient seeds and seedlings, nothing in place to increase mechanisation," said Abiodun Oyelekan, Chief Executive Officer, Farm Fresh Agric Ventures.

"The only thing the government has done is shifting attention to the agricultural sector. People now want to invest in the sector than before and this is why there is an increase in production," Oyelekan added.

He stated that the country cannot make further process if farmers cannot produce at a cheaper cost.

Also, lots of youths that invested in the sector through entrepreneurship are diverting into other sectors owing to the high failure rate caused by some underlying problems in the country's agricultural sector.

Experts recommended the development of linkages between farmers and the market, stating that youths can only find agric attractive when such linkages are provided.

They say developing agriculture requires the rehabilitation of dams and irrigation facilities to boost farmers' productivity and also drive down cost of production.

Border Closure

In an attempt to tackle issues of smuggling that has deterred growth in some subsectors under the agricultural sector, the Federal Government had since August

2019 shutdown the Nigerian borders.

The policy has spur demand in crop and livestock products across the country and created investment opportunities for potential investors across the various value chains in the agricultural sector.

Also, it made farmers and millers ramp up production especially for rice and poultry production to meet the ever-growing demand for food in the country.

"Lots of rice farmers are increasing their production areas because there is a huge market for paddy since the border closure," said Aminu Goronyo, National President, Rice Farmers Association of Nigeria in a telephone response to questions.

"This is because millers are patronising rice farmers now and off-taking all that they produce immediately," Goronyo said.

He stated that before the border closure, farmers had over 20,000 tons of paddy lying fallow because millers were not off-taking from them.

Similarly, the policy compelled Nigerians who generally have a high preference for foreign varieties to shift to local brands.

The Poultry Association of Nigeria (PAN) estimated local poultry production to have increased to 7,000metric tons since the policy took off.

"Since the closure, we have increased our local production to about 7,000metric tons and if it persists, we could cascade its production to 1.5metric tons within a short period," said Onallo Akpan, Director-General of Poultry Association of Nigeria (PAN).

This shows that there is a vast potential in the sector which the government must harness with sustainable policies.

But despite the gains made by the policy, food prices in the country have been on an upward trajectory since the border closure.

The inflationary pressure has reduced consumers' disposable income, hence, making basic needs elude Nigerians.

"We cannot afford to buy the things we usually buy before because prices of everything have gone up," said Blessing Orizu, a mother of three and buyer at Mile12 market.

"It has been really difficult for my family. We now buy little of what we feel is important. The painful thing is that my salary is still the same despite a high rate of inflation in the economy," Orizu added.

Inflation in Africa's most populous nation accelerated to 11.85 percent in November 2019 and was basically driven by food inflation, the National Bureau of Statistics (NBS).

The figure surpasses the Central Bank prediction of 11.7 percent for headline line inflation for the year-end.

The budgetary allocation for the agriculture sector over the last few years shows that the allocation to agriculture, as a percentage of the overall annual budget to all sectors increased from 1.25 percent in 2016 to 1.82 percent in 2017 and 2.23 percent in 2018.

However, the allocation to the sector as a percentage of the overall budget declined in 2019 by 1.56percent and a further decline to 1.3 percent in the 2020 budget.

# CBN'S MAIZE BAN: FOOD PRODUCERS FACE STRUGGLES AMID GROWTH

*The Central Bank of Nigeria (CBN) has banned maize importation, raising prospects of potential shortages in the market. There is concern that local farmers may not meet market demand as poultry farmers and other food producers bemoan high cost of the produce,* ***Abisola THOMPSON*** *reports.*

The food industry is bracing for major adjustments as concerns over the impact of Central Bank of Nigeria's (CBN) ban on maize import grow. While the extent of the ban's impact remains uncertain, production disruption is a major area of focus. Some stakeholders fear that the CBN's ban of maize import when local farmers have not produced enough to power the food industry will lead to high cost of the crop, which is a major raw material in livestock and pharmaceutical industries. Higher projected orders from the food processing industry have sent maize prices soaring with supplies plummeting.

With the ban on maize importation, analysts say food industries are paying more for maize.

**Impact on poultry sector**

The poultry sector is one of the major consumers of maize as it is a key ingredient in poultry feed and accounts for 70 percent of production cost.

Producers have not been able to pass on the high costs to consumers, as such, they have continued to reel under the impact of higher production feed costs.

The Southwest Chairman, Poultry Association of Nigeria (PAN), Dr. Adetoyi Olabode, expressed mixed feelings on the issue.

According to him, while the COVID-19 impact has been mitigated, the poultry sector still face challenges. Olabode, who appreciated the government's steps to boost food security and curtail irresponsible use of foreign exchange, noted, however, that the ban was ill timed because poultry farmers were still counting their losses from the near-closure of businesses due to restrictions imposed by federal and state governments to stem the spread COVID-19.

The pandemic, according to him, has reduced the grain outlook. He said the government should have given poultry farmers at least three months to import enough maize while plans would be intensified to increase maize production to reverse the high cost of poultry feeds. The volume and quality of maize available locally, he said, might not be sufficient for industrial producers in the long run. So, the CBN should relax the policy to allow the import of white maize for animal feed between now and the end of October, he said.

Because of the ban, he said a ton of maize, which sold for N80,000 had climbed to N180,000. Maize prices have soared to an all-time high in the market because of weak supply, he added.

**More woes**

Generally, 75 percent of the cost of raising a chicken goes to feed and this is hampering the competitiveness of producers. A poultry farmer in Uyo, the Akwa Ibom State capital, Solomon Ekong, who spoke with TBI Africa, decried the high cost of maize.

Ekong, a senior official of PAN, said the business of eggs and chicken, once considered a profitable venture, was no more rewarding as operators have continued to suffer losses, with some winding up their poultry farms.

Due to the cost of chicken feed, he said their operating costs had shot up, though the price of chicken and egg remained the same.

He noted that poultry business was suffering despite that consumption was significant. Ekong urged the Federal Government to come to their rescue, lamenting that their farms were crumbling.

The Delta State Chairman of PAN, Chief Alfred Mrakpor, appealed to the Federal Government to save the local poultry industry from collapse due to the high cost of feeds.

Mrakpor lamented the large numbers of small-scale poultry farms that have closed shop as a result of the exorbitant prices of critical ingredients in poultry feed formulation.

He said the benefits of the ban by the Federal Government on frozen chicken on the local industry would be eroded, if the exorbitant prices of maize and soya beans, major components of poultry rations, were not checked.

Mrakpor said: "It is heartbreaking to see that small farmers are falling out of business and by extension increasing the poverty level of the citizenry. This is not the expectations of our members, and we are negatively affected by the galloping price of maize by maize merchants without any remorse.

"In the last two years, the local broiler industry has boomed with a positive effect on food sufficiency for Nigeria. This has been largely aided by the ban on imports of frozen chicken. We see this great achievement being rolled back if local broiler production is threatened. "A ton of maize, which used to sell for N97,000, has climbed to N165,000 while a ton of soybeans have increased from N110,000 to N123,000 in the last few months.

"We appeal to President Muhammadu Buhari to allow the importation of maize since our local farmers cannot meet up with the demand required by consumers."

**Fear of aflatoxin**

While farmers and food processors are

encouraged to use existing stocks, another concern is that poor storage of maize during the lockdown would have caused it to be infected by aflatoxin, a toxin caused by mold.

Apart from the lack of storage infrastructure, the heat and humidity ensure that corn is easily damaged by mould.

The Dean, School of Basic and Applied Sciences, Babcock University, Ilishan, Ogun State, Prof. Dele Fapohunda, said some of the maize might have become unfit for human consumption as they have been contaminated by aflatoxin, known to cause cancer and other health problems.

The loss comes when the country is still struggling with the coronavirus pandemic, which have adversely affected its food chain as markets were closed and movement restricted.

Fapohunda urged the government to assist struggling producers not only in the poultry sector, but in the entire agriculture industry, otherwise, food security will be at risk.

According to him, poultry farmers cannot produce chickens cheaply without subsidies. So far, farmers harvest two major corn crops yearly. For this reason, the biggest worry for the poultry players is there's unlikely to be any respite from higher feed prices over the next five months, when the new maize crop arrives into the market.

A lecturer in the Department of Agric Extension and Rural Development, Faculty of Agriculture and Forestry, University of Ibadan, Dr Kehinde Thomas, urged the government to permit maize import because the country's farmers have insufficient grains to feed the nation. He said the industry would need corn imports during this time of short supply.

The Programme Director, Lagos Business School Agribusiness Programme, Dr. Okechukwu Kelikume, described the directive by the CBN, banning the importation of maize, as ill-timed, with potential negative consequences for the poultry sector. He stated that the policy could further compound the woes of poultry farmers given that maize, which constitutes over 50 per cent of poultry feed content is currently very scarce, and where available, is very expensive, even as the price keeps rising.

Admitting that the CBN's earlier policies of Agric, Small and Medium Enterprise Scheme and the Anchor Borrowers Programme have been largely successful, he said the decision to discontinue the processing of Form M for maize import could reverse the gains of those interventions.

Why CBN banned maize import

The CBN has directed dealers to discontinue the processing of Forms M for maize/corn import. This directive was contained in a notice addressed to the dealers and signed by the Director of Trade and Exchange Department, Dr Ozoemena Nnaji.

The CBN gave four reasons for its action. These include: increasing local production, stimulating a rapid economic recovery, safeguarding rural livelihoods and increasing jobs. In line with this development, the dealers were told to return the Forms M they had registered for importation by July 15.

**Boosting maize production via CBN Anchor Borrowers' Programme**

The Central Bank of Nigeria (CBN) under its Anchor Borrowers' Programme (ABP) on June 11, in Bwari, Abuja, launched its nationwide distribution of farm inputs to maize farmers for the 2020 wet season farming, Shile GIWA examines the opportunities

The apex bank said that the programme which targets to support 70, 000 maize farmers across the country has the ultimate goal of boosting maize production in the country.

It would be recalled that the ABP was launched by President Muhammadu Buhari on Nov. 17, 2015 to create a linkage between anchor companies involved in processing key agricultural commodities and small holder farmers.

The focus of the ABP is to provide support to farmers in form of loans and farm inputs such as seeds, fertilizers, pesticides, sprayers and technical support to grow their crops.

The programme targets farmers who produce cereals, roots, tubers and tree crops.

Others are legumes, livestock, cotton, sugarcane and tomato.

No doubt, Nigeria is a large producer of maize with a large population also depending on it as the main staple food crop.

According to 2018 report by International Institute of Tropical Agriculture (IITA), a non-profit institution that generates innovations to meet Africa's challenges of hunger, malnutrition and poverty, the largest African producer of maize is Nigeria with over 33 million tonnes followed by South Africa, Egypt and Ethiopia.

"It is an important cereal which most families in the country use as basic food for both domestic consumption and animal feed as all parts of the crop can be used for food and non-food products," a maize farmer, Malam Suleiman Modibbo said.

Modibbo, however, complained that maize farmers in Nigeria are apparently faced with numerous challenges ranging from lack of fund to purchase farm inputs to attacks by pests and diseases on their farms.

According to him, these challenges lead to farmers' apathy toward maize production in the country.

"Maize was not produced in commercial quantities to feed the industries, instead, industries import maize to meet up with production; maize farmers were relegated to subsistence farming," Modibbo noted.

But the narrative changed with the launch of the ABP's support to assist Nigerian farmers so that the nation can feed and have excess that can be exported to earn foreign exchange.

While distributing farm inputs under the CBN-Maize Anchor Borrowers' Programme, Mr Nuhu Muazu, Head Development Finance Office, CBN, tasked farmers to make judicious use of the support to boost maize production and guarantee food security in the country.

"For years, we have been using our hard earned foreign exchange to import food that we can produce and by doing so, we are importing unemployment.

"We are also empowering farmers in other countries at the expense of the farmers in Nigeria.

"Hence, the Federal Government said no, we have to feed ourselves, but we have to support our farmers with the necessary finances that will assist them to produce," Muazu said.

He reminded the farmers that the funds given to them are by no means free money.

According to him, the participating banks, which work with the CBN lend to anchors at nine per cent per annum for onward disbursement to the farmers.

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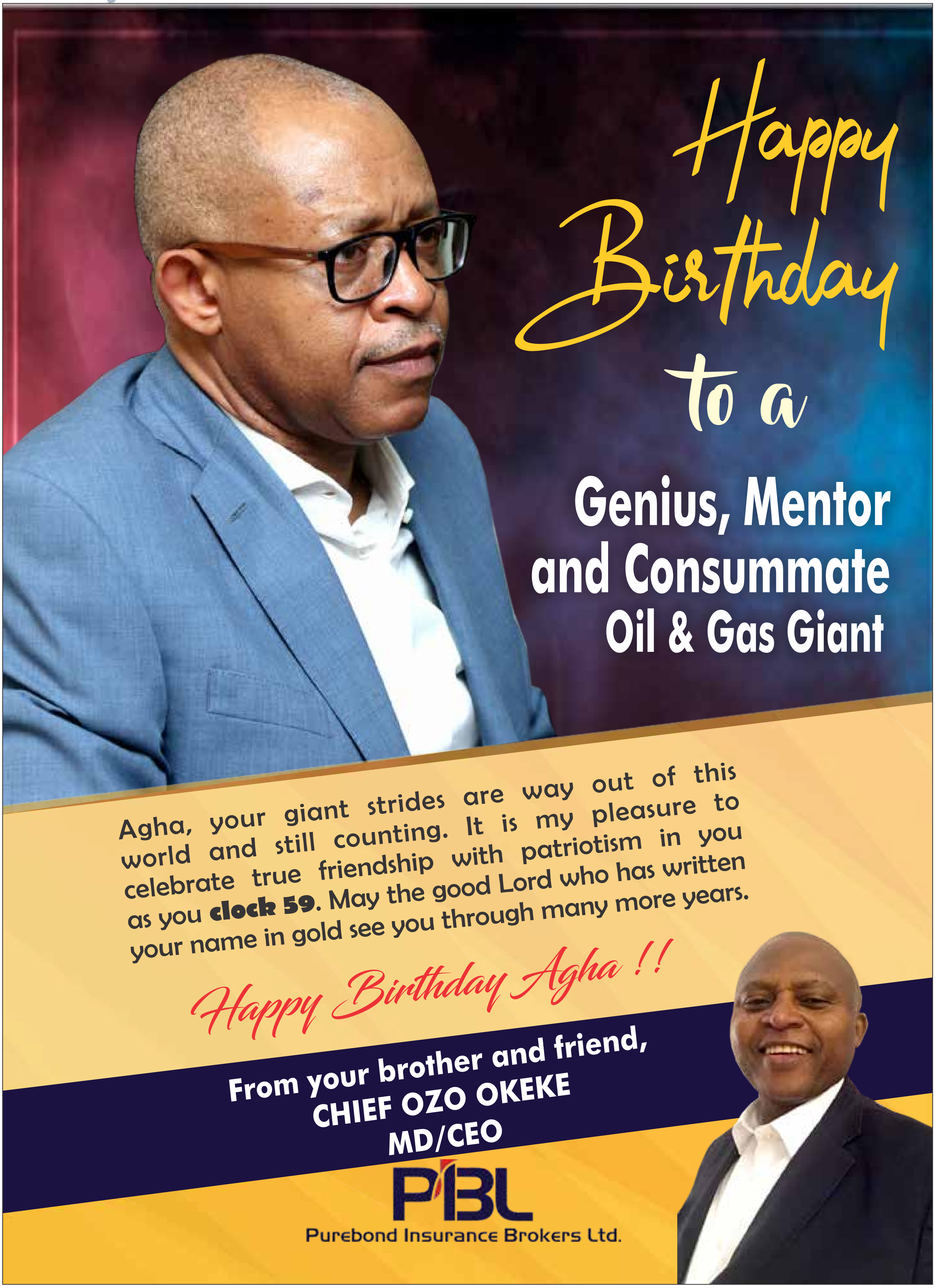
Happy Birthday to a
Genius, Mentor and Consummate Oil & Gas Giant
Agha, your giant strides are way out of this world and still counting. It is my pleasure to celebrate true friendship with patriotism in you as you clock 59. May the good Lord who has written your name in gold see you through many more years.
Happy Birthday Agha !!
From your brother and friend,
CHIEF OZO OKEKE
MD/CEO
PIBL
Purebond Insurance Brokers Ltd.