

Nigeria to cease import of petroleum products

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Nigeria will cease to import petroleum products and totally depend on its own refined products from 2019, the Minister of State for Petroleum, Dr Ibe Kachikwu, disclosed this week.



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Kachikwu, who said the council approved a new policy document on the operations of the petroleum sector, further disclosed that a gas policy had earlier been approved by FEC three weeks ago to serve as the bedrock for Nigeria's change of status as an oil producing nation to a gas producing country.

However, he said the new 100-page petroleum policy approved this week consisted of plans for the reorganisation of the Nigerian National Petroleum Corporation (NNPC) with a view to achieving efficiency and accountability; address salient issues in the Niger Delta; guarantee stability and consistency in the oil sector, and aid cash calls.

The fundamentals

"Today, we took to council a Nigerian petroleum policy document. As you are aware, three or four weeks ago, we also considered the Nigerian Gas Policy. The essence of that gas policy was to focus increasingly on how to change the imperatives of seeing Nigeria as an oil producing country to a gas producing country because we are a lot more privileged to have gas than we have oil.

"Today's document focused on oil. What are the imperatives for changing the policies in the oil sector? It dealt with certain fundamentals and some of the policies that we had already begun to pursue now crystallised in FEC policy memo. For example, we are working assiduously to exit the importation of fuel in 2019. It captured the cash calls change which we have done which enables the sector to fund itself through incremental volumes.

"It captured the reorganisation in the NNPC for efficiency and enabled accountability. It captured the issues in the Niger Delta and what we needed to do as a government to focus on stability and consistency in the sector. It is a very comprehensive 100-page document that deals with all the spectrum in the industry. The last time this was done was in 2007 and it has been 10 years and you are aware that the dynamics of the oil industry has changed dramatically.

"Apart from the fluidity in pricing and uncertainty in terms of the price regime in crude oil, we are pushing for a refining processing environment and moving away from exporting as it were to refining petroleum products. That's one change you will see. Secondly, how we sell our crude is going to be looked at. There are a lot of geographical markets that we need to look at, long-term contracting and sales as opposed to systemic contracting that we have been doing.

"Those are the fundamentals. It is a document that, if well executed, it will fundamentally take the change process that we began in 2015 to its logical conclusion hopefully in the next couple of years," he said.

2019 timeline already set

Giving a detailed breakdown of the planned stoppage of fuel importation soon, Kachikwu said 2019 timeline had already been set for the agenda and government was working assiduously towards meeting the target.

According to him, both the steering committee which he heads and the technical committee headed by the chief operating officer of the NNPC, had had a series of meetings with individuals whom he said were prepared to invest in the project.

The minister said the plan was neither about the sale of refineries nor their concession but rather a financing scheme in which he said some groups would build the refineries while others would finance them, pointing out that at least 30 persons had already indicated interests in the financing scheme.

Drop in fuel consumption

Kachikwu also disclosed that as a result of efficiency in the management of the oil sector, the daily consumption of fuel which he said used to be 50 million litres per day when he came on board in 2015 had now drastically dropped to 28 million litres per day.

"In terms of the specifics, what a policy document does is that it gives you a general guideline in terms of where you are headed, then you go into the specifics in other separate documents for the purpose of execution. If you take the 2019 time frame for refinery, for instance, it won't tell you what I'm doing today but will tell you that I have set a timeline to exit importation and to get the refineries working by 2019.

"But if you ask me specifically off the shelf, what are we doing on that? There is a steering committee already in place which I head. There is a technical committee team already set up headed by chief operating officer in NNPC. We have had series of meetings with individuals who are willing to put money into the refineries.

Not a sale nor a concession, but a financing scheme

"I need to state this clearly. This is not a sale. This is not a concession. This is a financing scheme and there are over 30 people who have indicated interest in that financing. They are going to go through the usual due process mechanism to see who qualifies for that financing. What we have resolved, however, which we have at least had a landing on is that each of the refineries would be repaired by the individual company that built the refinery.

"Who does the work is different from who does the financing. We are still dialoguing on who is going to get the financing opportunity but who is going to get the contracting opportunity to do the work is already decided.

"Government is not putting money into this. It is going to be a sector-led effort and they will recover their money through incremental volumes that will arise from the production increase arising from the repairs. We are doing about 30% performances on most refineries now. So, if you get them to above 90% template, we are going to use some of the product lines to pay for some of the debts and free ourselves from the importation problems," concluded Kachikwu.

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