



**Foreign Exchange Petroleum Products and the Economy
Regulatory and Operational Issues in Financing Petroleum
Products Importation.**

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By

Ola Olabinjo

Group Head Oil & Gas

Skye Bank Plc

BACKGROUND

- Population of About 70Million (1965 – 1990)
- Major Crude Oil Producers.
- Four Major refineries PH 1 (1965) , PH 2 (1989) (Now Merged) Warri (1978) & Kaduna.
- Large Distribution Network of Pipe Lines Linking Distribution Depots.

WHAT IS THE CURRENT SITUATION?

- Population 120Million.
- Major Crude Oil Producers. 1.8 – 2.4mbpd.
- Four Refineries – Non of the refineries Working.
- Pipe Lines vandalized / old or unreliable.
- Hence the era of perennial outages / scarcity.

HERE COMES IMPORTATION

- To meet ever growing demand.
- Increased population.
- Name plate capacity can no longer cope with demand assuming 100% capacity uptime.
- Smuggling of imported products to neighboring countries (This has proven to be very profitable)

LOCAL DEMAND CHALLENGES

- Estimated local demand is put at about 50million metric tonnes per year.
- This requires storage.
- Distribution – Shipping and trucking.
- Other infrastructure/ regulatory issues.

FOREIGN EXCHANGE IMPLICATIONS

- One of the largest users of Foreign Exchange from CBN publications.
- Puts pressure on the foreign reserve.
- Puts pressure on exchange rate.
- To compound the scenario majority of the demand for Foreign exchange funded by subsidy.

QUESTIONS

- How much do we need to bring the refineries up?
- Will the challenges of the Niger Delta make it commercially viable to invest in the sector?
- Why has there not been a positive response to the licenses for private refineries?
- Why is Cote D'Voire operating an efficient refinery and Nigeria cannot?
- Is it profitable to set up a private refinery in Nigeria?

REGULATORY ISSUE

- Deregulation :
 - Complete deregulation.
 - Supply side deregulation.
 - Demand deregulation.
 - phase deregulation.
 - Retention of status quo.

ISSUES IN FINANCING PETROLEUM PRODUCT IMPORTATION

- Unstable policies and subsidy.
- Lack of data and information on demand and capacity.
- Major character issues with operators.
- Lack of proper organisational structure and inexperience by key players resulting to key man issues.
- Volumes are huge even with deregulation and the industry is susceptible to major movements in both price and exchange rate.
- Unwholesome competition amongst players which is based on ego than market driving.

THANK YOU