

**REPORT ON THE ADMINISTRATION OF
THE PETROLEUM SUPPORT FUND (PSF)**

January, 2006 - July 2008



**PETROLEUM PRODUCTS PRICING
REGULATORY AGENCY
(PPPRA)**

August, 2008

1.0 MANDATE, VISION & MISSION

1.1 Mandate

The Mandate is derived from the PPPRA Act No. 8 of May 2003 which are to:

- i.* Maintain constant surveillance over key indices relevant to pricing policy and periodically approve **benchmark prices** for all products.
- ii.* Moderate volatility in petroleum products prices, while ensuring reasonable returns to the operators.
- iii.* Establish parameters and codes of conduct for all operators in the downstream sector of the petroleum industry.
- iv.* Prevent collusion and restrictive trade practices harmful to the sector.
- v.* Exercise mediatory role as necessary for all the stakeholders in the sector.
- vi.* Regulate the supply and distribution of petroleum products.
- vii.* Establish an information data bank through liaison with all relevant agencies to facilitate the making of informed and realistic decisions on pricing policies.
- viii.* Identify macro-economic factors relating to prices of petroleum products and advice the Federal Government on appropriate strategies for dealing with them.
- ix.* Establish firm linkages with key segments of the Nigerian society and ensure that its decisions enjoy the widest possible understanding and support.

1.2 Mission

To reposition Nigeria's downstream sub-sector for improved efficiency and transparency

1.3 Vision

The attainment of a strong and vibrant downstream sub-sector of the petroleum industry where refining, supply and distribution of petroleum products are self financing and sustaining.

1.0 INTRODUCTION/OBJECTIVES

Petroleum Support Fund (PSF) Scheme was announced by the then President in the 2005 Independence Day speech to eliminate the effect of volatility in international crude oil and products and stabilize domestic prices. The administration of the Scheme started in the year 2006. The Guidelines for the implementation of the PSF prepared by the PPPRA in consultation with the industry Operators was also approved by the Government.

The PSF Guidelines do not supersede the Mandate of the Agency established by the Act (No.8 of May, 2003) of the Parliament. In administering the PSF, the relevant portion of the Mandate may take precedence over the PSF Guidelines. The Executive Secretary is empowered by the Act to ensure:

- Products availability through regulation of petroleum products supply and distribution.
- Prevention of restrictive trade practices harmful to the sub sector

In principle, the petroleum Support Fund (PSF) is funded by the three tiers of Government to stabilize the domestic prices of petroleum products against volatility in international Crude oil and Products Prices. However, from inception payment into the Fund has been derived borne by either the Federal Government Budget or through the Domestic Excess Crude Account. **The PSF has the following objectives:**

- ✚ To stabilize the domestic prices of petroleum products against volatility in international Crude oil and Products market***
- ✚ To create a level-playing field for active participation of NNPC & other Marketers in products supply and distribution***
- ✚ To guarantee effective products availability and distribution nationwide***
- ✚ To entrench transparency and accountability in the administration of the Fund on petroleum products subsidy in line with the government objectives.***

In administering the Fund, a pricing policy that engenders healthy competition among industry operators, encourages investment and the maintenance of international

standards and practice is applied. This pricing principle known as Import Parity is adopted using Platts published products prices and freight rates as the only way transparency and accountability can be assured.

The PSF mode of payment is based on either under or over recovery of products cost. **Under recovery** is when the Landing cost of products is more than the approved Ex-depot price. During the period of under recovery, marketers are paid the difference in the Landing cost of products and the government approved Ex-depot price.

Over recovery on products occurs when the Landing cost of products is less than the approved Ex-depot price. Marketers are then expected to pay back into the Fund.

2.0 PROCEDURES AND MODALITIES FOR THE ADMINISTRATION OF PETROLEUM SUPPORT FUND (PSF) SCHEME

The general modalities for the implementation of the Scheme are as follows:

- ✚ Registration by the Marketer to participate in the PSF Scheme.
- ✚ Notification to Import by the Marketer
- ✚ Approval to Import given by the PPPRA based on the level of products availability and other relevant and critical factors deemed appropriate by the Agency.
- ✚ Witnessing and confirmation of the discharge of the imported cargo by the PPPRA staff, Federal Ministry of Finance's Auditor (Akintola Williams Deloitte), PPPRA Consultants, DPR, the Independent surveyors and the Nigerian Navy at the jetties.
- ✚ Verification of the import documents by the PPPRA and the DPR
- ✚ Processing of the import documents and determination of under or over recovery (as applicable) by the PPPRA on the basis of volume endorsed by the DPR and Independent Inspectors and the published Platts product prices for the period of the imports.
- ✚ Advice on payment due to the Marketers by the PPPRA
- ✚ Submission of the verified documents and subsidy claims to the Federal Ministry of Finance (FMF).

- ✚ Submission of documents of subsidy claims to the FMF's appointed Auditor (Akintola Williams Deloitte) by the FMF through the Budget Office of the Federation (BoF)
- ✚ Verification/Auditing of Marketer's subsidy claims by FMF's Auditor (Akintola Williams Deloitte)
- ✚ Submission of Audited Report on subsidy claims to the FMF by the Auditors (Akintola Williams Deloitte)
- ✚ Processing and approval of the audited subsidy claims by the FMF
- ✚ Issuance of Authority to Incure Expenditure (AIE) or Mandate by the FMF to the Accountant General of the Federation (AGF)
- ✚ Issuance of Payment Mandate by the AGF to the Central Bank of Nigeria (CBN – the custodian of the Fund)
- ✚ Crediting of the PSF account by the CBN
- ✚ Issuance of cheques by the PPPRA to the Marketers on the basis of the Auditor's report as accepted by the FMF.

ROLES AND RESPONSIBILITIES OF THE STAKEHOLDERS

Department of Petroleum Resources (DPR)

- Analysis of the quality specification of the products
- Verification and certification of the quantity imported/supplied by the Marketers
- Monitoring of the products supply and distribution chain from the jetties to depots and the retail outlets
- Enforcement of the prices set by the Government

Independent Inspectors

- Measurement and certification of the quantity imported (both on the vessel and the shore tank at the jetty) – Products ullaging
- Certification of the quality specification of the products
- Ascertain the quantity of Bunker fuel in the vessel to avoid adulteration and volume distortions.

Federal Ministry of Finance (FMF)/ Office of the Accountant General of the Federation

- Witnessing and confirmation of the quantity imported by the Marketer at the jetties by the FMF's Auditor (Akintola Williams Deloitte)
- Processing and approval of payment due to the Marketer
- Issuing of Payment Mandate through the Office of the Accountant General of the Federation to the Central Bank of Nigeria

PPPRA Audit Consultants

- Witnessing and confirmation of the quantity imported by the Marketer at the jetties
- Participate in products ullaging
- Provision of products statistics (supply & distribution) from depots and jetties to the retail outlets.

Central Bank of Nigeria (CBN)

- Custodian of the Fund
- Confirmation of the payment

PPPRA

- Witnessing and confirmation of the quantity imported by the Marketer at the jetties
- Monitoring of prices at the depot and retail outlets levels
- Monitoring of products evacuation from the depots to the retail outlets covering bridging and local delivery
- Determination of appropriate price build-up subject to approval by the government
- Determination of industry operators margins subject to government approvals
- Determination of appropriate under and over recoveries in line with the approved Ex-depot and established Landing Cost

Nigeria Navy

- Issuance of clearance for the vessel to enter the Nigerian waters

Nigerian Customs Service

- Issuance of clearance to discharge or Authority to unload products/goods with the quantity stated

Nigerian Port Authority (NPA)

- Issuance of clearance to allow the vessel to berth at the Jetty after necessary payment (Port dues based on the size of ships and volume of products as stated in the bill of lading).
- Vessel's berth scheduling

Facilities/Depot Owners

- Ascertain the volume discharged into the tanks and monitor their distribution through the closing and opening inventory stocks as well as appropriate means of ullaging.

PRICE BUILD-UP COMPONENTS

1. Product Cost (\$/MT)

This is the monthly moving average cost of refined petroleum product (PMS, AGO, DPK) as quoted on **Platts Oil gram. The reference spot market is North West Europe (NWE) and the transaction is CIF Cargoes (Cost, Insurance & Freight) basis for AGO and DPK, FOB Barges (Free on Board) basis for PMS. The NWE market is adopted because of its liquidity and transparency.

2. Conversion Rate

The conversion rate from Metric Tons to Litres based on the Specific Gravity of AGO is 1164; DPK is 1232 and PMS is 1341. The conversion factors may be altered depending on the Specific Gravity of the products approved by the DPR.

3. Exchange Rate

This is the average exchange rate of Naira to a Dollar as quoted by Central Bank of Nigeria (CBN) on daily basis.

4. **Freight**

This is the average clean tanker freight rate (World Scale (WS) 100) as quoted on Platts. It is the Cost of transporting 30, 000mt (30kt) of product from NWE reference market to West Africa (WAF) coast (Lagos/Bonny offshore).

5. **Lightering Expenses**

Ship-to-Ship (Transshipments)/Local Freight charge is the cost incurred on the transshipment of imported petroleum products from the mother vessel into daughter vessel to allow for the onward movement of the mother vessel into the Jetty. This charge includes receipt losses of 0.3% in the process of products movement from the high sea to the Jetty and then to the depot and the NMA inspection charge. Also included in the Lightering Expenses is the Shuttle vessel's chartering rate from Offshore Lagos/Bonny to the different jetties in the country. Transshipment (STS) process is as a result of peculiar draught situation and inadequate berthing facilities at major Ports/Jetties – Apapa, Calabar and Port Harcourt. It should be noted that vessels discharging at different Jetties undergo STS at the offshore either Lagos or Bonny except Folawiyo and Atlas Cove Jetties.

6. **Nigeria Port Authority (NPA) Charge**

It is the cargo dues (harbor handling charge) charged by the NPA for use of Port facilities. The charge includes VAT and Agency expenses. The NPA charge is based on the quantity of products and the length of the ship – Length Overall (LOA)

7. **Financing**

It refers to stock finance (cost of fund) for the imported product. It includes the cargo financing based on the International London Inter bank Offered Rates (LIBOR) rates covering 21 days and the Nigerian Inter bank Offered Rate (NIBOR) for 9 days. The financing of the component of subsidy claims being paid through the PSF covering 45 days is also added based on the prevailing NIBOR rates. The LIBOR is normally between 30 – 90 days e.g. 30-day, 60-day and 90-day LIBOR.

8. **Jetty Depot Thru. Put**

This is the tariff paid for use of facilities at the Jetty by the Marketers to move products to the storage depots.

9. **Pipeline Charge**

Product Pipeline Margin is for pipeline charges. The Charge is based on N.50/Litre fixed charge for pipeline length not less than 10km and variable charge subject to a maximum charge of N1.50 for 1000 km pipeline length (*only NNPC is entitled to claim the charge when product is moved between Atlas Cove and Mosimi, Satellite town, Ibadan*).

10. **Storage charge**

Storage Margin is for depot operations covering storage charges and other services rendered by the depot owners

11. **Landing Cost**

It is the cost of imported products delivered into the Jetty depots. It is made up of components highlighted above (1, 4, 5, 6, 7, 8 and 10).

12. **Distribution Margins**

These include Retailers, Dealers, Transporters margins, Bridging fund and Administrative charge as approved by the Government.

13. **Taxes**

These include highway maintenance, government, import and fuel taxes. It has the overall objectives of revenue generation, social infrastructure investment and servicing and efficient fuel usage. Presently, all these attract zero taxes.

14. **Retail Price**

This is the expected pump price of petroleum product at retail outlet located in coastal areas. It is made up of landing cost of imported product plus reasonable distribution margins. Pump prices of the product are expected to be uniform

because of Equalization and Bridging claims paid by the Petroleum Equalization Fund (Management) Board

INFORMATION ON THE ENERGY INFORMATION PROVIDER - PLATTS

**Platts is the world's leading provider of energy information. It provides comprehensive information and real time news on oil and financial services to professionals in the oil industry. It provides quality, accurate and timely data needed to make critical decisions in the face of volatile energy environment. It accesses the energy market, interacts with traders and publishes its findings on daily basis.

The daily prices reported by Platts are monitored by the PPPRA to update its daily pricing template. Majority of oil traders usually monitor daily prices of commodities using Platts trading instruments.

3.0 ADMINISTRATION OF PSF (2006 STATISTICS)

The PSF Scheme commenced in January 2006 with the participation of the state-owned oil company, Nigerian National Petroleum Corporation, (NNPC) and four petroleum products Marketing Companies namely: Oando Plc; M.R.S Oil & Gas Co. Ltd; Chevron Nig. Plc and Total Nig. Plc. The summary for the year 2006 operations is as shown in the tables below:

TABLE 1: 2006 PMS PAYMENTS SUMMARY

S/NO	Marketer	Amount (Billion Naira)	% Contribution
1	NNPC Sub Total	134.487	88.48%
2	Oando Plc	8.617	5.67%
3	MRS Oil & Gas Ltd	6.102	4.02%
4	Chevron Nig Plc	1.531	1.01%
5	Total Nig Plc	1.249	0.82%
6	Other Marketers' Sub Total	17.501	11.52%
7	Total	151.988	100.00%

TABLE 2: 2006 PMS QUANTITY SUMMARY

S/NO	Marketer	Quantity (Billion Litres)	% Contribution
1	NNPC Sub Total	8.554	91.75%
2	Oando Plc	0.407	4.37%
3	MRS Oil & Gas Ltd	0.242	2.59%
4	Chevron Nig Plc	0.070	0.76%
5	Total Nig Plc	0.050	0.53%
6	Other Marketers' Sub Total	0.769	8.25%
7	Total	9.323	100.00%

TABLE 3: 2006 HHK PAYMENTS SUMMARY

S/NO	Marketer	Amount (Billion Naira)	% Contribution
1	**NNPC Sub Total	107.404	98.43%
2	Oando Plc	0.438	0.40%
3	MRS Oil & Gas Ltd	1.273	1.17%
4	Chevron Nig Plc	*	*
5	Total Nig Plc	*	*
6	Other Marketers' Sub Total	1.711	1.57%
7	Total	109.116	100.00%

****N20.66 Billion Subsidy Claims on AGO was paid to the NNPC from Jan. – Jun. 2006**

TABLE 4: 2006 HHK QUANTITY SUMMARY

S/NO	Marketer	Quantity (Billion Litres)	% Contribution
1	**NNPC Sub Total	3.222	98.68%
2	Oando Plc	0.013	0.40%
3	MRS Oil & Gas Ltd	0.030	0.92%
4	Chevron Nig Plc	*	*
5	Total Nig Plc	*	*
6	Other Marketers' Sub Total	0.043	1.32%
7	Total	3.265	100.00%

****This is inclusive of 0.879 billion litres of AGO supplied by the NNPC from Jan. – Jun. 2006**

From the above, the contribution of other Marketers in terms of PMS product supply under the PSF Scheme in 2006 was about 8%, the NNPC contributed about 92%. It should also be noted that the daily supply averages for PMS and HHK were about 26 Million Litres and 7 Million Litres respectively. A total sum of **₦261.10 Billion** was spent to subsidize products consumption in the year 2006. Also in 2006, the local refinery (PHRC) contributed only about **17% and 40% of the total supply of PMS and HHK** respectively.

4.0 2007 PSF SUMMARY

The operation of the PSF Scheme in 2007 has enjoyed the active participation of both Major and Independent Marketers. The state-owned oil corporation, NNPC, however, still continue to play a major role in the supply and distribution of petroleum products. The summary below reflects the level of products supply for the year 2007 with a remarkable increase in the supply by other Marketers over the 2006 level. The additional Marketers that participated under the Scheme in 2007 were Mobil Oil Nig Plc, NIPCO Plc, Triquest Energy, Sigmund Communecci and African Petroleum Plc.

TABLE 5: 2007 PMS PAYMENTS SUMMARY

S/NO	Marketer	Amount (Billion Naira)	% Contribution
1	NNPC Sub Total	139.813	74.35%
2	Oando Plc	13.292	9.51%
3	MRS Oil & Gas Ltd.	13.211	9.45%
4	African Petroleum Plc	7.876	5.63%
5	Total Nig. Plc.	5.348	3.83%
6	NIPCO Plc	2.437	1.74%
7	Chevron Nig. Plc.	2.380	1.70%
8	Triquest Energy Ltd	1.516	1.08%
9	Mobil Oil Nig. Plc	1.161	0.83%
10	Sigmund Communecci Ltd	1.010	0.72%
11	Other Marketers' Sub Total	48.230	25.65%
12	Total	188.043	100.00%

TABLE 6: 2007 PMS QUANTITY SUMMARY

S/NO	Marketer	Quantity (Billion Litres)	% Contribution
1	NNPC Sub Total	8.155	79.26%
2	Oando Plc	0.613	7.52%
3	MRS Oil & Gas Ltd.	0.540	6.62%
4	African Petroleum Plc	0.354	4.34%
5	Total Nig. Plc.	0.254	3.11%
6	NIPCO Plc	0.115	1.41%
7	Chevron Nig. Plc.	0.106	1.30%
8	Triquest Energy Ltd	0.059	0.73%
9	Mobil Oil Nig. Plc	0.051	0.63%
10	Sigmund Communecci Ltd	0.042	0.51%
11	Other Marketers' Sub Total	2.134	20.74%
12	Total	10.289	100.00%

TABLE 7: 2007 HHK PAYMENTS SUMMARY

S/NO	Marketer	Amount (Billion Naira)	% Contribution
1	NNPC Sub Total	87.657	96.52%
2	Oando Plc	1.959	2.16%
3	MRS Oil & Gas Ltd.	*	*
4	African Petroleum Plc	*	*
5	Total Nig. Plc.	*	*
6	NIPCO Plc	*	*
7	Chevron Nig. Plc.	*	*
8	Triquest Energy Ltd	*	*
9	Mobil Oil Nig. Plc	*	*
10	Sigmund Communecci Ltd	1.199	1.32%
11	Other Marketers' Sub Total	3.158	3.48%
12	Total	90.814	100.00%

TABLE 8: 2007 HHK QUANTITY SUMMARY

S/NO	Marketer	Quantity (Billion Litres)	% Contribution
1	NNPC Sub Total	2.009	96.91%
2	Oando Plc	0.042	2.08%
3	MRS Oil & Gas Ltd.	*	*
4	African Petroleum Plc	*	*
5	Total Nig. Plc.	*	*
6	NIPCO Plc	*	*
7	Chevron Nig. Plc.	*	*
8	Triquest Energy Ltd	*	*
9	Mobil Oil Nig. Plc	*	*
10	Sigmund Communecci Ltd	0.022	1.08%
11	Other Marketers' Sub Total	0.064	3.09%
12	Total	2.073	100.00%

The Table 6 on quantity shows that the contribution of other Marketers under the PSF Scheme has increased remarkably. The NNPC contributed about 79% while other Marketers contributed about 21% in terms of PMS product supply indicating an increase of about 13% over the 2006 figure. This is facilitated by the increased awareness in products procurement and improved payment of claims of the PSF Scheme in the year 2007. The average daily supply for PMS and HHK was about 28 Million Liters and 6 Million Liters respectively. The local refinery (PHRC) has contributed only about **4% and 15% of PMS and HHK** to the total supply respectively. A total amount of **₦278.86 billion** was expended on subsidy for the year 2007.

5.0 2008 PSF SUMMARY (as @ July, 2008)

The participation of Marketers under the PSF Scheme in the year 2008 has been very impressive. This has had a direct positive impact on the supply and distribution of products. The PMS daily supply for example has increased to about 33 million litres per day from the 2007 figure of 28 million litres a day. Also, the number of participating marketing companies including the NNPC has increased from 10 in 2007 to 19 in 2008 as at July.

TABLE 9: 2008 PMS PAYMENTS SUMMARY

S/NO	Marketer	Amount (Billion Naira)	% Contribution
1	NNPC Sub Total	157.329	61.38%
2	African Petroleum Plc	21.431	8.36%
3	MRS Oil & Gas Ltd.	18.657	7.28%
4	Oando Plc	17.593	6.86%
5	Triquest Energy Ltd	7.910	3.09%
6	Folawiyo Energy Ltd	4.497	1.75%
7	Integrated Oil & Gas Ltd	3.896	1.52%
8	Rahamaniyya Oil & Gas	3.826	1.49%
9	Total Nig. Plc.	3.679	1.44%
10	NIPCO Plc	3.576	1.40%
11	Mobil Oil Nig. Plc	3.459	1.35%

12	Imad Oil & Gas Ltd	3.384	1.32%
13	Sigmund Communecci Ltd	2.469	0.96%
14	Conoil Plc	1.991	0.78%
15	Capital Oil & Gas Ltd	1.509	0.59%
16	Chevron Nig. Plc.	0.798	0.31%
17	AMG Petro-Energy Ltd	0.295	0.12%
18	Tonique Oil Services Ltd	*	*
19	Northwest Petroleum & Gas	*	*
20	Other Marketers' Sub Total	98.976	38.62%
21	Total	256.305	100.00%

TABLE 10: 2008 PMS QUANTITY SUMMARY

S/NO	Marketer	Quantity (Billion Litres)	% Contribution
1	NNPC Sub Total	4.565	64.50%
2	African Petroleum Plc	0.547	7.73%
3	MRS Oil & Gas Ltd.	0.505	7.14%
4	Oando Plc	0.464	6.56%
5	Triquest Energy Ltd	0.203	2.87%
6	Mobil Oil Nig. Plc	0.107	1.51%
7	Folawiyo Energy Ltd	0.089	1.26%
8	Total Nig. Plc.	0.086	1.22%
9	NIPCO Plc	0.085	1.20%
10	Integrated Oil & Gas Ltd	0.080	1.13%
11	Imad Oil & Gas Ltd	0.075	1.06%
12	Sigmund Communecci Ltd	0.074	1.05%
13	Rahamaniyya Oil & Gas	0.058	0.82%
14	Capital Oil & Gas Ltd	0.056	0.79%
15	Conoil Plc	0.039	0.55%
16	Chevron Nig. Plc.	0.035	0.49%
17	AMG Petro-Energy Ltd	0.005	0.07%

18	Northwest Petroleum & Gas	*	*
19	Tonique Oil Services Ltd	*	*
20	Other Marketers' Sub Total	2.512	35.50%
21	Total	7.077	100.00%

TABLE 11: 2008 HHK PAYMENTS SUMMARY

S/NO	Marketer	Amount (Billion Naira)	% Contribution
1	NNPC Sub Total	69.991	77.40%
2	Northwest Petroleum & Gas	6.614	7.31%
3	Tonique Oil Services Ltd	3.291	3.64%
4	MRS Oil & Gas Ltd.	2.998	3.32%
5	African Petroleum Plc	2.530	2.80%
6	Oando Plc	2.325	2.57%
7	Rahamaniyya Oil & Gas	1.913	2.12%
8	Sigmund Communecci Ltd	0.762	0.84%
9	Total Nig. Plc.	*	*
10	NIPCO Plc	*	*
11	Chevron Nig. Plc.	*	*
12	Triquest Energy Ltd	*	*
13	Mobil Oil Nig. Plc	*	*
14	Capital Oil & Gas Ltd	*	*
15	Folawiyo Energy Ltd	*	*
16	Integrated Oil & Gas Ltd	*	*
17	Imad Oil & Gas Ltd	*	*
18	AMG Petro-Energy Ltd	*	*
19	Conoil Plc	*	*
20	Other Marketers' Sub Total	20.433	22.60%
21	Total	90.424	100.00%

TABLE 12: 2008 HHK QUANTITY SUMMARY

S/NO	Marketer	Quantity (Billion Litres)	% Contribution
1	NNPC Sub Total	1.113	83.18%
2	Northwest Petroleum & Gas	0.067	5.01%
3	MRS Oil & Gas Ltd.	0.037	2.77%
4	Tonique Oil Services Ltd	0.033	2.47%
5	Oando Plc	0.031	2.32%
6	African Petroleum Plc	0.024	1.79%
7	Rahamaniyya Oil & Gas	0.020	1.49%
8	Sigmund Communecci Ltd	0.013	0.97%
9	Total Nig. Plc.	*	*
10	NIPCO Plc	*	*
11	Chevron Nig. Plc.	*	*
12	Triquest Energy Ltd	*	*
13	Mobil Oil Nig. Plc	*	*
14	Capital Oil & Gas Ltd	*	*
15	Folawiyo Energy Ltd	*	*
16	Integrated Oil & Gas Ltd	*	*
17	Imad Oil & Gas Ltd	*	*
18	AMG Petro-Energy Ltd	*	*
19	Conoil Plc	*	*
20	Other Marketers' Sub Total	0.225	16.82%
21	Total	1.338	100.00%

The Table 9 above shows that in terms of PMS Supply, the NNPC contributed about **64.50%** while the other Marketers contributed about **35.50%**. The performance of other Marketers indicates an increase of **14.00%** over the 2007 figure. The total amount of **₦346.731** billion has been expended on products subsidy under the Scheme as at July. The contribution of local refineries to the total products supply is still not encouraging. For

example, the refineries has contributed about **12%** and **44%** of PMS and HHK respectively as at July, 2008.

5.0 CHALLENGES

Some of the challenges faced in the last two years include:

- i. Inadequacy of imports Reception/Discharge facilities thus constituting a major bottleneck to products supply in Nigeria. This has led to the incurring of higher-than-expected demurrage and finance cost on the imported vessels.
- ii. High volatility of oil price in 2007 and 2008 leading to a higher amount of funds for products procurement
- iii. Non-implementation of the proposed Open-Access, Common-Carrier regime is threatening the sustainability of the deregulation policy.
- iv. Non-release of monthly budgeted amount into the PSF Account with the CBN has affected the Marketers' Confidence in the implementation of the PSF scheme.

6.0 THE WAY FORWARD

- i. All Marketers including the NNPC should be paid from the Fund to create a level playing field for all participants in the Scheme
- ii. Monthly remittance into the Fund with the CBN would make the process of payment neater and reduce the finance cost element. It will also enhance confidence in the Scheme.