



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

OPERATIONS DEPARTMENT

**WEEKLY MARKET
FUNDAMENTALS AND ENERGY
REPORT**

13TH - 19TH APRIL 2018

EXECUTIVE SUMMARY

Economic indices affecting crude oil prices for the week (13th – 19th April 2018) are:

- I. Risk of supply disruptions from Iran and Venezuela
- II. United States military action in Syria
- III. Geopolitical tension in Syria and Iran
- IV. Trade dispute between China and USA
- V. Decline in U.S. crude inventories

The foregoing economic indices impacted on other variables especially in the Domestic Oil and Gas Industry as presented below:

S/NO	VARIABLES	WEEKLY AVERAGE (PMS)
1	BRENT DATED	\$72.27/BBL
2	PRODUCT COST	\$687.85/MT
3	LANDING COST	N171.45/LTR
4	EOMP	N190.82/LTR
5	FOREX	N305.57/\$
6	FREIGHT	\$21.36/MT
7	REGULATED PRICE	N145.00/LTR

GASOLINE: During the period under review, Gasoline stocks at Europe's ARA hub fell to 1.254 million tonnes from previous week's 1.308 million tonnes.

FUTURES: It is instructive to note that as a result of the economic indices stated above, **Brent Crude oil** for June rose by 16¢ to settle at \$71.58/bbl on London's International Commodity Exchange. In the same regard, the July contract went up 16¢ to \$70.97/bbl. Flowing from the foregoing, the **OPEC's** basket of crudes average was up by \$1.03¢ to end the week at \$69.39/bbl.

HOME FRONT: Nigeria's Bonny Light crude oil price touched it's highest of **\$73.04/bbl** since 2014 on 18th April, 2018. Besides Bonny Light high price, Nigeria's crude oil production has

increased from 1.792mbpd in February to 1.810 mbpd in March 2018. Without any gain say, the World economic indices/variables have impacted the Nigerian economy especially its main source of income -Crude Oil.

With the potential supply disruptions in the Middle East, the Economic and political instability in Venezuela as well the USA military sanction in Syria, the oil prices have been projected by the analyst to remain tight and edge higher. This will directly impact the Domestic Price of Petroleum Products as the subsidy gap between the Expected Open Market Price and the Regulated Price continue to widen because the country depend solely on importation of Petroleum Products.

1.0 INTRODUCTION

1.1 CRUDE: Crude oil prices edged higher in the week under review as investors suggested that ongoing geopolitical risks could disrupt oil supplies in an increasingly tight market. Furthermore, United States crude inventories weekly data revealed a decline in inventory by 1 million barrels to 428 million barrels. Aside the decline in inventories in the United States, oil markets have been receiving general support due to reports of high risks of supply disruptions, potential spreading of conflict in the Middle East and renewed U.S. sanctions against Iran. Additionally, the fall in production output are because of political and economic crisis in Venezuela.

1.2 GASOLINE: During the period under review, Gasoline stocks at Europe's ARA hub fell to 1.254 million tonnes from previous week's 1.308 million tonnes.

1.3 FUTURES: It is instructive to note that as a result of the economic indices stated above, **Brent Crude oil** for June rose by 16¢ to settle at \$71.58/bbl on London's International Commodity Exchange. In the same regard, the July contract went up 16¢ to \$70.97/bbl. Flowing from the foregoing, the **OPEC's** basket of crudes average was up by \$1.03¢ to end the week at \$69.39/bbl.

1.4 HOME FRONT: Bonny Light is a high grade of Nigerian crude oil produced in the Niger Delta basin and named after the prolific region around the city of Bonny. The very low sulfur content of Bonny Light crude makes it a highly desired grade for its low corrosiveness to refinery infrastructure and the lower environmental impact of its byproducts in refinery effluent. Nigeria's Bonny Light crude oil price touched it's highest of **\$73.04/bbl** since 2014 on 18th April, 2018, this was however supported by Organisation of the Petroleum Exporting Countries (OPEC's) led production cuts. Besides Bonny Light high price, Nigeria's crude oil production has increased from 1.792mbpd in February to 1.810 mbpd in March 2018.

2.0 MARKET ANALYSIS

2.1 CRUDE OIL PRICES

Crude oil price for the week under review recorded an upward price trend. The weekly average for **Brent dated price** rose by 4.94% over previous week's average of \$68.86/bbl. to settle at **\$72.27/bbl.** **Nigeria's Bonny Light** edged higher by 3.27% with an average of \$72.11/bbl. while America's **WTI** recorded 8.12% price increment to end the week with an average of \$63.60/bbl. respectively.

DATE	BRENT DATED (\$/bbl)	BONNY LIGHT (\$/bbl)	WTI (\$/bbl)
12-Apr-18	71.46	71.76	63.07
13-Apr-18	72.71	72.75	63.38
16-Apr-18	71.90	71.50	62.52
17-Apr-18	71.85	71.49	63.37
18-Apr-18	73.42	73.04	65.65
WEEKLY AVERAGE	72.27	72.11	63.60

Table 1: Crude oil prices (12th – 18th April 2018)

SOURCE:  PLATTS

From the Crude price trend graph below, the peak price of \$73.42/bbl. for Brent Dated was recorded on 18th April, 2018 while the least value of \$71.46/bbl. was on 12th April, 2018. The increase in price is as a result of the Geopolitical tension in Syria and Iran.

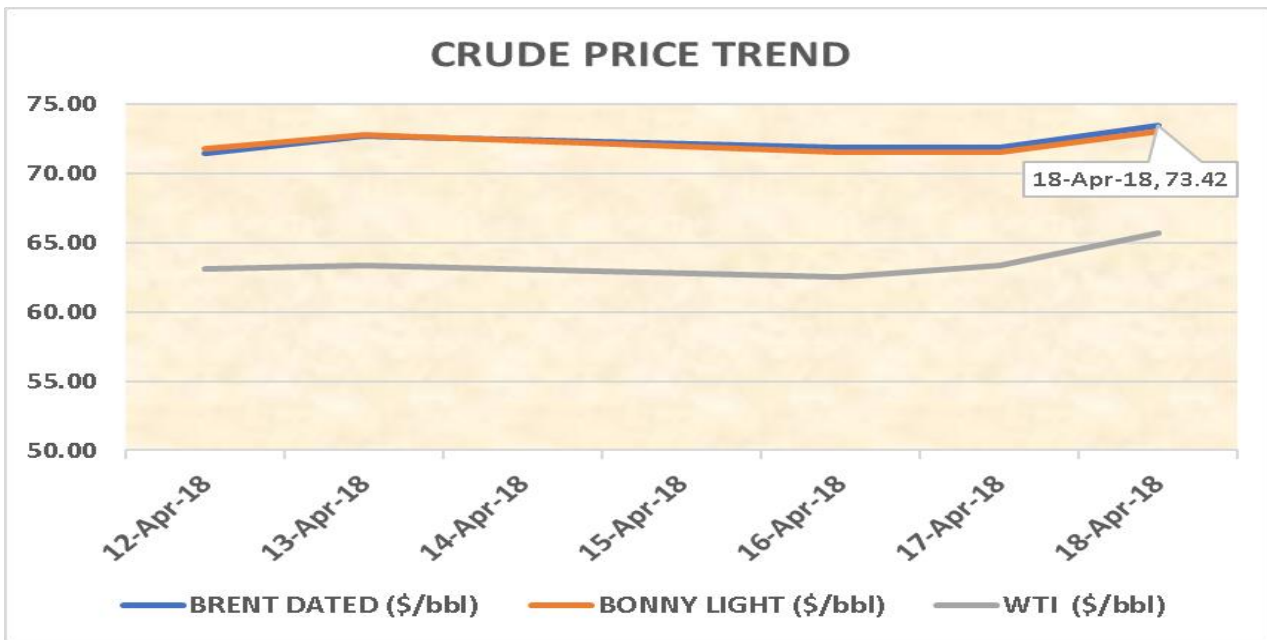


Chart 1: Crude oil prices (12th – 18th April 2018)

SOURCE: PLATTS

2.2 PMS PRICING COMPONENTS: (Other Marketers)

Gasoline price edged higher during the week under review. The weekly average Product Cost (FOB) was **\$687.85/MT**. This indicates a 1.63% price increment from previous week’s average of \$676.85/MT. Landing Cost and Expected Open Market Price for OMC’s rose by 2.0% and 1.79% from previous week average to end the week with an average of **₦171.45/ltr** and **₦190.82/ltr** respectively.

Meanwhile, the highest Expected Open Market Price (EOMP) recorded for the week was **₦192.20/litre** on 13th April, 2018.

PMS -OTHER MARKETERS				
DATE	PRODUCT COST (\$/MT)	LANDING COST (N/ltr)	EOMP (N/ltr)	REG. PRICE (N/ltr)
12-Apr-18	687.25	171.15	190.52	145.00
13-Apr-18	694.50	172.83	192.20	145.00
16-Apr-18	682.25	170.14	189.51	145.00
17-Apr-18	682.75	170.44	189.81	145.00
18-Apr-18	692.50	172.71	192.08	145.00
WEEKLY AVERAGE	687.85	171.45	190.82	145.00

Table 2: PMS Pricing Components for OMC’s (12th – 18th April 2018)

SOURCE: PPPRA

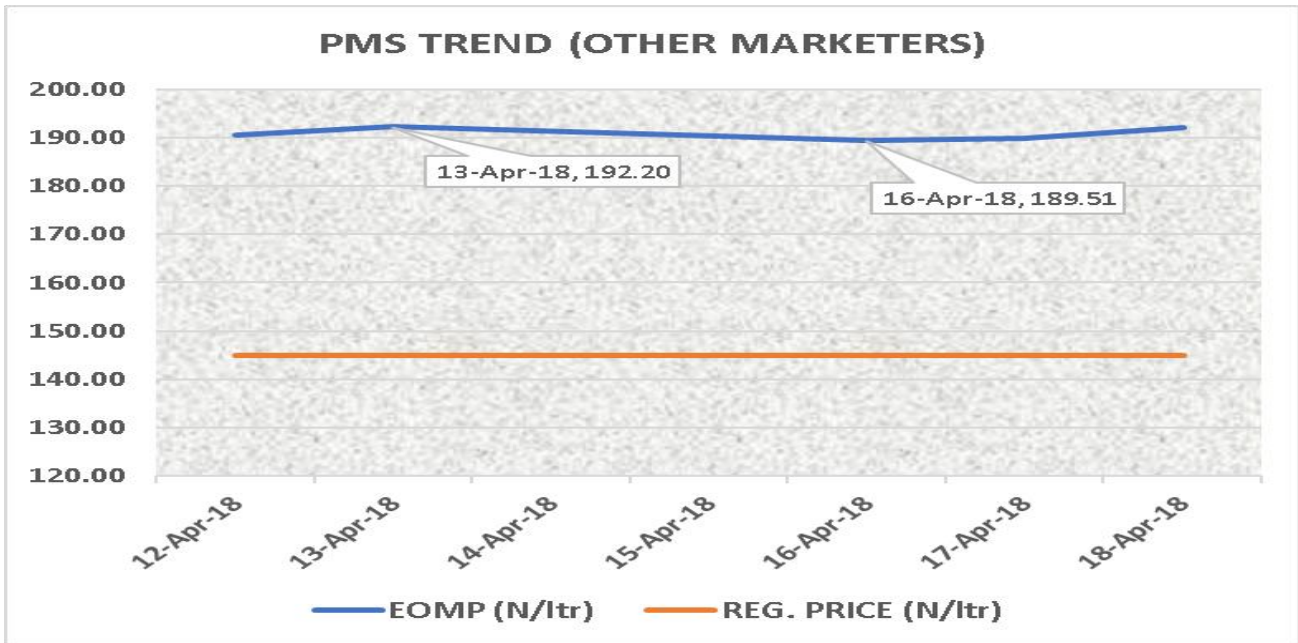


Chart 2: PMS Pricing Components for OMC's (12th – 18th April 2018)

SOURCE: PPPRA

2.3 PRICING COMPONENTS (NNPC)

NNPC PMS price recorded an Average Landing cost of **₦168.00/ltr** and an EOMP of **₦187.37/ltr** respectively for the week.

PMS -NNPC				
DATE	PRODUCT COST (\$/MT)	LANDING COST (N/ltr)	EOMP (N/ltr)	REG. PRICE (N/ltr)
12-Apr-18	687.25	167.70	187.07	145.00
13-Apr-18	694.50	169.35	188.72	145.00
16-Apr-18	682.25	166.71	186.08	145.00
17-Apr-18	682.75	167.01	186.38	145.00
18-Apr-18	692.50	169.23	188.60	145.00
WEEKLY AVERAGE	687.85	168.00	187.37	145.00

Table 3: PMS Pricing Components for NNPC (12th – 18th April 2018)

SOURCE: PPPRA

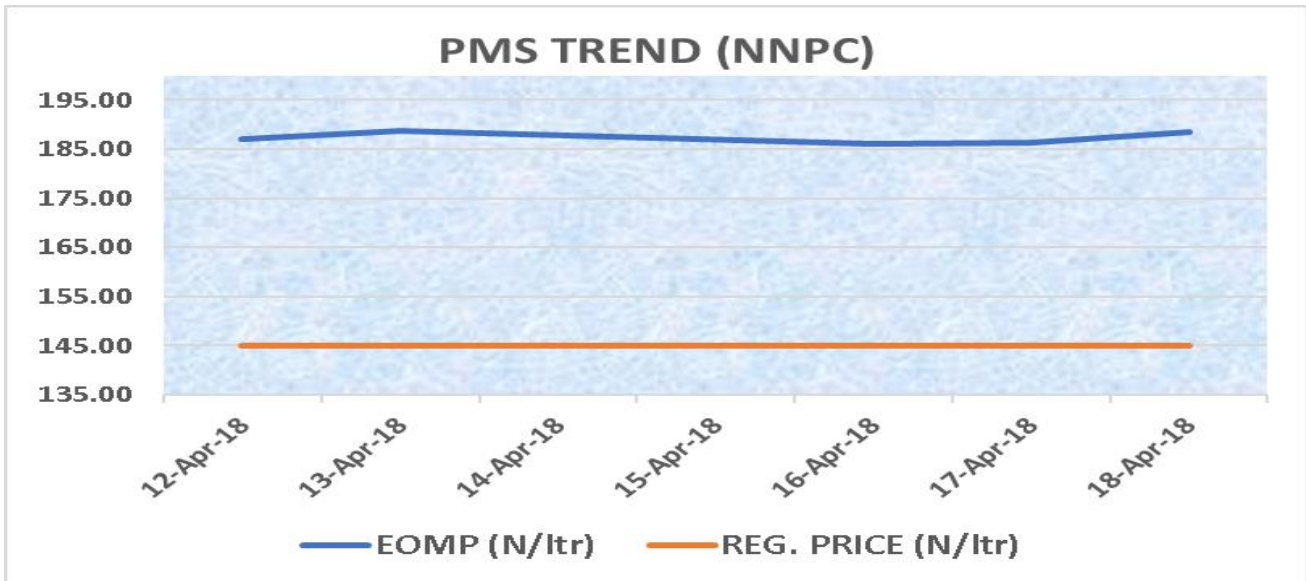


Chart 3: PMS Pricing Components for NNPC (12th – 18th April 2018)

SOURCE:  PPPRA

From the NNPC price trend graph above, the highest EOMP of N188.72/litre was recorded on 13th April, 2018 while the least price of N186.08/litre was on 16th April, 2018.

2.4 PRICING COMPONENTS (REFINERY PRODUCTION)

The weekly Average Landing Cost for Refinery Production (Local) was **N159.34/Ltr** while the Expected Open Market Price was **N178.71/Ltr** reflecting 1.59% and 1.42% increment respectively for the week under review.

PMS -REFINERY PRODUCTION				
DATE	PRODUCT COST (\$/MT)	LANDING COST (N/ltr)	EOMP (N/ltr)	REG. PRICE (N/ltr)
12-Apr-18	687.25	159.19	178.56	145.00
13-Apr-18	694.50	160.84	180.21	145.00
16-Apr-18	682.25	158.05	177.42	145.00
17-Apr-18	682.75	158.19	177.56	145.00
18-Apr-18	692.50	160.41	179.78	145.00
WEEKLY AVERAGE	687.85	159.34	178.71	145.00

Table 4: PMS Pricing Components for Refinery (12th – 18th April 2018)

SOURCE:  PPPRA

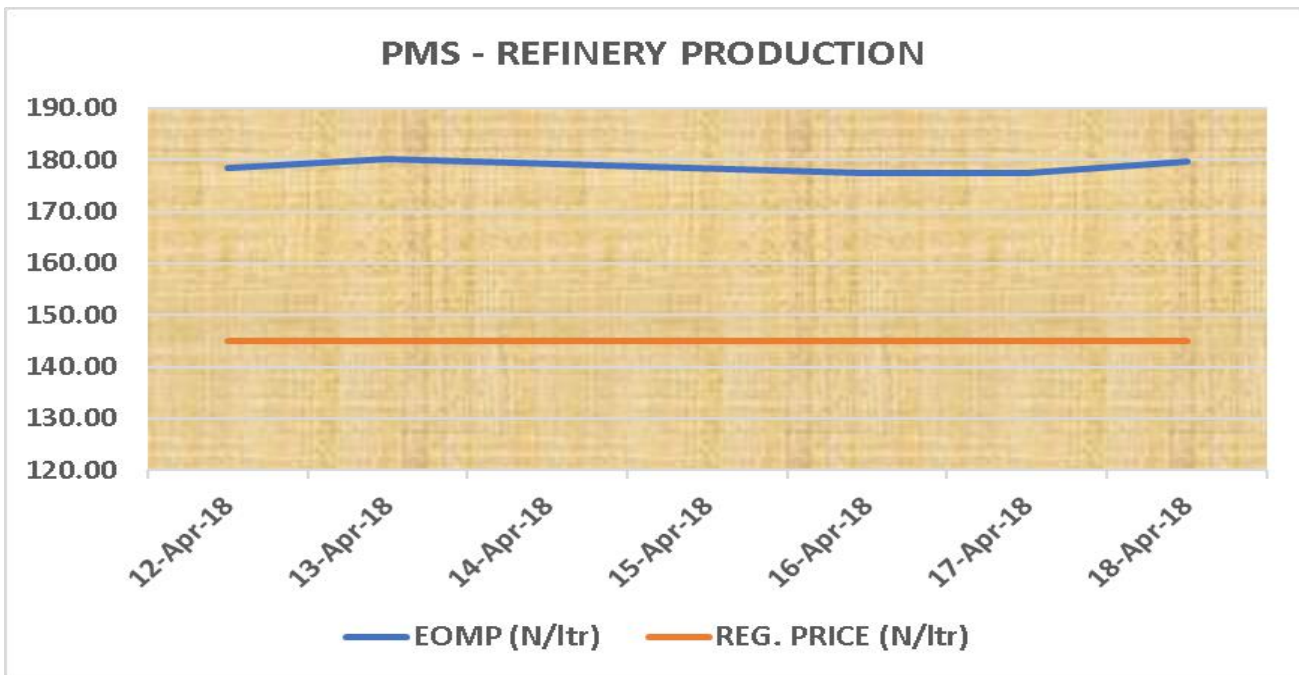


Chart 4: PMS Pricing Components for Refinery (12th – 18th April 2018)

SOURCE: PPPRA

2.5 EXCHANGE RATE

The Naira Exchange rate at the parallel market was stable at **₦363.00/\$** while the CBN rate recorded a marginal increase from ₦305.55/\$ to ₦305.60/\$ and end the week with an average of **₦305.57/\$**. The high exchange rate has a direct effect on the domestic price of petroleum products because is an integral part of the pricing components.

EXCHANGE RATE		
DATE	CBN RATE (N/\$)	PARALLEL MARKET RATE(N/\$)
12-Apr-18	305.55	363.00
13-Apr-18	305.55	363.00
16-Apr-18	305.55	363.00
17-Apr-18	305.60	363.00
18-Apr-18	305.60	363.00
WEEKLY AVERAGE	305.57	363.00

Table 5: Exchange Rates, CBN/Parallel Markets (12th – 18th April 2018)

SOURCE: PPPRA

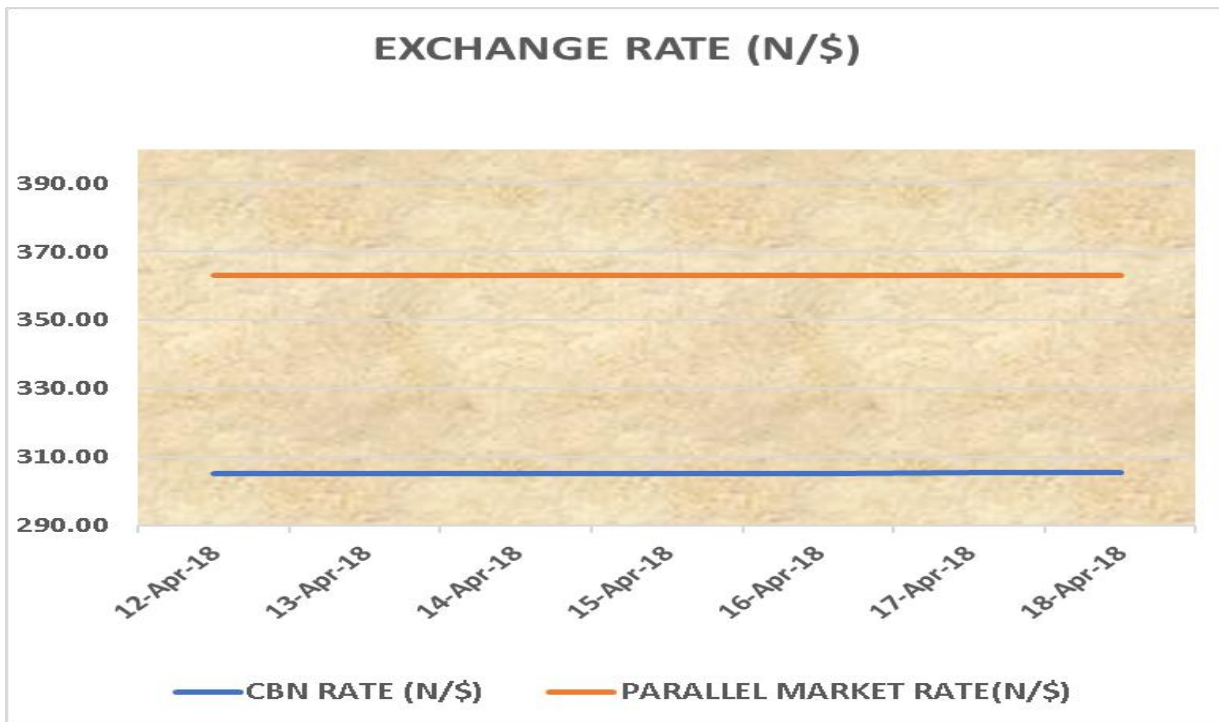



Chart 5: Exchange Rates, CBN/Parallel Markets (12th – 18th April 2018) **SOURCE:**  PPPRA

2.6 FREIGHT RATE

Freight rates on the UKC-WAF route, recorded a sharp increase to end the week with an average of \$21.36/MT.

FREIGHT	
DATE	(\$/MT)
12-Apr-18	20.69
13-Apr-18	20.69
16-Apr-18	21.36
17-Apr-18	22.03
18-Apr-18	22.03
WEEKLY AVERAGE	21.36

Table 6: Freight Rate (12th – 18th April 2018)

SOURCE:  PPPRA

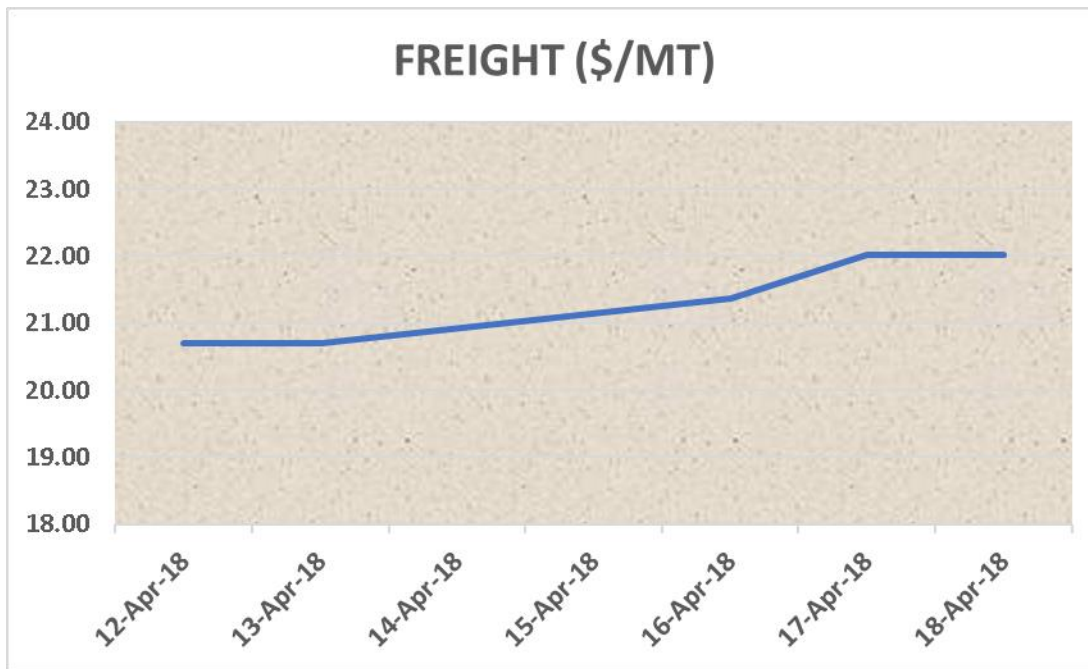


Chart 6: Freight Rate (12th – 18th April 2018)

SOURCE:  PPPRA

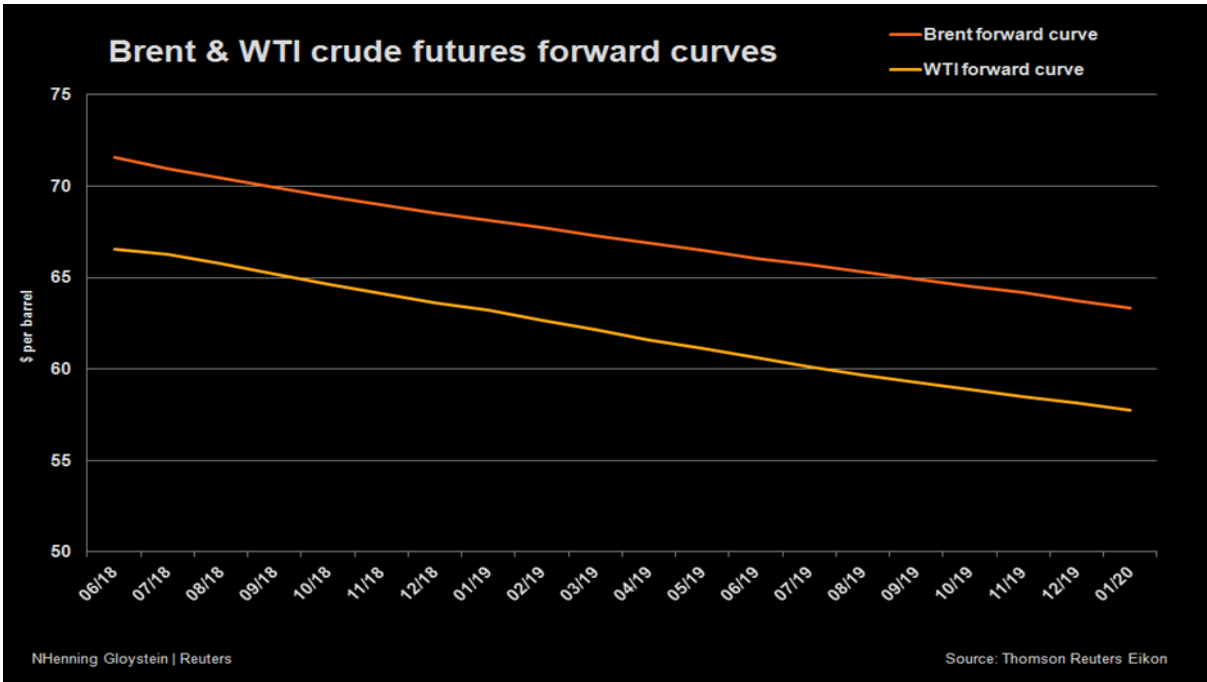
Freight rate is the cost of transporting an average 30,000MT of product from North West Europe (NWE) to West Africa (WAF), therefore an increase in freight rate directly affects the price of Domestic Petroleum Products as most of the consumption are from import.

3.0 OUTLOOK

The continuing draws in US and global oil inventories as well as actual and potential supply disruptions in the Middle East could put upward pressure on crude oil prices. Also, the Economic and political instability in Venezuela may continue to affect its crude oil production. According to US Energy Information and Administration (EIA) report, Venezuelan crude oil production averaged 1.5 million b/d in March, a decline of about 24% year-over-year.

Furthermore, the structure of the Brent and WTI forward price curve also points to a tighter market this year than in 2019. The premium for June 2018 over June 2019 prices for Brent and WTI is \$5.50 and \$6 per barrel respectively, creating a market structure known as

backwardation in which it is attractive to sell crude immediately instead of keeping it in storage for later sale.



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