



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

OPERATIONS DEPARTMENT

**WEEKLY MARKET
FUNDAMENTALS AND ENERGY
REPORT**

23RD - 29TH MARCH 2018

EXECUTIVE SUMMARY

Economic indices affecting crude oil prices for the week (23rd– 29th Mar, 2018) are:

- I. Rise in U.S. inventories
- II. Increase in crude oil supply against a weak demand
- III. OPEC's decision to maintain production cut_agreement till end of 2018.

S/NO	VARIABLES	WEEKLY AVERAGE (PMS)
1	BRENT DATED	\$68.52/BBL
2	PRODUCT COST	\$677.40/BBL
3	LANDING COST	N168.66/LTR
4	EOMP	N188.03/LTR
5	FOREX	N305.67/\$
6	REGULATED PRICE	N145.00/LTR

Gasoline: Gasoline prices has been on an upward trend. However, despite the high gasoline price, the market is still over supplied, this has made some of the major traders like Vitol to store gasoline products on vessels offshore Singapore.

Futures: The futures market for the week recorded a downward price trend. **Brent crude oil** for May edged down 1¢ to \$70.11/bbl on London's International Commodity Exchange(ICE). While **OPEC's** basket of crudes settled at \$66.80/bbl for the week

1. INTRODUCTION

CRUDE: Oil prices recorded a downward trend as rise in U.S. inventories and production outweighed the prospect of OPEC sticking to its output curbs for the rest of the year. U.S. oil production has risen by nearly 25 percent in the last two years to over 10 million barrels per day, which is higher than top exporter Saudi Arabia and within reach of the biggest producer, Russia, which pumps around 11 million bpd.

GASOLINE: Since the start of 2018, gasoline market has been in a contango structure, where front-month prices are lower than later-dated prices which is indicative of a weak market. This month, the contango between March and April prices widened to as much as 50 cents a barrel. Typically, traders can store fuel in a contango market in expectation of the later rise in prices

Meanwhile, European trader Vitol is storing gasoline on tankers offshore Singapore, Asia's biggest oil trading centre, for the first time since 2016 amid oversupply and weak demand for the fuel. One of the vessels is the tanker Glory Crescent, with a 105,000 deadweight tonnes and could carry the equivalent of about 800,000 barrels of gasoline.

FUTURES: Several Nigerian cargoes from the May programme are being traded, but offer levels for Nigerian oil had slipped, with Forcados offered at roughly \$1.60 a barrel above dated Brent. Last month Forcados was offered as high as \$2.50 a barrel above Brent.

The May light, sweet crude contract on the NYMEX fell 30¢ to settle at \$65.25/bbl. The June contract declined 23¢ to \$65.18/bbl. **Brent crude oil** for May edged down 1¢ to \$70.11/bbl on London's International Commodity Exchange(ICE). The June contract fell 6¢ to \$69.46/bbl.

OPEC's basket of crudes settled at \$66.80/bbl for the week.

HOME FRONT: The Major Oil Marketers Association of Nigeria (MOMAN), Depot and Petroleum Products Marketers Association of Nigeria (DAPPMAN) and the Organised Private Sector (OPS) have kicked against a single regulatory body for the upstream and downstream sectors of the Nigeria's oil industry. According to them, a single regulatory body for the two

most important subsectors of the oil industry, as contained in the Petroleum Industry Government Bill (PIGB), would hamper the growth of the industry.

CRUDE OIL PRICES

The weekly average Crude oil price for Brent dated edged higher by 4.53% to end the week with an average of **\$68.52/bbl** when compared to previous week average of \$65.55/bbl. Also, **Nigeria’s Bonny Light** and America’s **WTI** recorded 3.97% and 2.29% upward trend to end the week with an average of \$69.89/bbl. and \$62.44/bbl. respectively.

DATE	BRENT DATED (\$/bbl)	BONNY LIGHT (\$/bbl)	WTI (Midland) (\$/bbl)
22-Mar-18	68.24	69.43	61.92
23-Mar-18	68.95	70.23	63.25
26-Mar-18	68.66	70.03	63.30
27-Mar-18	68.61	70.10	62.56
28-Mar-18	68.15	69.66	61.16
WEEKLY AVERAGE	68.52	69.89	62.44

Table 1: Crude oil prices (22nd – 28th March 2018)

SOURCE:  PLATTS

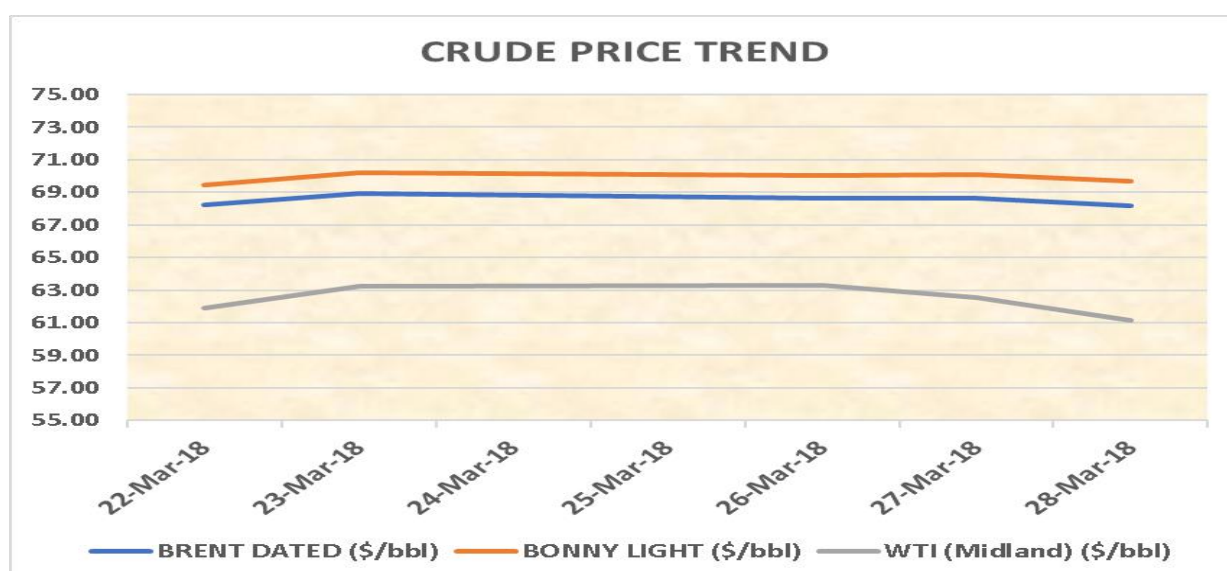


Chart 1: Crude oil prices (22nd – 28th March 2018)

SOURCE:  PLATTS

3.0 PMS PRICING COMPONENTS: (Other Marketers)

Product Cost (FOB) for the week under review recorded 4.30% upward trend to end the week with an average of **\$677.40/MT** when compared to previous week average of **\$649.45/MT**. Landing Cost and Expected Open Market Price for OMC's also recorded 4.39% and 3.92% weekly average increase to end with **₦168.66/ltr** and **₦188.03/ltr** respectively.

NNPC pricing components on the other hand recorded a Landing cost of **₦165.26/ltr** and an EOMP of **₦184.63/ltr** respectively.

PMS -OTHER MARKETERS				
DATE	PRODUCT COST (\$/MT)	LANDING COST (N/ltr)	EOMP (N/ltr)	REG. PRICE (N/ltr)
22-Mar-18	668.25	166.65	186.02	145.00
23-Mar-18	674.25	168.05	187.42	145.00
26-Mar-18	675.00	168.20	187.57	145.00
27-Mar-18	671.75	167.21	186.58	145.00
28-Mar-18	697.75	173.18	192.55	145.00
WEEKLY AVERAGE	677.40	168.66	188.03	145.00

Table 2: PMS Pricing Components for OMC's (22nd – 28th March 2018)

SOURCE:  PPPRA

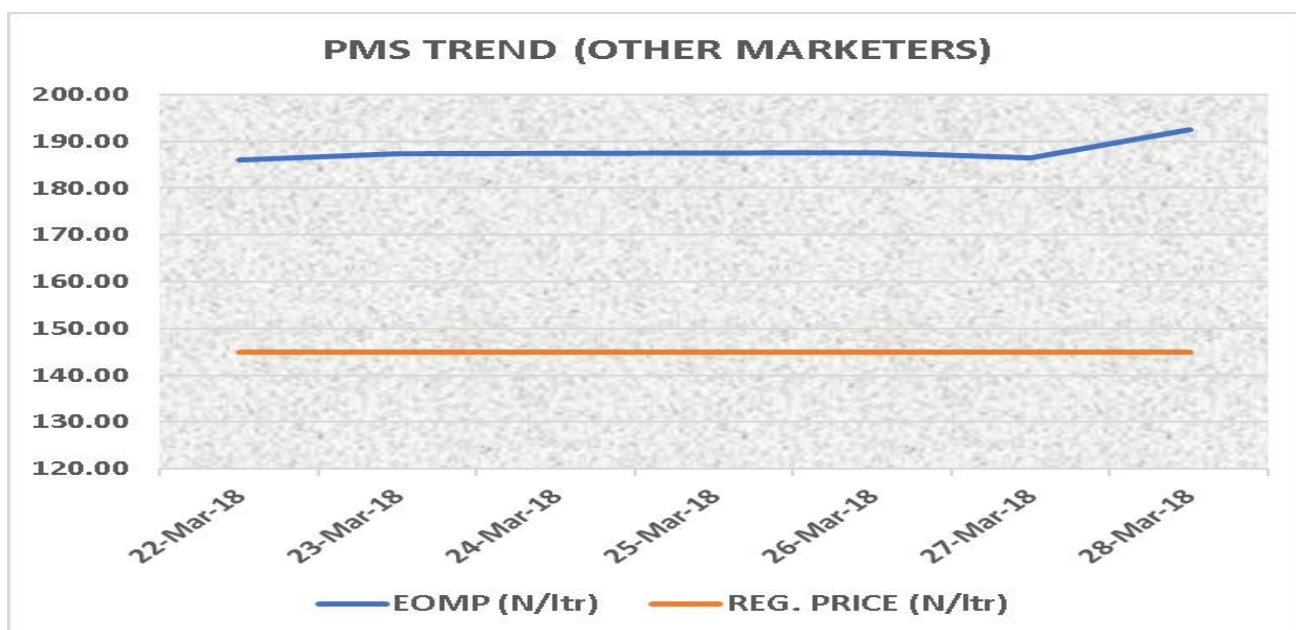


Chart 2: PMS Pricing Components for OMC's (22nd – 28th March 2018)

SOURCE:  PPPRA

3.1 PRICING COMPONENTS (NNPC)

PMS - NNPC				
DATE	PRODUCT COST (\$/MT)	LANDING COST (N/ltr)	EOMP (N/ltr)	REG. PRICE (N/ltr)
22-Mar-18	668.25	163.30	182.67	145.00
23-Mar-18	674.25	164.67	184.04	145.00
26-Mar-18	675.00	164.81	184.18	145.00
27-Mar-18	671.75	163.84	183.21	145.00
28-Mar-18	697.75	169.69	189.06	145.00
WEEKLY AVERAGE	677.40	165.26	184.63	145.00

Table 3: PMS Pricing Components for NNPC (22nd – 28th March 2018)

SOURCE:  PPPRA

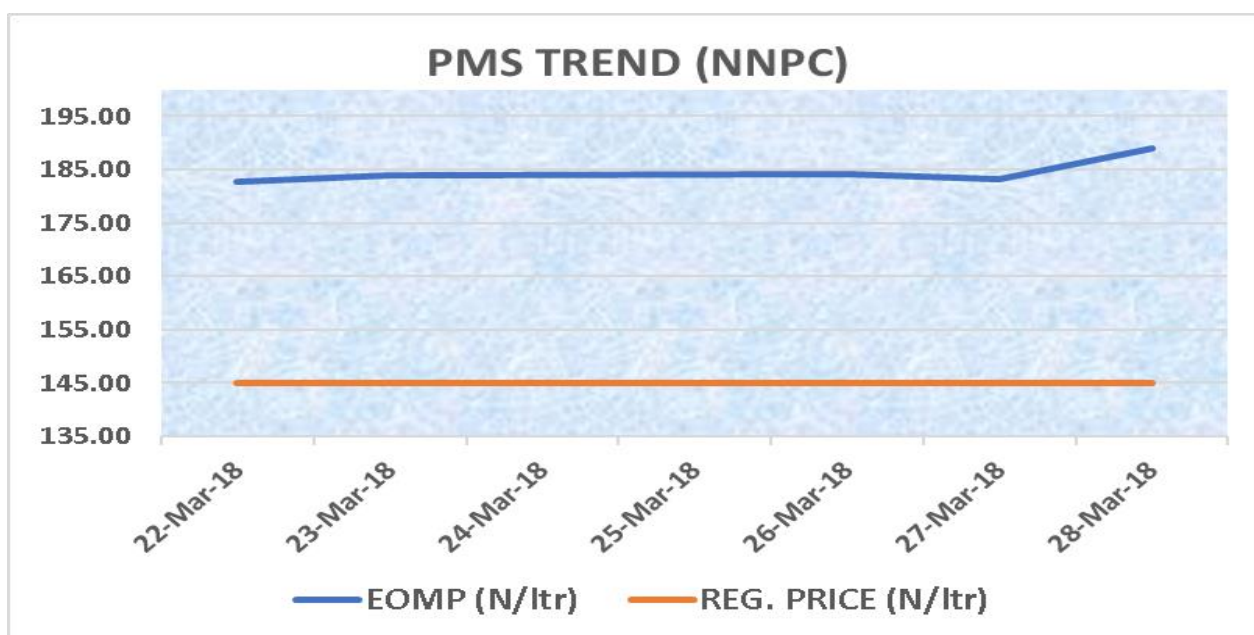


Chart 3: PMS Pricing Components for NNPC (22nd – 28th March 2018)

SOURCE:  PPPRA

4.0 EXCHANGE RATE

The Exchange rate at the parallel market recorded 0.11% decrease to end the week with an average of **₦362.00/\$** when compared to previous week average of **₦362.40/\$**. The Naira at the CBN rate also recorded a 0.02% decline to end with **₦305.67/\$** weekly average.

EXCHANGE RATE		
DATE	CBN RATE (N/\$)	PARALLEL MARKET RATE(N/\$)
22-Mar-18	305.70	362.00
23-Mar-18	305.70	362.00
26-Mar-18	305.65	362.00
27-Mar-18	305.65	362.00
28-Mar-18	305.65	362.00
WEEKLY AVERAGE	305.67	362.00

Table 4: Exchange Rates, CBN/Parallel Markets (22nd – 28th March 2018)

SOURCE:  PPPRA

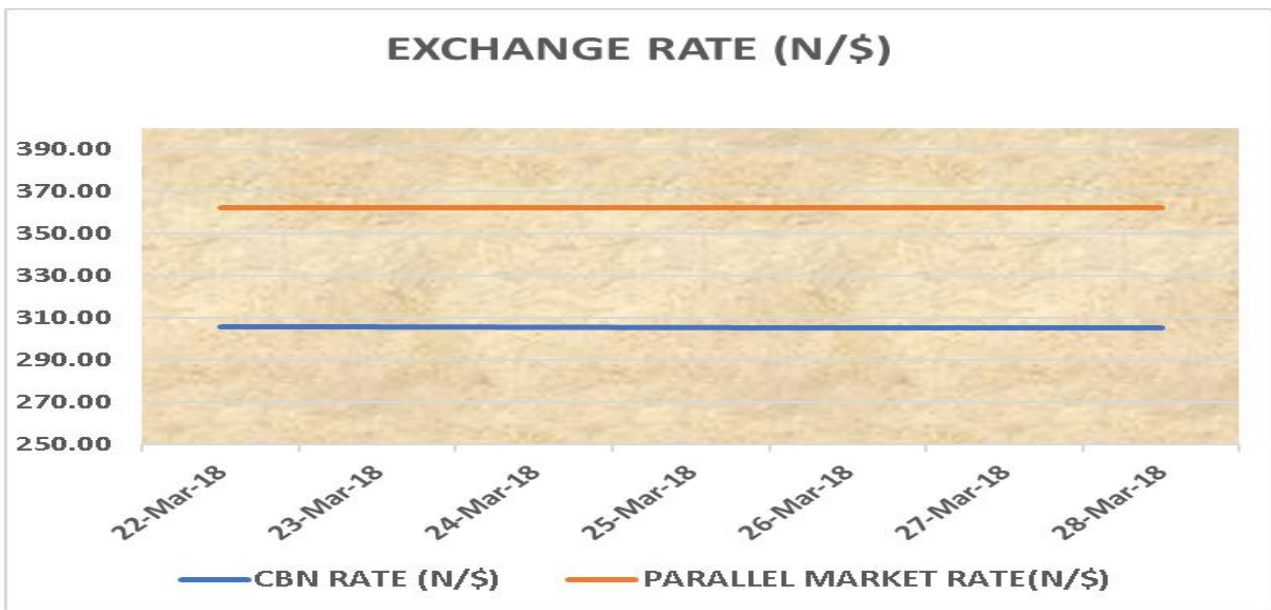


Chart 4: Exchange Rates, CBN/Parallel Markets (22nd – 28th March 2018)

SOURCE:  PPPRA

6. FREIGHT RATE

Freight rates on the UKC-WAF route, recorded a sharp decline to end the week with an average of **\$19.56/MT** for the week under review.

FREIGHT	
DATE	(\$/MT)
22-Mar-18	20.03
23-Mar-18	20.03
26-Mar-18	20.03
27-Mar-18	19.02
28-Mar-18	18.69
WEEKLY AVERAGE	19.56

Table 5: Freight Rate (22nd – 28th March 2018)

SOURCE:  PPPRA

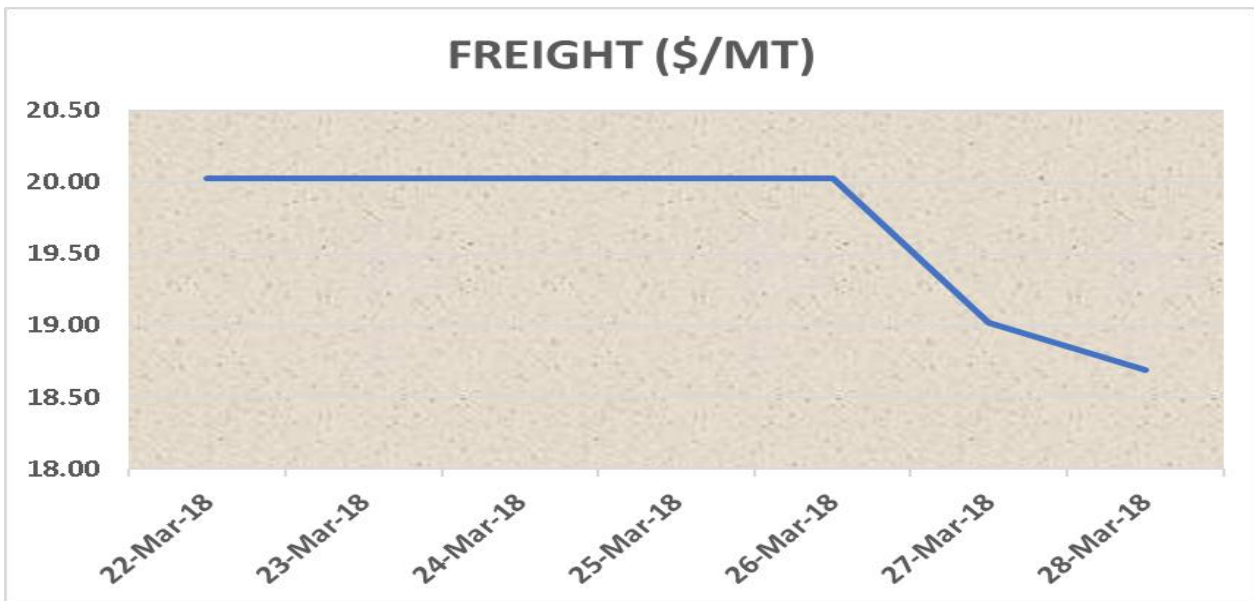


Chart 5: Freight Rate (22nd – 28th March 2018)

SOURCE:  PPPRA

Operations Department
PPPRA