



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

**WEEKLY MARKET
FUNDAMENTALS AND ENERGY
REPORT**

28TH MAY - 1ST JUNE 2018

INTRODUCTION

Worries that Saudi Arabia and Russia could pump more crude to compensate for a potential supply shortfall from Iran and Venezuela have exerted downward pressures on oil prices, along with rising oil production in the United States.

OPEC Ministers from Saudi Arabia, the United Arab Emirates, Kuwait and Algeria, along with their counterpart from non-OPEC Oman, met unofficially in Kuwait on Saturday June 2, 2018 on the need for continued cooperation between members of the Organization of the Petroleum Exporting Countries (OPEC) and other big producers to balance global supply.

Meanwhile, OPEC will meet formally on June 22nd, 2018 to set oil policy. It is expected that the organization will agree to raise output to calm the market amid worries over Iranian and Venezuelan supply. Saudi Arabia, the effective OPEC leader, and Russia have discussed boosting output to compensate for supply losses from Venezuela and to address concerns about the impact of U.S. sanctions on Iranian output.

HOME FRONT:

The Senate Committee on Local Content has stated that, the Senate will investigate the non-patronage of a multi-million dollar internationally certified Nigerian pipe manufacturing and coating company, SCC Nigeria Limited, by Nigerian National Petroleum Corporation (NNPC) and International Oil Companies (IOCs).

The Nigerian National Petroleum Corporation (NNPC) have denied approving N36 billion compensation, as royalty to Alesa-Elleme community for playing host to one of its subsidiaries, Port Harcourt Refining Company (PHRC). The NNPC, in a statement in Abuja, by its Group General Manager, Group Public Affairs Division, Mr. Ndu Ughamadu, stated that the report of the phantom compensation originated from a traditional ruler, regarded as a claimant to the Alesa-Elleme traditional stool.

MARKET FUNDAMENTALS ANALYSIS

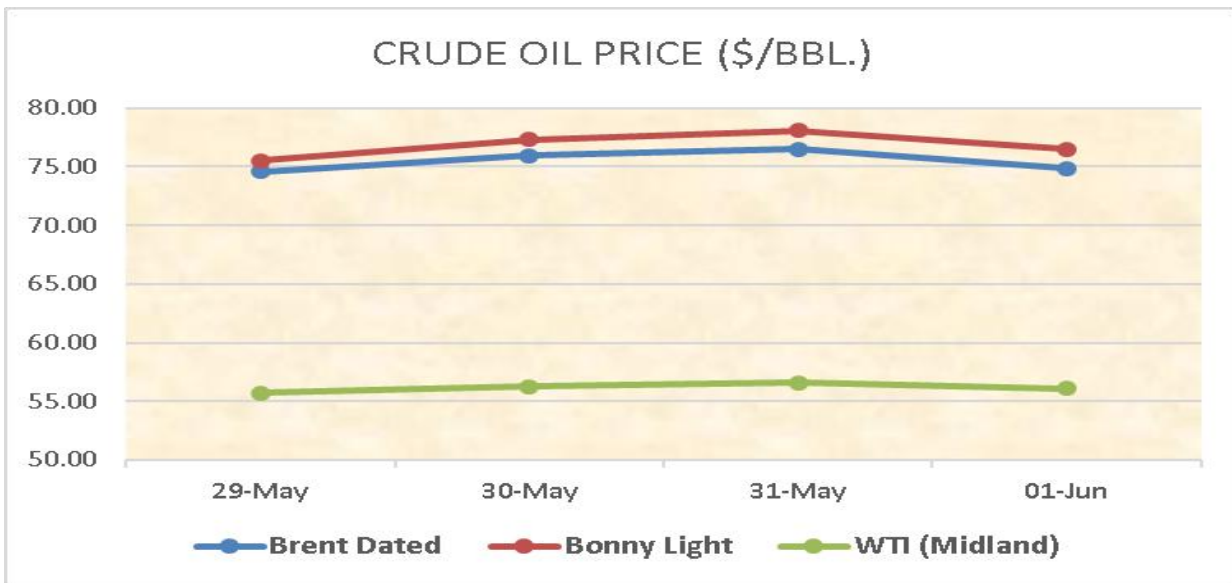


Chart 1: Crude oil prices (28th May - 1st June, 2018)

SOURCE:  PLATTS

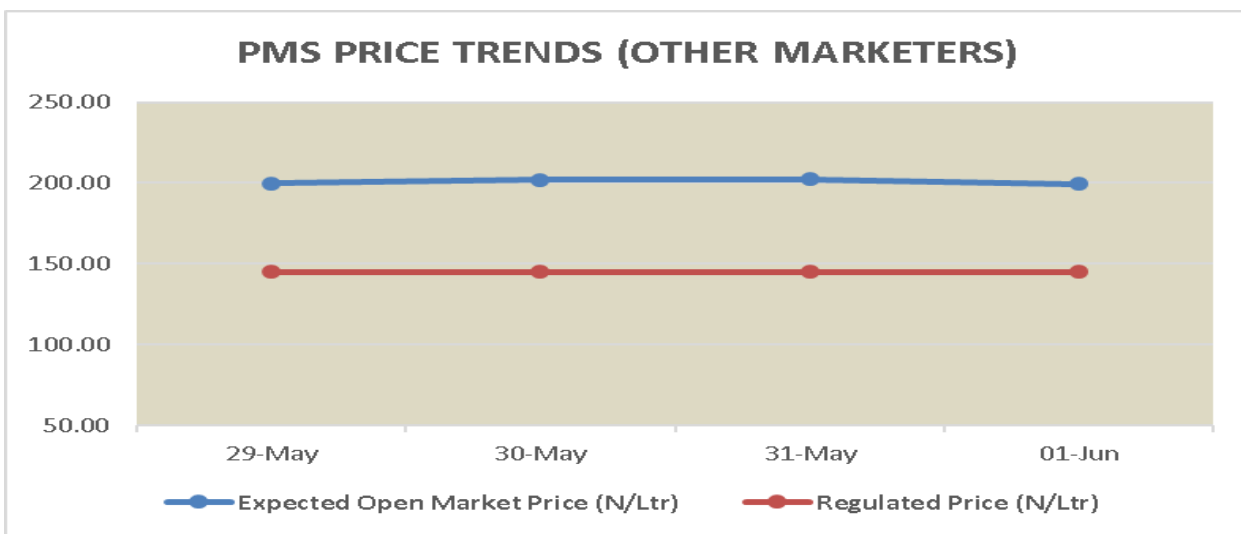


Chart 2: PMS Price Trends – Other Marketers (28th May - 1st June, 2018)

SOURCE:  PLATTS

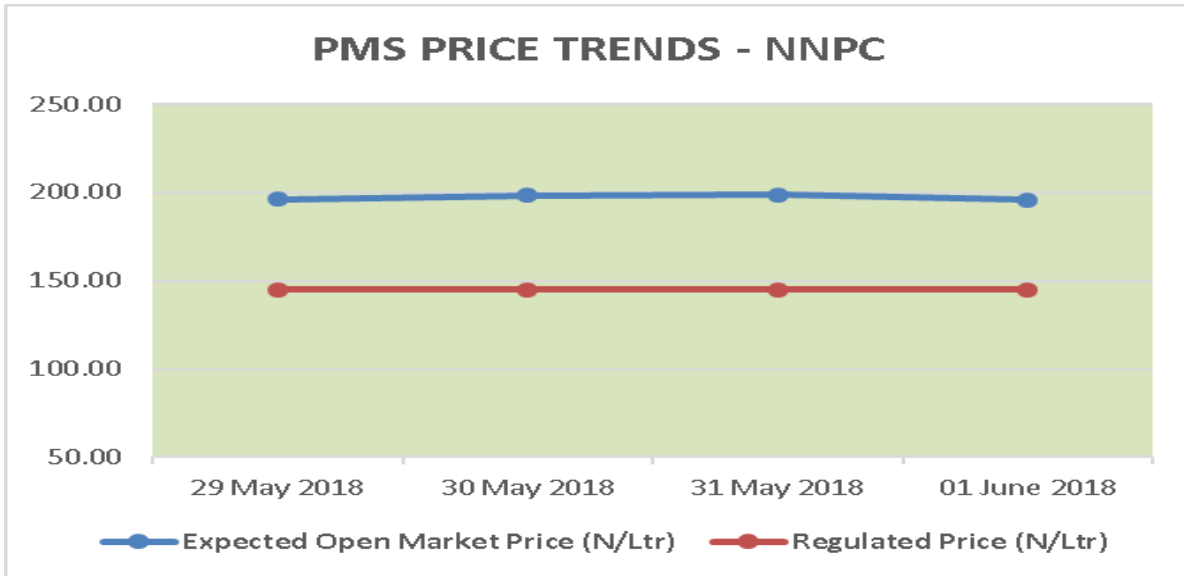


Chart 3: PMS Price Trends – NNPC (28th May - 1st June, 2018)

SOURCE:  PLATTS

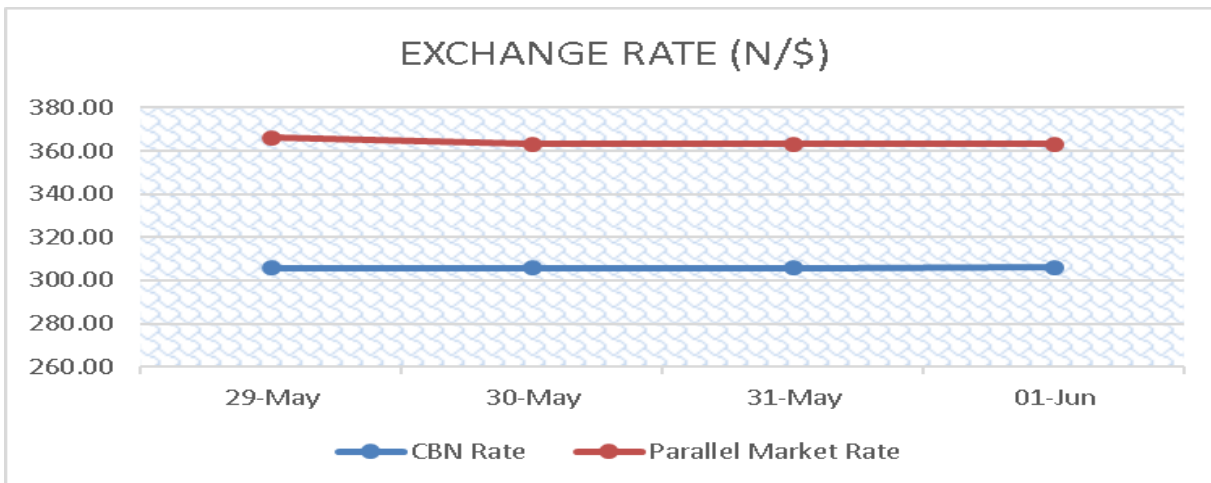


Chart 4: CBN Vs Parallel Market Exchange Rate (28th May- 1st June, 2018)

SOURCE:  PLATTS

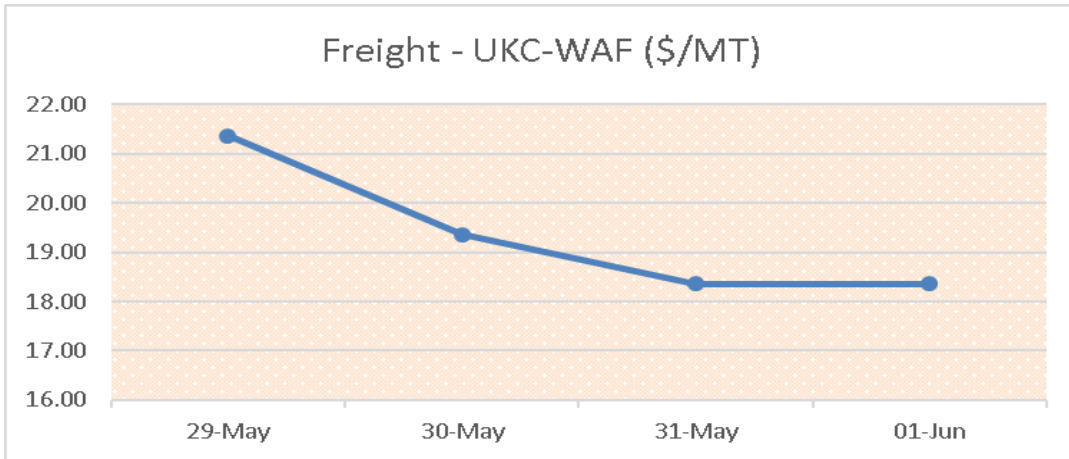


Chart 5: Freight Rate (28th May- 1st June, 2018)

SOURCE:  PLATTS

OUTLOOK:

The existing supply shortages in Venezuela and the risk of supply outages in Iran have already resulted in a noticeable tightening of oil supply, as Crude prices have risen, and crude oil supplies worldwide have started to tighten.

Meanwhile, Saudi Arabia and Russia have discussed raising OPEC and non-OPEC oil production by one million barrels per day to counter potential supply shortfalls from Venezuela and Iran in the short term. Furthermore, OPEC and other major producers are expected to meet June 22nd in Vienna to discuss production levels amid supply risks from Iran and Venezuela. It is expected that the organization will agree to raise output to calm the market.

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