



NEITI COMMENDS NNPC ON MONTHLY REPORTS

The Nigeria Extractive Industries Transparency Initiative (NEITI) has commended the Nigerian National Petroleum Corporation (NNPC) for taking the initiative to provide up-to-date information to Nigerians on the state of the country's petroleum sector through the monthly financial and operations reports that the national oil company has been publishing since August 2015. However, NEITI has also called on NNPC to open up more especially by living up to its self-declared commitments to openness, transparency and accountability.

The commendation and charge were contained in the maiden issue of the NEITI Occasional Paper Series, released recently and jointly published by BudgIT, Nigeria's leading technology-driven, civic-advocacy group on budget and public finance issues.

Titled 'Review of NNPC's Monthly Financial and Operations Reports', the joint publication analyses data publicly disclosed by NNPC covering a 21-month period between January 2015 and September 2016. Data in the NNPC monthly reports are yet to be independently validated or reconciled by NEITI, stated the publication.

"What NNPC has done with its monthly reports could be termed a sea-change," said Waziri Adio, the Executive Secretary of NEITI. "From being the poster-boy for opacity, NNPC is voluntarily embracing openness and providing near real-time information about the state of play of our oil and gas sector today. This is commendable, but also deserving of close and critical examination. For example, what do the reports, looked at together, tell us about our petroleum sector today and what is the implication of that for the public, for public finance and for petroleum sector reforms? That is the rationale for this special report".

Some of the major highlights of the 23-page report include the following:

- **Crude Oil Production Dropped by 27.23% between January 2015 and September 2016:** crude oil production fluctuated in the period under review, with the highest production per month recorded in October 2015 (69.49 million barrels) and the lowest recorded in August 2016 (46.56 million barrels). When the production figures for January 2015 (68.07 million barrels) and September 2016 (49.53 million barrels) are compared, there was a decline in monthly production by 27.23%. The same trend was noticeable in terms of average daily production per quarter, as 2.16 million barrels were produced daily on the average in the first quarter of 2015 as against the 1.60 million barrels average daily production per quarter in the third quarter of 2016.

The fall in oil production was largely attributed to growing vandalism and militancy in the Niger Delta region, though production fluctuation was noticeable even before the onset of militant activities. The fall in daily production is likely to negatively impact the implementation of the current budget, given that the budget was predicated on a daily production of 2.2 million barrels.

- **The NNPC Group Consistently Operated in the Red, Losing N418.97billion in 19 Months:** for the 21 months under review, the NNPC group made a cumulative loss of N418.97 billion in 19 months. Volatility was also noticeable in the group's losses, ranging from N3.55 billion in January 2016 to N45.49 billion in September 2015. The group made profit only in two of the 21 months covered by the NNPC monthly reports under review. This was in January 2015 when the group made a profit of N7.6 billion and in May 2016 when it made a profit of N0.27 billion, with total profit in 21 months

coming to N7.87 billion, as against the loss of N418.97 billion, with total loss coming to N411.1 billion.

- **Average Capacity Utilization for the Refineries in 21 Months was 8.55%:** between January 2015 and September 2016, the average capacity utilization of the Nigerian refineries was 8.55%. The refineries did not process crude oil at all in seven out of the 21 months under review. Consolidated capacity utilization of the refineries was above 20% only in August 2015 (24.08%). It is seen that Kaduna refineries is the poorest performer while the Port Harcourt refinery is the best performer. The reports also reveal that out of the 245.48 million barrels that NNPC received for domestic supply in 21 months, only 24.78 million barrels were delivered to the refineries for processing, amounting to only 10.06% of what the NNPC received for domestic consumption.
- **1.28 Billion Barrels of Crude Lifted and Utilized, Valued at \$61.17 Billion:** between January 2015 and September 2016, the total crude oil lifted and utilized came to 1.28 billion barrels, out of which international oil companies and independents lifted 809.98 million barrels, government lifted 441.37 million barrels and those with alternative financing arrangements lifted 30.15 million barrels. The total value of the liftings for the 21 months was \$61.17 billion, out of which government, IOCs and independents, and AFs lifted \$20.9 billion, \$38.78 billion and \$1.5 billion respectively. The reports also reveal that only 9.74% of the crude lifted by NNPC for domestic crude was delivered to the refineries.
- **On the Average, 24.24 Million Litres of Petrol Sold Daily in 21 Months:** the daily average sales of petrol fluctuated between 15.23 million litres in September 2015 and 35.09 million litres in May 2016. The daily average sales for petrol for the 21 months came to 24.24 million litres, while the daily average sales of diesel and kerosene came to 1.06 million litres and 3.12 million litres respectively.

The report noted that NNPC, in its monthly financial and operations reports, voluntarily made some transparency-related commitments that are yet to be fulfilled. These commitments include: development of an index for measuring progress and improving transparency, publication of annual audited report by the second quarter of the succeeding year, undertaking a value-for-money audit of all the federation's joint ventures, and review of existing production sharing contracts (PSCs). "While we

commend NNPC for opening up and for consistently doing so,” said NEITI in the Occasional Paper Series, “the monthly reports also reveal a few things that NNPC has committed to do but which have not yet been done. NEITI is particularly interested in NNPC delivering on these commitments to further promote openness, transparency and accountability in the nation’s extractive industry.”