

NMDPRA Grant of Crude Export Terminal and Licences - Overview and Significance

Following the enactment of the Petroleum Industry Act (PIA) 2021 and the subsequent introductions of various regulations proposed to implement its wide-ranging reforms, two recent milestones in Nigeria's dynamically evolving petroleum industry are the commissioning of the Dangote Refinery, which is projected to have an annual production capacity of 650,000 barrels per day (bpd), on May 28th, 2023, and the much-anticipated elimination of annual fuel subsidies of \$10.7 billion, which was announced by the new administration on May 29th, 2023.

Potentially game-changing developments such as the refinery projects, as well as the recently announced Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) licensing of a Hybrid Terminal Establishment Licence for the establishment of a projected 2,000,000 barrel capacity terminal at Kula South in Nigeria's Exclusive Economic Zone, in addition to the NNPC Exploration and Production Limited's 2,179,704 barrel-capacity processing and export loading terminal at Offshore Akwa Ibom State, are projected to positively impact Nigeria's ability to meet current domestic capacity demands (of about 22 million litres in 2022) and to fulfil its OPEC production quota obligation of 1.8 million bpd.

Section 111 of the PIA confers the Minister of Petroleum, on the recommendation of the NMDPRA, with the authority to grant licences to establish refineries. Section 174 confers the NMDPRA with general authority to regulate the midstream and downstream sectors. Its grant of crude export terminal licences, including last week's, is expected to

increase Nigeria's export storage capacity by 4 million barrels.

Further market deregulation is expected as the NMDPRA has also announced the grant of fuel import licences to six private oil marketers with effect from July 2023, with other applications pending. This is expected to boost diversification, and increase participation and competition in the sector which, it is hoped, will lower prices and improve product availability and consumer service delivery.

Impactful reforms require strategic execution and the adoption of inclusive processes to ensure effective and sustainable implementation. The success of the refinery and crude export and import developments will require not just the sustained availability of domestic crude, but that sector challenges, including crude theft, pipeline vandalism, and other energy security, environmental, and other issues are timeously addressed to improve domestic production, supply, and storage efficiencies and to unlock investment opportunities.

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