

# NGC's 221 percent gas price increase unilateral PPPRA

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**Intrigues have trailed the 221.28 percent increase in price of natural gas with manufacturers and other gas consumers accusing the Nigerian Gas Company (NGC) of deceit for using the name of the Petroleum Products Pricing Regulatory Agency (PPPRA) in the price hike.**

The NGC recently adjusted gas price from N21.05 per cubic unit to N67.63 per cubic unit, using the PPPRA pricing template for imported Low Pour Fuel Oil (LPFO).

Manufacturers and other business operators are however worried that the epileptic electricity supply in the country will worsen if the NGC does not revert to the old price. With the epileptic power situation in the country, energy consumers have embraced the use of natural gas as alternative power supply source.

Aside saving 60 percent in energy cost, analysts also say the utilisation of natural gas will help to eliminate pollution associated with the use of liquid fuel. But with the 221percent increase in the price of the product, energy consumers are concerned that more businesses will collapse due to exorbitant cost of energy.

The stakeholders who spoke on the issue wondered why the price of LPFO which is an imported petroleum product should be used to determine that of gas that is produced locally.

Meanwhile, Oluwole Oluleye, executive secretary of the PPPRA, told BusinessDay exclusively that the agency was not involved in what analysts described as conspiracy by NGC to use the name of PPPRA to jerk up price of gas .

It was also gathered that the Pipeline Products Marketing Company (PPMC), a subsidiary of the Nigerian National Petroleum Corporation (NNPC), that used to regulate the price of natural gas was also not part of the recent decision to hike the prices. A cross section of manufacturers and other users of natural gas who spoke to BusinessDay said it was "unfortunate" for the NGC to hide under the PPPRA to increase gas price which is produced locally.

A source at Shell Gas and Power who spoke on condition of anonymity said gas used to be priced at 30 percent discount to the least priced fuel alternative available in the country.

This, according to him, means that when the refineries were working, the price of natural gas used to be 30 percent less than the cheapest fuel alternative. Low Pour Fuel Oil (LPFO) was cheaper than diesel (Automotive Gas Oil), the second alternative fuel for energy generation.

With the partial collapse of the refineries and the huge increase in the prices of crude oil at the international market, the price of diesel and LPFO became equally high because they are all imported.

However, even after its price rose from N26 per litre to N107 per litre, LPFO has remained cheaper than diesel, which is around N156 per litre.

BusinessDay gathered that due to the usual arrangement whereby gas is priced at 30 percent discount to the least priced fuel alternative, the NGC requested the PPPRA to furnish it with the pricing templates of imported LPFO and also make it available in its (PPPRA) website. The NGC consequently adjusted its price in accordance with the PPPRA pricing template, a measure which jerked up gas price from N21.05 per cubic unit to N67.63 per cubic unit.

Manufacturers and other gas consumers have wondered why the NGC should relate the price of gas which is produced locally to the price of LPFO which is imported.

Oluwole Oluleye, executive secretary PPPRA told BusinessDay in an exclusive interview that the agency had no hand in the gas price hike, adding that it has no mandate to regulate price of gas.

"NGC asked us for information on LPFO. This is a government establishment, so we gave them the information. Actually, we have no business with LPFO and we don't regulate price of gas but we keep track of all the petroleum products around the world. They didn't tell us they are going to relate it to gas. We gave them the LPFO template and they used it to write to the gas dealers that they have increased the price of gas, he explained.

Oluleye, however, said that when the agency got information on the price hike, it wrote to officials of the NGC, who promised to revert to the old price. According to him, the PPPRA was yet to receive any letter to that effect.

Bolaji Osunsanya, managing director, Oando Gas and Power, also told BusinessDay that gas is priced at LPFO benchmark provided by PPPRA.

"The gas dealers used to take published prices by the PPMC, but now it is the PPPRA benchmark that is used to price gas," he said.

Oba Okojie, chairman, Steel Manufacturing Group of the Manufacturers Association of Nigeria (MAN), described the action of NGC as "madness."

Why should they relate the price of an imported product to the price of a product that is produced locally? Do they want to kill the steel industry? Natural gas is the only alternative solution to the electricity problem we are having. We are asking for 24 hours of electricity supply. Even the 12 hours they promised to give us is not regular. They said we have 2,700 megawatts. Why can't they give the steel manufacturing sector just 70 mw?" he said.

Efforts by BusinessDay to speak with Voka Mukoro, managing director of NGC, proved abortive, but a source at the company, who pleaded anonymity, said NGC actually used the LPFO template of PPPRA to hike gas price.

According to him, natural gas is least priced in Nigeria, adding that this does not encourage gas producers to supply the local market.