

**OPENING ADDRESS BY THE EXECUTIVE SECRETARY,
PETROLEUM PRODUCTS PRICING REGULATORY
AGENCY (PPPRA), OLUWOLE OLULEYE Ph.D, AT THE
OPENING CEREMONY OF A MEETING BETWEEN THE
PPPRA AND PPMC DEPOT OFFICIALS HOLDING ON
THURSDAY 13TH APRIL 2006 IN LAGOS.**

**IMPLEMENTATION OF THE PETROLEUM SUPPORT FUND(PSF)
SCHEME AND DATA COLLATION**

PREAMBLE

It is my pleasure to address you this morning as we commence the implementation of the Petroleum Support Fund (PSF) Scheme, which is a programme that will no doubt exert a tremendous impact on the downstream sub-sector in particular and the Oil and Gas industry in general.

Let me note here that through the activities of the Agency and with the active support of the Industry Operators, we have collectively been able to restore serenity in the system as shown in the level of investments in the sector and the stable products supply and distribution since the advent of deregulation. Examples abound of massive investments in transportation and storage infrastructure by major, independents and DAPPMA members.

Also with respect to products supply and distribution, NNPC is highly commended for shouldering this burden despite prolonged withdrawals by other Marketers whenever there is high volatility in the international market. With the PSF in place, it is expected that Marketers will

participate actively in products procurements and distribution without the hindrance of cost recovery considerations.

The Petroleum Support Fund

In October 2004, President Olusegun Obasanjo GCFR established the Independent Coordinating Committee on measures for cushioning the Effect of the Increase of petroleum products prices sequel to the fuel price hike of September 2004 and the resultant threat of a nation wide strike by labour.

The Senator Ibrahim Mantu led Committee as part of its report, recommended the establishment of a modulator mechanism to stabilise domestic prices of petroleum products and mitigate the impact of upward movement in crude prices on the domestic products market. In order to achieve this objective, the Federal Government established a Petroleum Support Fund effective January 2006 to stabilise the domestic prices of petroleum products against volatility in international crude and products prices.

I wish to inform you that a budget of one hundred and fifty billion naira (₦150billion) was appropriated in the 2006 national budget for the take off of the scheme. Of this amount, ₦75 billion is to come from the Federal Government while the States and Local Governments will contribute the balance of ₦75 billion. To ensure transparency and accountability, all the stakeholders are involved in its implementation while the Central Bank of Nigeria is the custodian of the Fund.

The PSF shall be financed from two sources, namely:

- The Government
- Accruals realized during the period of over recovery (over recovery here refers to the period at which the PPPRA recommended price is higher than the market determined price).

THE STAKEHOLDERS/OPERATORS OF THE SCHEME ARE:

- CENTRAL BANK OF NIGERIA
- OIL MARKETING COMPANIES
- DEPARTMENT OF PETROLEUM RESOURCES
- REGULATORY AUTHORITY (PPPRA)

It is important to note here that the Fund will be used only for Premium Motor Spirit (PMS) and Dual Purpose Kerosene (DPK). Automotive Gas Oil (AGO) and Aviation Turbine Kerosene (ATK) are fully deregulated.

THE NEED FOR A CENTRALIZED INDUSTRY DATABANK

To a very large extent, the successful implementation of the PSF Scheme will depend on the ability to collate and process the required data needed for its operation. Given the integrated nature of product supply and distribution, a systematic approach to data/information collection and processing is required. In order to instil the confidence of industry players in the entire process, it is imperative that these data are collected at source from the industry operators by the PPPRA operatives who will also verify same. Please permit me to dwell more on this all-important subject.

DATA COLLECTION/COLLATION

The procurement of authentic, reliable and consistent data/information for the downstream sector has remained a contentious issue over the years on account of the absence of a centralised one-stop body that is charged with such responsibility. Subsequently, the data coming out of the various segments of the sub-sector are piecemeal, disarticulated and do not give room for proper planning required for effective regulation of products supply and distribution.

The present level attained in the deregulation policy in the downstream sector however demand that for the policy to proceed on a logical path, access to reliable, comprehensive and up to date data is imperative. This is required to among others, determine supply gaps, plan production and imports to meet local demand.

The importance of reliable data and credible information as a basis for making investment decisions cannot be over emphasised. The practice to date is that, Downstream Operators give out data tailored to their specific interests and purposes. We cannot afford to continue with this practice considering the globalised nature of the oil business today. We must collectively work together to have standard industry data in order to create universal acceptance by the users.

Considering the above, the PPPRA as the Commercial Downstream Regulator decided to seize the initiative in downstream information gathering and dissemination so as to inspire the confidence of investors and decision makers in data reliability and consistency.

In view of the foregoing, it has become imperative for the Agency to position its staff in the various downstream facilities nationwide in order to collect, verify, collate and process the various data on the activities in the sector. This will serve the added advantage of providing a one-stop information access point for all participants and prospectors in the sector. This is also in line with the nation's economic reform programme and global trend which encourages aggregation of information into one credible, verifiable and accessible source and which doubles as a convenient investor's reference point. It is expected that what PPPRA will be to Nigeria is what the Energy Information Administration (EIA) is to the United States of America in Energy Information gathering and dissemination. It will also provide for the Downstream petroleum industry, services similar to that of the Nigeria Investment promotion Council (NIPC) in the area of investment promotion in Nigeria.

Other considerations necessitating the physical presence of PPPRA in these facilities include:

Products inventory in the entire country

With the PPPRA staff present in all Depots, Refineries and Jetties located in various parts of the country and with the use of modern information technology system, it is envisaged that products inventory will be available on weekly basis. This will help in products import plan, local refining production forecasts; products demand forecasts and determining the supply gaps in the system. The official website of

the Agency will provide the required access to these information to all the stakeholders.

Implementation of Petroleum Support Fund Scheme (PSF)

With the commencement of the Petroleum Support Fund (PSF) for which the sum of ₦150 billion has been appropriated, for accountability and fiscal responsibility, PPPRA personnel need to be on ground for proper verification before disbursement of money to the operators under the scheme. Relying on third party information for such disbursement especially from potential beneficiaries may deal a fatal blow on the integrity of the scheme from inception.

Regulating Supply And Distribution of Petroleum Products.

The PPPRA Act confers on the Agency the responsibility of regulating the supply and distribution of Petroleum products nation wide to ensure stability. Effective, implementation of this mandate require the direct involvement of the Agency in all activities at the downstream facilities that relate to supply and Distribution of petroleum products.

Conclusion.

It is our desire at the PPPRA that we all cooperate and collaborate effectively in the implementation of this programme for the overall benefit of the petroleum downstream sub sector in particular and Nigerians in general.

The onus rests on us as operators to ensure that the aims of government in designing this laudable programme is realised. I want to

thank you for your attention and wish you good business practices and ethics in this new dispensation.

Thank you.