FOURTH REPUBLIC
8TH NATIONAL ASSEMBLY
FIRST SESSION
NO. 92

HOUSE OF REPRESENTATIVES
FEDERAL REPUBLIC OF NIGERIA

SPECIAL SESSION

VOTES AND PROCEEDINGS

Monday, 16 May, 2016

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1. The House met at 12.12 p.m. Mr Speaker read the Prayers.

2. **Votes and Proceedings**
Mr Speaker announced that he had examined and approved the *Votes and Proceedings* of Thursday, 5 May, 2016.

By unanimous consent, the Votes and Proceedings was adopted.

3. **Announcement**
***Bereavement*:**
Mr Speaker read the following communications from:

(*i*) Hon. Kingsley Chinda (*Obio/Akpor Federal Constituency*), announcing the death of a former Member, Hon. Ovunda Nsirim (*Obio/Akpor Federal Constituency*, 1979 - 1983) at the age of 65; and

(*ii*) Hon. Bode Ayorinde (*Owo/Ose Federal Constituency*), announcing the death of a former Member, Hon. Timothy Oguntuase Akinbode (*Owo/Ose Federal Constituency*, 1979 - 1983).

A minute silence observed in honour of the deceased.

4. **Admittance into the Chamber**
Motion made and Question proposed, "That the House do admit into the Chamber, the Hon. Minister of State for Petroleum Resources, to enable him make presentation in respect of Recent Deregulation of the Petroleum Downstream Sector in Nigeria, pursuant to Order XIX, Rule 217 (1) (*xi*) of the Standing Orders" (*Hon. Femi Gbajabiamila — House Leader*).

5. **Closed Session**
Motion made and Question proposed, "That the House do resolve into a Closed Session" (*Hon. Leo Ogor — Minority Leader*) — *Agreed to*.

House in Closed Session — **12.47 *p.m.***

House in Open Session — **2.09 *p.m.***

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Agreed to.

6. **Interactive Session with the Hon. Minister of State (Petroleum Resources)**
Motion made and Question proposed, "That this House do commence an interactive session with the Hon. Minister of State for Petroleum Resources on the Recent Deregulation of the Petroleum Downstream Sector in Nigeria, pursuant to Order V, Rule 18 (2) of the Standing Orders" (*Hon. Jibril Umar Buba — Deputy House Leader*).

Agreed to.

7. **Presentation by the Hon. Minister of State (Petroleum Resources):**
The Honourable Minister of State (Petroleum Resources), Dr Ibe Kachikwu, made his presentation on the new framework for Premium Motor Spirit (PMS) supply and distribution as follows:

Why We Had No Other Option

- ***Diminished Forex supply situation*** *has forced marketers to stop product importation and imposed over* 90% *supply on NNPC since October* 2015 *in contrast to the past where NNPC supplied* -48% *of the national requirement.*

- ***Significant decline in Government Foreign exchange revenues*** *due to over 60% drop in global crude oil prices compared to* 2014.

- ***Renewed sabotage and pipeline vandalism in the Niger Delta*** *has drastically reduced national crude oil production to* 1.4 *million barrels per day as at today against* 2.2 *million barrels per day planned in* 2016 *budget, further reducing income to Federation account and also affecting crude volumes for PMS conversion.*

- ***Commitment of crude oil volumes outside the* 445,000 *barrels/day*** *to meet National supply requirements thereby diminishing remittances to the Federation account. Many states continue having financial challenges paying salaries and meeting up with other financial obligations.*

- ***NNPC*** *is not designed to meet this increase in supply due to lack of logistics, funding and volume thereby resulting in the current fuel situation across the country*

- *Consequently, NNPC commenced forward buying cargoes on credit and utilisation of Federation crude which is already declining thereby creating a situation where there is practically insufficient crude volumes to meet the domestic product requirement.*

- *Irrespective of NNPC's efforts in meeting the domestic demand, the scarcity loomed and will remain if an alternative solution is not sought.*

- ***Fuel scarcity has created an abnormal increase in price*** *resulting to Nigerians paying averages of* ₦150 - ₦300 *per litre as* ***prevalent hoarding, smuggling and diversion of products*** *has reduced volumes made available to Citizens.*

- *Our best intelligence reveals to us that in the next* 30 *days the following consequences were imminent if the situation was not addressed*

  — Inability of the three (3) *tiers of Government to pay salaries or meet their financial obligations*

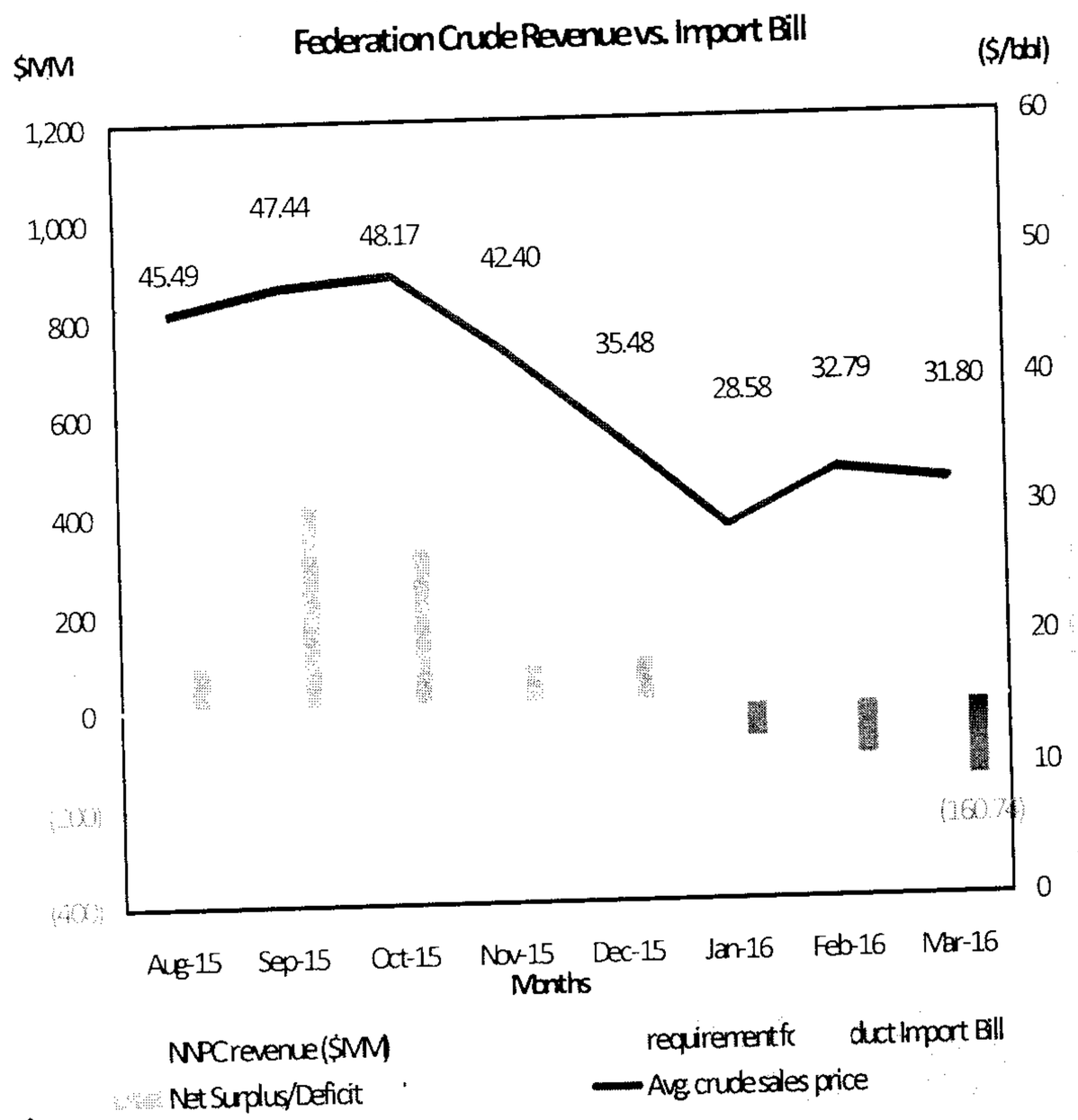
  — Increased scarcity of the product leading to longer queues

— Continuous upward surge in the price of petroleum product across the nation as hoarding and smuggling continue

- ***There is no provision for subsidy*** *in* 2016 *Appropriation. As at today, the current PMS price of* ₦86.50 *gives an estimate subsidy claim of* ₦13.7 *per litre which translates to* ₦16.4 *Bn monthly.*

- *Therefore we were left with no option than to liberalise the market.*

Why We Had No Other Option – Current State



Oil Production deferments/shut in:

- 250,000 bbls per day due to Forcados export line
- 110,000 bbls per day Escravos due Okan platform breach
- Bonny terminal 250,000 bbls per day due NGL leakage
- Qua Iboe force majeure due export line leakage

Currently about 800,000 bbls of oil production opportunity lost.

Declining Oil prices has resulted in a reduction in NNPC Forex earning thereby resulting inability to cover its import bill of $550MM requirement

Shortfall of $73.09MM & $113.36MM in January and February respectively

Situation escalated by dwindling Crude prices and Production drop due to new wave of sabotage

January 2012	*May* 2016
* *Average price crude oil valued at $110 per barrel*	* *Average of price of crude oil valued at* $40 *per barrel*
* *Availability of funds to cater for the subsidy regime due to booming oil prices* (₦1.43 *by* 2013/2014/2015)	* *Lack of funds to cater for the subsidy regime owing to low crude prices*
* *Importation was based on* 50% *financing from NNPC and* 50% *from Oil Marketers*	* *Presently, financing for importation of products is almost* 100% *handled by NNPC and this model is unsustainable*
* *Sourcing of foreign exchange for importation of petroleum products for both the NNPC and oil marketers was solely from the Central Bank of Nigeria and at official government rates*	* *Non-availability of foreign exchange to import petroleum products. Marketers have drastically reduced their importation since* Q3 2015 *due to a scarcity of forex. There is a need for them to source forex independent of CBN to be able to meet the nation's demand.*
* *Lack of strategic plan and investments in refineries and pipeline infrastructure meant that the sector could not attract investors.*	* *Ongoing strategic plans and investments already on ground to ramp up the country's refineries to attract investors and in the long term become a net exporter of petroleum product.*

Responding to the Urgency of Now — Actions Taken

- ***Created a liberalised environment for private marketers and any other Nigerian entity willing to supply PMS to source for their Forex exchange*** *and import PMS to ensure availability of products in all locations of the country.*

- *PPPRA introduced a new PMS price band of* ₦135 – ₦145 *in accordance with the price modulation framework reflective of the actual price of the secondary sources of foreign exchange. All Products will be* ***sold within the recommended PPPRA price band to be reviewed periodically****. Post this implementation, prices are currently hovering between* ₦135-₦145 *per liter.*

- *PPPRA and DPR were further authorized to carry out their statutory responsibility to enforce compliance with a maximum pricing of the upper band,* ***ensure level playing field, strict compliance with market rules by all stakeholders*** *and* ***consumer protection****.*

Post Framework Message

- *The price band has gone into effect and the market has stabilized in a matter of days, in terms of product availability*

- *The queues have virtually disappeared*

- *It is expected that smuggling and diversion will diminish substantially and will continue to rely on security agencies to support on this development*

- *NNPC will no longer resort to federation barrels and will endeavor to meet its obligation to pay FAAC* 100% *of its entitlement from the* 445,000 *barrels per day timely in the coming months*

- *Initial indication reveals that marketers are returning to their supply obligations due to access to foreign exchange.*

Way Forward

- ***Emphasis must shift*** *from protection to Liberalisation – e.g. success cases in AGO, banking, Telecoms sector, etc.*

- *Massive investment in infrastructure by attracting* ***Foreign direct Investments*** **(*FDI*)** *to focus on the big ticket items eg pipelines, refineries, further development in the upstream oil and gas sector, etc.*

- ***Increase Refining capacity of the domestic refineries*** *through relocation/co-locating smaller but cost efficient refineries within a time frame of* 12-24 *months*

- ***Focus on restoring upstream production by positively engaging host communities*** *to put the current militancy to an end once and for all*

- ***Focus on improving Government funding in the upstream where funding has been less than 30%.***

- ***Relieve Government of monthly Cash Call funding*** *and create a sustainable self-funding arrangement for Government equity in existing Joint Ventures*

- *Ensure effective development of Nigerian Gas Market* ***with adequate and sustainable gas supply to power*** *and industrial sectors and* ***develop gas based industries*** *for national economic growth and development.*

- *Continue to engage the general public and all stakeholders by providing relevant information and education.*

Members raised a numbers of observations and questions on the presentation of the Hon. Minister to which he responded.

Mr Speaker noted the presentation of the Hon. Minister of Petroleum with thanks. He stressed the need for the House to give adequate opportunity to the Organized Labour who opposed the new price regime of Premium Motor Spirit to present their case in line with the principle of natural justice.

8. Invitation of the Nigerian Labour Congress and other Stakeholders on the Deregulation of the Petroleum Downstream Sector in Nigeria

Motion made and Question proposed:

The House:

Notes the importance of Petroleum Products to the Nigerian masses as regards the price of petroleum products to our economy;

Also notes that various organizations including the Nigerian Labour Congress (NLC), Civil Organizations and other important opinion blocks in the country have agitated against the current price hike of petrol in the country;

Worried that the impact of the petroleum price hike on the masses will greatly affect their livelihood.

Resolves to:
Constitute an *Ad-hoc* Committee to interface with other stakeholders like the Nigerian Labour Congress, Civil Rights Organization including stakeholders in the petroleum industry and report back to the House within 5 days (*Hon. Ossai Nicholas Ossai — Ndokwa East/Ndokwa West/Ukwuani Federal Constituency*).

Debate.

Amendments Proposed:

(*i*) In the prayer, immediately after the word "within", *leave out* the words "5 days", and *insert* "one week" instead thereof (*Hon. Alhassan Ado Garba — Doguwa/Tudun Wada Federal Constituency*).

Question that the amendment be made — Agreed to.

(*ii*) Insert a new Prayer (*ii*) as follows:

"Urge the Nigerian Labour Congress (NLC) to suspend its planned strike action pending the outcome of the report of the *Ad-hoc* Committee set up by the House" (*Hon. Alhassan Ado Garba — Doguwa/Tudun Wada Federal Constituency*).

Question that the amendment be made — Agreed to.

Question on the Motion as amended — Agreed to.

The House:

Noted the importance of Petroleum Products to the Nigerian masses as regards the price of petroleum products to our economy;

Also noted that various organizations including the Nigerian Labour Congress (NLC), Civil Organizations and other important opinion blocks in the country have agitated against the current price hike of petrol in the country;

Worried that the impact of the petroleum price hike on the masses will greatly affect their livelihood.

Resolved to:

(*i*) Constitute an *Ad-hoc* Committee to interface with other stakeholders like the Nigerian Labour Congress, Civil Rights Organization including stakeholders in the petroleum industry and report back to the House within one week;

(*ii*) urge the Nigerian Labour Congress (NLC) to suspend its planned strike action pending the outcome of the report of the *Ad-hoc* Committee set up by the House (**HR. 166/2016**).

9. *Ad-hoc* Committee on Deregulation of the Petroleum Downstream Sector in Nigeria

Mr Speaker named members of the *Ad-hoc* Committee as follows:

(1)	Hon. Alhassan Ado Garba	—	*Chief Whip (Chairman)*
(2)	Hon. Jibril Umar Buba	—	*Deputy House Leader*
(3)	Hon. Chukwuka Onyema Wilfred	—	*Deputy Minority Leader*
(4)	Hon. Muktar Betara Aliyu	—	*Member*
(5)	Hon. Atunwa Razak Olatunde	—	*Member*
(6)	Hon. Onyewuchi Ezenwa Francis	—	*Member*
(7)	Hon. Akinlaja Joseph Iranola	—	*Member*
(8)	Hon. Victor Onyemaechi Nwokolo	—	*Member*
(9)	Hon. Abdussamad Dasuki	—	*Member*
(10)	Hon. Idris Ahmed Wase	—	*Member*
(11)	Hon. Philip Shuaibu	—	*Member*
(12)	Hon. Prestige Ossie	—	*Member*
(13)	Hon. Sani Zangon Daura	—	*Member*
(14)	Hon. Lawal Abubakar	—	*Member*
(15)	Hon. Daniel Reyeneiju	—	*Member*
(16)	Hon. Nnenna Elendu-Ukeje	—	*Member*

(17)	Hon. Sunday Adepoju	—	*Member*
(18)	Hon. Asabe Valita Bashir	—	*Member*
(19)	Hon. Ossai Nicholas Ossai	—	*Member*

10. Adjournment

That the House do adjourn till Tuesday, 17 *May*, 2016 *at* 11.00 *a.m.* (*Hon. Femi Gbajabiamila — House Leader*).

The House adjourned accordingly at 4.26 *p.m.*

Yakubu Dogara
Speaker