



Crude Oil

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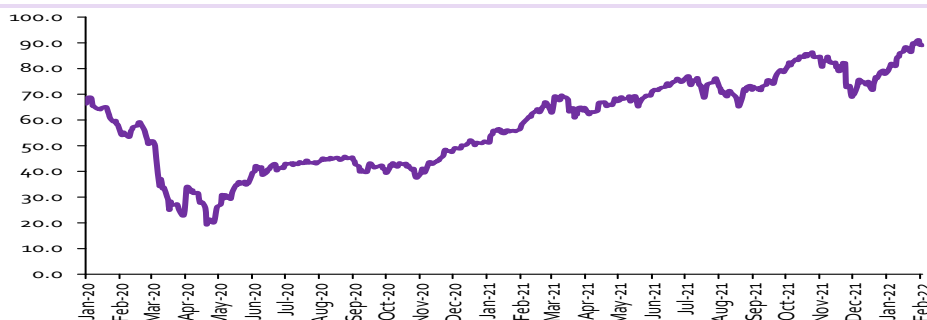
Low production continues to mask gains from high oil prices

A ThisDay report, this morning, says a Floating Production, Storage and Offloading (FPSO) vessel with a capacity to process up to 22,000 barrels of oil per day, inject up to 40,000 barrels of water per day and store 2 million barrels of oil, exploded and sunk at the Ukpokiti Terminal, around Escravos, Warri South-west, Delta State. According to the report, the huge facility, TRINITY SPIRIT, was built in 1976, with a carrying capacity of 274,774 Dead Weight Tonnage (DWT) and an overall length of 337.05 meters and a width of 54.5 meters. The asset is owned by Shebah Exploration and Production Company Limited (SEPCOL) which acquired all of 40% of Conoco Phillips equity interest in OML 108. The actual cause of the explosion is yet to be known as of the time of writing.

In other news, there are reports that Nigeria missed its crude oil output target for January 2022, producing 1.46 million barrels per day compared with 1.683 million bpd approved by the Organisation of Petroleum Exporting Countries. According to the reports, the country's continued inability to meet its output target had caused the repeated plunge in oil earnings, leading to the monthly drop in the NNPC's remittances to the Federation Account. Crude oil production as of 9M 2021 averaged 1.57mb/d, which lags the OPEC benchmark of 1.62mb/d. The uninspiring output was largely due to crude oil terminal maintenance, shutdowns, and reduced investments. Hence, growth in the sector was a negative 10.73% as of Q3 2021.

Crude oil terminal maintenance, shutdown, vandalism, and reduced investments in the oil sector have continued to undermine oil production, masking the gains from increasing oil prices. The new Petroleum Industry Act 2021 (PIA) which was signed into law by the President on 16 August 2021 to repeal the extant Petroleum Act 2004, creates provisions and innovations that will affect various aspects of the oil and gas industry and we are hopeful that it will result in increased investments in the oil and gas sector. We project crude oil production (including condensates) will reach 1.75mb/d in 2022. While this is an improvement from 2021 levels, it still lags the 5-year average of 1.85mb/d. We expect the continued elevated crude oil price, coupled with the passage of the PIA, to incentivize drilling activities. Beyond this, we expect the commencement of 160,000 Amukpe-Escravos export terminals in H2 2022 to support crude oil production.

Brent Crude Price



Source: Bloomberg, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	42,043.79	42,716.44	46,930.66
Naira / US\$	395.00	435.00	416.25
Brent, US\$/bbl	57.46	77.78	89.47
MPR %	11.50	11.50	11.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. *Nigerian Stock Exchange All-Share Index

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Today's news headlines:

FEC approves \$328.87m railway consultancy services, N115.4bn Katsina road dualisation: The Federal Executive Council presided over by the President, Major General Muhammadu Buhari (retd.), on Wednesday, approved N115.4bn for the dualisation of the proposed Kano-Kazaure-Kongolam highway in Katsina State from single carriageway to a dual carriageway. The Minister of Works and Housing, Babatunde Fashola, who disclosed this to State House correspondents after the council meeting, explained that the project which covers 131.4 kilometers would be completed in 48 months. He said, "The Ministry of Works and Housing presented a memo for the dualisation of the Kano-Kazaure-Kongolam highway's 131.4 kilometers from a single carriageway to dual carriageway. Source: punchng.com <https://punchng.com/fec-approves-328-87m-railway-consultancy-services-n115-4bn-katsina-road-dualisation/>

FG pays fuel transporters N22.7bn bridging claims: The Federal Government has paid bridging claims amounting to N22.7bn to transporters of petroleum products, the Nigerian Midstream and Downstream Petroleum Regulatory Authority has said. The NMDPRA said the government would also pay another N30bn to the transporters this week to ensure the smooth distribution of petroleum products across the country. Bridging claims represent the cost of transporting fuel from Pipelines and Products Marketing Company depots to approved zones to ensure a uniform pump price across the country. Source: punchng.com <https://punchng.com/fg-pays-fuel-transporters-n22-7bn-bridging-claims/>

Promissory notes: FG to pay N312bn to states, others in 2022: The Federal Government is expected to pay off five promissory notes worth N311.73bn, which will all mature in 2022. While payment for three promissory notes will be made to state governments, the remaining two will be made to judgement creditors. This is according to a document titled, 'Schedule of promissory notes issued by category as of December 2021', which is available on the website of the Debt Management Office. According to Investopedia.com, a promissory note is a debt instrument that contains a written promise by one party (the note's issuer or maker) to pay another party (the note's payee) a definite sum of money, either on-demand or at a specified future date. Source: punchng.com <https://punchng.com/promissory-notes-fg-to-pay-n312bn-to-states-others-in-2022/>

Despite Perceived Challenges, More Countries Push for 5G Adoption as Rollout Begins in Nigeria February: More countries in Africa, Asia and Europe are pushing for the adoption and rollout of 5G network, despite perceived fears in some quarters that 5G technology will cause so much interference to aviation signals and even health hazards to humans, even though such fears are not known to any scientific studies. In Africa, countries like Nigeria, South Africa, Kenya and Uganda have carried out trial-test on 5G technology in preparation for rollout. Nigeria, which has even gone beyond trial testing of 5G technology, had concluded the auction of its 5G spectrum license, and the spectrum winners, MTN Nigeria Plc and Mafab Communications Limited, are expected to pay the 5G spectrum licence fee this February to enable them commence 5G network rollout. Source: thisdaylive.com <https://www.thisdaylive.com/index.php/2022/02/03/despite-perceived-challenges-more-countries-push-for-5g-adoption-as-rollout-begins-in-nigeria-february/>



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	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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- Asset allocation:** Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.



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