

# Crude Oil

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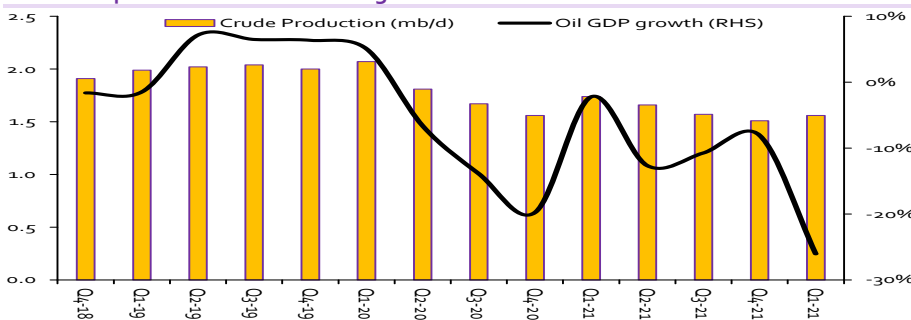
## Low production to continue to limit gains

According to news reports, the Organisation of Petroleum Exporting Countries (OPEC) on Wednesday raised Nigeria's crude oil production quota for September 2022 to 1.83mbpd from 1.826mbpd in August. For several months, Nigeria has failed to meet its OPEC quota, blaming massive oil theft, the inability to restart oil wells shut down in the wake of the Covid-19 pandemic, lack of investments as well as community issues. There has been a continuous fall in production volumes throughout the year. In an interview with Reuters, Zainab Ahmed noted that low crude oil production means Nigeria can barely cover the cost of imported petrol from its oil and gas revenue.

Based on a Vanguard report, Shell Petroleum Development Company, in its briefing notes, stated that the fall in output was largely a result of curtailed oil production because of heightened security issues, crude oil theft and illegal oil refining. The note stated that in the last quarter of 2021, crude oil theft from pipelines across the region increased significantly due to the rising oil prices, which made the activity more profitable. The country's worsening security situation also means production in some areas has been put on hold. It was also noted that production numbers were down because of divestment actions. For over a decade, international oil companies (IOCs) have divested their assets to local oil companies due to operational difficulties, crude oil theft, climate targets, non-passage of the PIB, etc. It is no news that the lack of investment in deep water petroleum exploration is threatening Nigeria's reserves.

The oil sector contracted deeply by 26.04% y/y (despite a better average price of Brent crude in Q1 2022 compared to Q4 2021 and Q1 2021), due to low production. Brent crude averaged US\$97.86/bbl. in Q1 2022, compared with US\$79.66/bl in Q4 2021 and an average price of US\$61.32/bl in Q1 2021. Meanwhile, average daily oil production for Q1 2022 at 1.56mbpd (including condensates), was lower than 1.74mbpd in Q1 2021. Crude oil production reached a low of 1.28mbd. (Including condensates) in May 2022 and we do not anticipate any significant recovery in the near term. The perennial issues of pipeline vandalism, theft, and terminal shutdowns have continued to constitute clogs and with no lasting solution in sight to curb this menace in the year, oil production will most likely remain at sub-optimal levels for the rest of the year.

### Crude oil production and oil sector growth



Source: NBS, CSL Research

## MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,927.83	42,716.44	50,582.30
Naira / US\$	413.12	435.00	428.13
Brent, US\$/bbl	76.33	77.78	94.12
MPR %	11.50	11.50	14.00

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

## CONTACT INFORMATION

**Head of Research:** Gloria Fadipe

+234 (0)1 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

**Banks:** Gloria Fadipe

+234 (0)1 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

**Industrials:** Oluwasesan Adeyeye

+234 (0)1 448 5436 ext.4512

[oluwasesan.adeyeye@fcbm.com](mailto:oluwasesan.adeyeye@fcbm.com)

**FMCGs & Brewers:** Edgar Ebinum

+234 (0)1 448 5436 ext.4457

[edgar.ebinum@fcbm.com](mailto:edgar.ebinum@fcbm.com)

**Research Team:** [cslresearch@fcbm.com](mailto:cslresearch@fcbm.com)

**Retail Team:** [cslcsu@fcbm.com](mailto:cslcsu@fcbm.com)

**Sales Team:** [cslrmt@fcbm.com](mailto:cslrmt@fcbm.com)



## Today's news headlines:

**FG to generate N160bn from call, data taxes:** The Federal Government will generate about N160.46bn from excise duty on telecommunication services in 2023. According to the Nigerian Communications Commission, the combined revenue of operators in the GSM, Fixed Wired, and Internet Service Providers was N3.21tn in 2021. If the government implements its five per cent excise duty on telecom services, it will generate about N160.46bn. The amount, however, assumes that the revenue of the telcos would be static. But in real terms, it could either be higher or lower depending on economic fundamentals in 2022. Recently, the Federal Government disclosed a plan to implement a 5 per cent excise duty on telecom services in the nation. Source: [punchng.com](https://punchng.com)

<https://punchng.com/fg-to-generate-n160bn-from-call-data-taxes/>

**W'Bank commits \$8.5bn to Nigeria, faults N6.7tn subsidy:** The World Bank has committed \$8.5 billion to Nigeria to fund critical issues ranging from agriculture to education. Disclosing this on Thursday in Abuja during a summit organised by the Emergency Coordination Center, the World Bank Country Director to Nigeria, Shubham Chaudhuri, noted that the amount was the largest of any country. He noted that it was still infinitesimal compared with the needs of Nigeria, stressing, however, that around \$2.5 billion to \$3 billion of the fund had been channelled towards education. "Half of the population of Nigeria itself is less than 17 years old. Source: [punchng.com](https://punchng.com)

<https://punchng.com/wbank-commits-8-5bn-to-nigeria-faults-n6-7tn-subsidy/>

**Again, SEC Warns Investors against Illegal Crowdfunding Platforms:** The Securities and Exchange Commission (SEC) has renewed its warning to investors patronising unregistered investments crowdfunding platforms. Crowdfunding is the process of raising funds to finance a project or business from the public through online platform. Crowdfunding portal is a website, portal, intermediary portal, application, or other similar module that facilitates interaction between fundraisers and the investing public. In a circular released August 3, 2022, SEC stated that it has observed with concern the fraudulent activities of some unregistered investment crowdfunding platforms and advised the investing public against making investments with or through any crowdfunding platform not registered with the Commission. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/08/05/again-sec-warns-investors-against-illegal-crowdfunding-platforms-2/>

**NNPC Records Marginal Increase in Domestic Gas Supply to Power:** The Nigerian National Petroleum Company Limited (NNPC) has disclosed that it supplied a total of 594 million standard cubic feet of gas per day (mmscfd) to gas-fired power plants in the country in the month of October 2021. A statement by the Group General Manager, Group Public Affairs Division, Mr. Garba Muhammad, indicated that the figure was against the 557 mmscfd supplied the previous month, which was September 2021. It added that the data was contained in the NNPC's Monthly Financial and Operations Report (MFOR) for October 2021, the 75th in the series since the company started publishing the report in 2015. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/08/05/nnpc-records-marginal-increase-in-domestic-gas-supply-to-power/>

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% distribution	49%	29%	14%	9%	
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% distribution	0%	50%	50%	0%	

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CSL STOCKBROKERS LIMITED

Member of the Nigerian Stock Exchange

PO Box 9117

Lagos State, NIGERIA

CSL Stockbrokers

A trading name of CSL Capital (UK) Ltd

43-44 New Bond Street

London

W1s 2SA

United Kingdom