



Oil Refining

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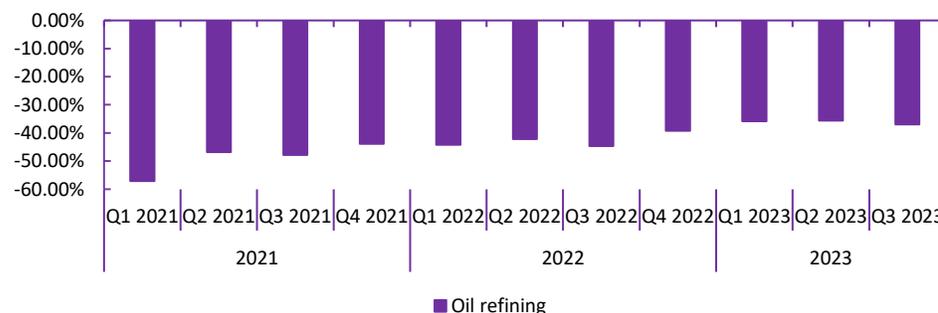
Dangote refinery receives its first crude oil cargo.

News reports say the Dangote petroleum refinery received its first shipment of crude oil. The refinery received one million barrels of Agbami crude grade from Shell International Trading and Shipping Company Limited (STASCO), marking a significant milestone in the development of Nigeria's private refining capacity. The initial supply of one million barrels is the first of 6 million barrels that would enable an initial run of the refinery to begin the production of diesel, aviation fuel and Liquefied Petroleum Gas, before the refinery later starts producing Premium Motor Spirit. A statement from the Dangote group stated that the next four cargoes will be supplied by NNPC in about three weeks and a final cargo will come from ExxonMobil.

Though we believe the refinery will take some time to reach its full capacity of 650,000 bpd, the supply of the one million barrels of crude oil is a welcome development which should kickstart a reduction in the importation of fuel and its lubricants into the country. The output from the refinery would be a boost to the oil refining GDP subsegment. The refinery is expected to have a significant impact on Nigeria's foreign exchange liquidity through import substitution. A significant inflow of forex is also expected to come in through export activities from the refinery. Nigeria has suffered a foreign exchange crisis in recent years with demand for forex significantly outstripping supply.

Nigeria's hope of attaining self-sufficiency in the local domestic oil refining space rest largely on the operations of the Dangote refinery. The refinery, which has one of the largest production capacities in the world, operating at full capacity would more than meet Nigeria's domestic fuel requirements with excess capacity for exports. The Managing Director of the Dangote Group, Devakumar Edwin, had earlier in the year stated that 50% of the refinery production will meet 100% of the country's requirements. While we note that achieving self-sufficiency in local refining capacity might not reduce the cost of petrol significantly, sufficient local refining capacity would at least boost the availability of the product and bring a lasting end to the persistent issue of fuel scarcity in the country.

Oil refining subsector GDP Growth rates (Last Two Years)



Source: CSL Research, NBS

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NSE-Index	53,086.86	51,251.06	71,541.74
Naira/US \$	415.63	461.50	886.66
Brent US\$/bbl	119.51	85.91	79.90
MPR	13.00	16.50	18.75

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

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News headlines:

\$792m trapped funds: Foreign airlines at break point, may exit Nigeria's airspace — IATA:

There are indications that foreign airlines may be planning to exit Nigeria's airspace soon at the backdrop of the worsening operating environment. This is coming amidst several exits of foreign businesses from the country this year, the latest being Procter & Gamble of United States, which announced their decision pull out last week barely months after another multinational corporation, GlaxoSmitKline, took similar step. The key challenge, according to the airline operators, remains the inability to raise the foreign currency required for their operations as over \$792 million of the funds are still trapped in Nigeria, a development that is currently threatening their operations globally. Source: Vanguard

<https://www.vanguardngr.com/2023/12/792m-trapped-funds-foreign-airlines-at-break-point-may-exit-nigerias-airspace-iata/>

Vandalism, Others Limit Power Supply To 8,100 Of 13,000MW Generated Electricity –

TCN: The Transmission Company of Nigeria (TCN) is facing a major challenge in delivering electricity to Nigerians, with ageing infrastructure and frequent vandalism hampering its efforts. The company can only transmit 8,100MW of the 13,000MW, a meagre 62 percent, of electricity generated in the country, leaving a significant gap between supply and demand. "We are supposed to be able to transmit about 15,000MW, but we are unable to meet this capacity due to weak and ageing infrastructure," said Thomas Inugonum, TCN's general manager for Port Harcourt Region. Source: Leadership

<https://leadership.ng/vandalism-others-limit-power-supply-to-8100-of-13000mw-generated-electricity-tcn/>

Flutterwave plots Africa remittance dominance with 13 US licences:

Flutterwave, Africa's payment-focused fintech has made public its acquisition of payment licences for 13 states in the US. Experts say this is part of the company's strategies to dominate the remittance market in Africa. Remittance from Africans living in the diaspora, including the United States, has grown significantly in recent years. Data from FXC Intelligence show that the value of remittances to Africa increased from \$31 billion in 2010 to \$43.8 billion by 2022. Nigeria is among the top remittance recipients globally, with \$19.3 billion in 2022. The growth of the market has since attracted investments from players, including banks and financial institutions who are expanding their business operations to cover the market. Source: BusinessDay

<https://businessday.ng/technology/article/flutterwave-plots-africa-remittance-dominance-with-13-us-licences/>

Dangote refinery: Diesel, JetA1 hit market January, petrol delayed:

The Dangote Petroleum Refinery is set to start producing Automotive Gas Oil, also known as diesel, and JetA1 or aviation fuel in January 2024, while the production of Premium Motor Spirit, popularly called petrol, is being delayed by the supply of crude oil in installments. It was gathered on Sunday that the facility would require a minimum of six million barrels of crude oil to kick-start the full production of refined petroleum products including AGO, PMS, Jet A1 and Dual Purpose Kerosene, otherwise called kerosene. Source: Punch

<https://punchng.com/dangote-refinery-diesel-jeta1-hit-market-january-petrol-delayed/>

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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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