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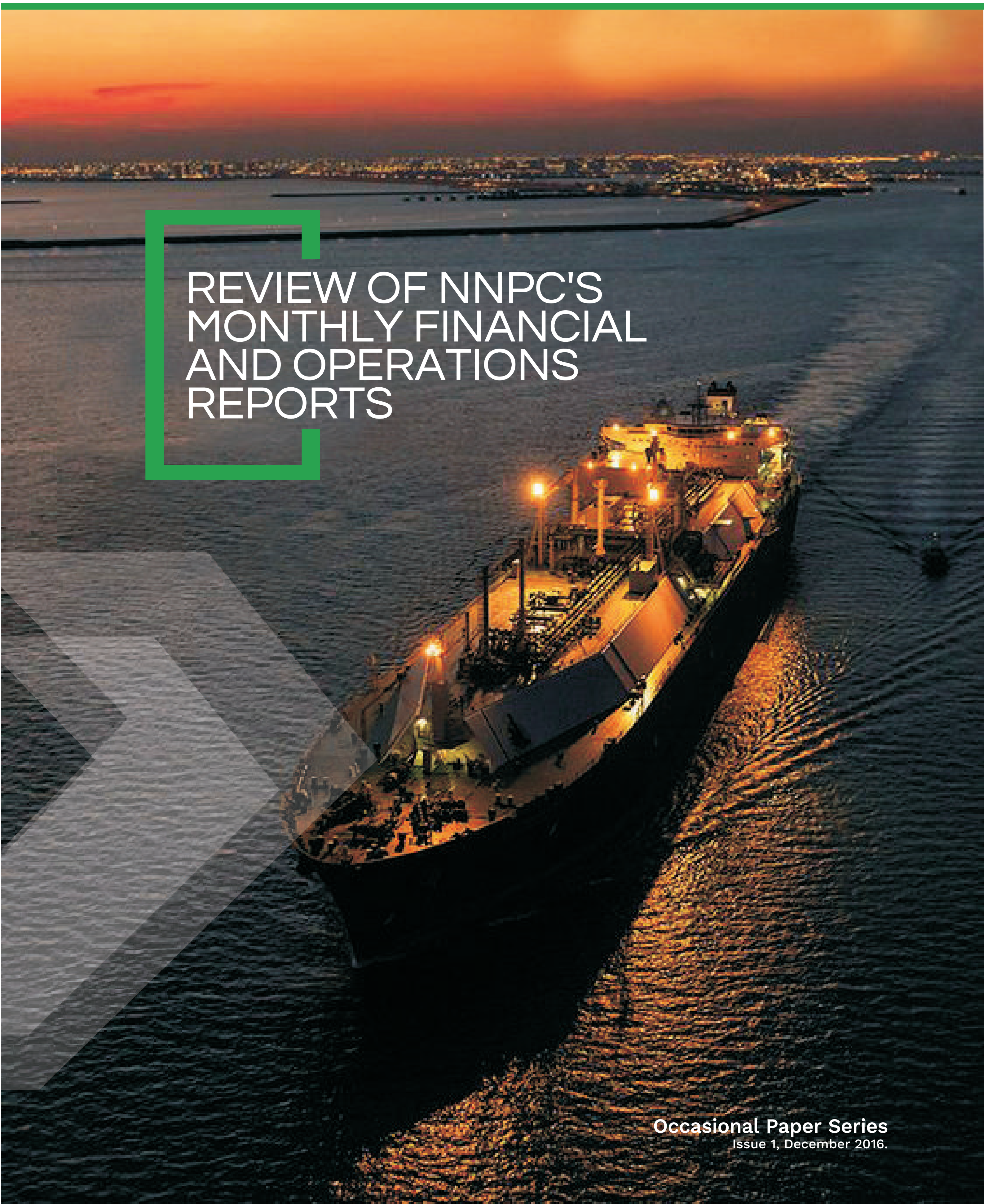

REVIEW OF NNPC'S MONTHLY FINANCIAL AND OPERATIONS REPORTS

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As the wind of openness and transparency continues to blow through the extractive industry, the walls of secrecy are tumbling. Extractive companies are gradually providing more information, thereby subjecting their activities to greater public scrutiny. The Nigerian National Petroleum Corporation (NNPC), commendably, has been caught up in this global movement. Since August 2015, NNPC has been publishing Monthly Financial and Operations Reports, which, according to the corporation once renowned for opacity, is aimed at "... ensuring probity, transparency and accountability in the conduct of its business".

Since August 2015, the NNPC has been publishing Monthly Financial and Operations Reports

For perhaps the first time, the public is kept abreast of developments in Nigeria's oil and gas sector in terms of production and revenue figures, refined products supply and distribution, and remittances to government. Perhaps the most impressive part of this is that NNPC has been able to consistently provide these reports on a regular and timely basis, thereby ensuring up-to-date dissemination of information.

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This review, a joint report by NEITI and BudgIT, examines the information contained in NNPC Monthly Financial and Operations Reports covering the period between January 2015 and September 2016. Although Section 4 of the NEITI Act 2007 mandates NEITI to independently audit and validate all production and revenue figures,

NEITI is yet to validate the information provided in these monthly NNPC reports.

Thus, we stress that these figures will later be subjected to independent validation in subsequent industry audits by NEITI. However, below is an analysis of what is in the public domain about Nigeria's oil and gas sector after 14 months of regular reporting from NNPC. It should be noted that this report was concluded before NNPC released the data for October 2016.

Total crude oil production fell by 27.23% between January 2015 and September 2016

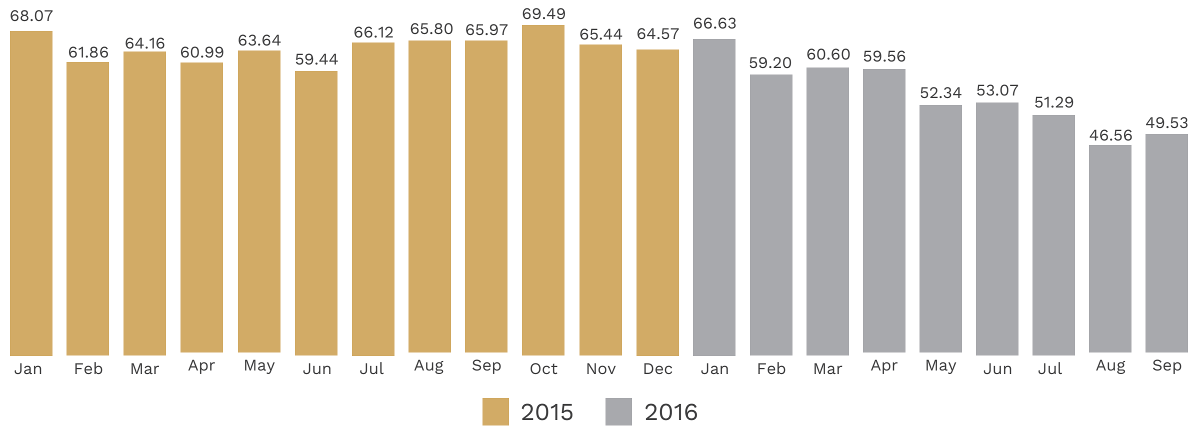

Fig. 1: National Crude Oil & Condensate Production (millions of barrels)

However, these fluctuations were also noticeable in the period before the onset of militant activity in the region.

Figure 1 presents total production of crude oil and condensate from January 2015 to September 2016. The highest level of production was recorded in October 2015 (69.49 million barrels) while the lowest was recorded in August 2016 (46.56 million barrels). Crude oil production fluctuated throughout this period. The graph shows a period of relative stability from Q3 2015 to Q4 2015. The general decline in the levels of production since February 2016 can be attributed to the well documented militant attacks in the Niger Delta. However, these fluctuations were also noticeable in the period before the onset of militant activity in the region.

Thus, militant activity alone is not the sole reason for the fall and volatility in crude oil production. This period was characterized by a significant fall in the price of crude oil from over $100/bbl in July 2014 to less than $50/bbl since 2015.

Average daily crude oil production fell from 2.16 million barrels per day in Q1 2015 to 1.60 million barrels per day in Q3 2016

Fig. 2

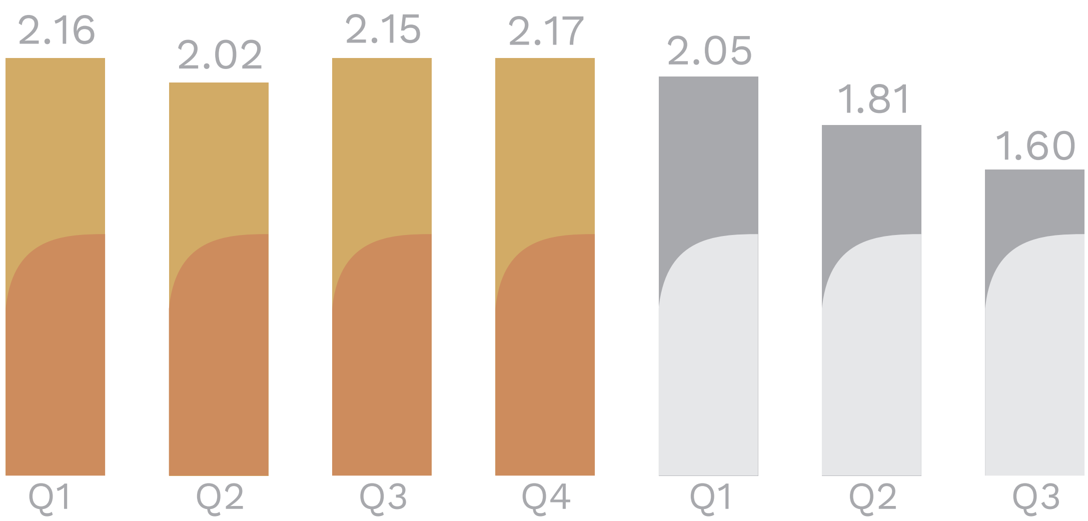

Fig. 2 Average Daily Quarterly Crude Oil Production (millions of barrels)

2015 2016

Average oil production was 2.16 million barrels per day in Q1 2016 and this fell to 1.60 million barrels per day in Q3 2016.

Figure 2 presents average daily production of crude oil per quarter. Average daily production in Q1 2015 was 2.16 million barrels per day, and this dropped to 2.02 million barrels per day in Q2 2015. Average daily crude oil production stayed above 2 million barrels in the four quarters of 2015. However, there has been a drastic fall in average daily oil production in 2016.

Average oil production was 2.05 million barrels per day in Q1 2016 and this fell to 1.60 million barrels per day in Q3 2016. Considering that the

2016 budget was predicated on daily production of 2.2 million barrels per day,

this drastic fall has implications for faithful implementation of the 2016 budget.

PSCs have overtaken JVs as the largest contributors to crude oil production

It is seen from the figure that production from Production Sharing Contracts (PSCs) has consistently outstripped production from Joint Ventures (JVs) in the period under review.

PSCs are mainly deep-water assets, while production from JVs are predominantly from onshore and shallow water locations.

Figure 3 presents crude oil production by production arrangements. It is seen from the figure that production from Production Sharing Contracts (PSCs) has consistently outstripped production from Joint Ventures (JVs) in the period under review. NNPC attributed this to the fact that PSCs are mainly deep-water assets, while production from JVs are predominantly from onshore and shallow water locations.

These onshore and shallow water locations have been severely damaged by militant activities and security breaches.

As a result of this, production from PSCs has been relatively stable, between 25 million and 28.7 million barrels per month.

On the other hand, production from JVs has fluctuated a great deal, between 14.4 million and 24.2 million barrels per month. In addition to militant activities, divestment of Federation equity in some OMLs, notably from NAOC and SPDC JVs from which NNPC lifted Crude Oil on behalf of NPDC instead of Federation Account, has significantly reduced NNPC's JV production.

Fig 3: National Crude Oil & Condensate Production (millions of barrels)

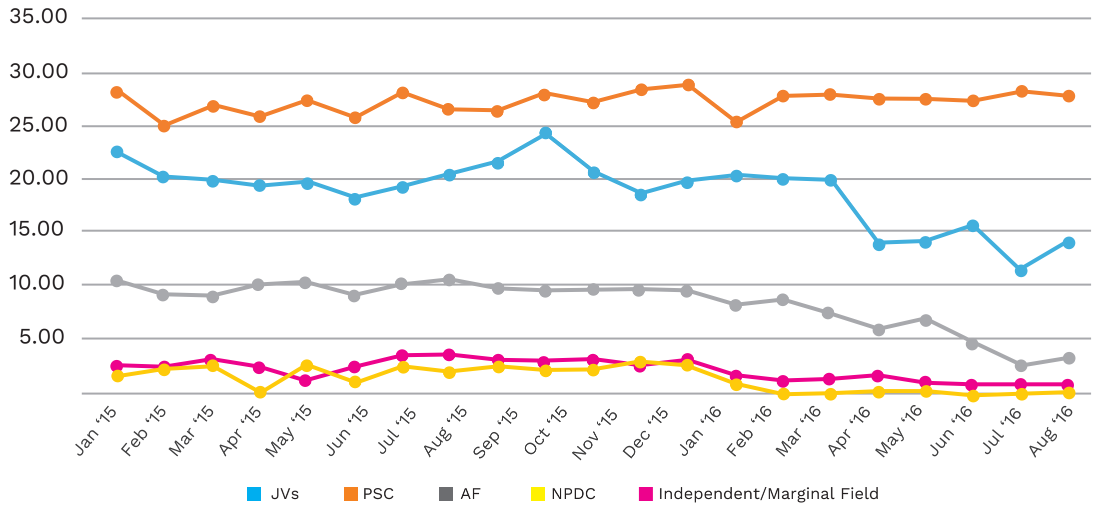

Figure 4 shows the percentage contribution to crude oil production by different production arrangements. It is seen that PSCs contributed between 40% and 53% of total crude oil production. JV's contribution ranged between 27% and 35%, while Alternative Financing's (AF) contribution was between 11% and 18%.

NPDC's contribution was between 2% and 7%, while Marginal Fields contributed between 3% and 7%. Thus, for some months (May – September, 2016), production from PSCs outstripped total production from all the other production arrangements combined.

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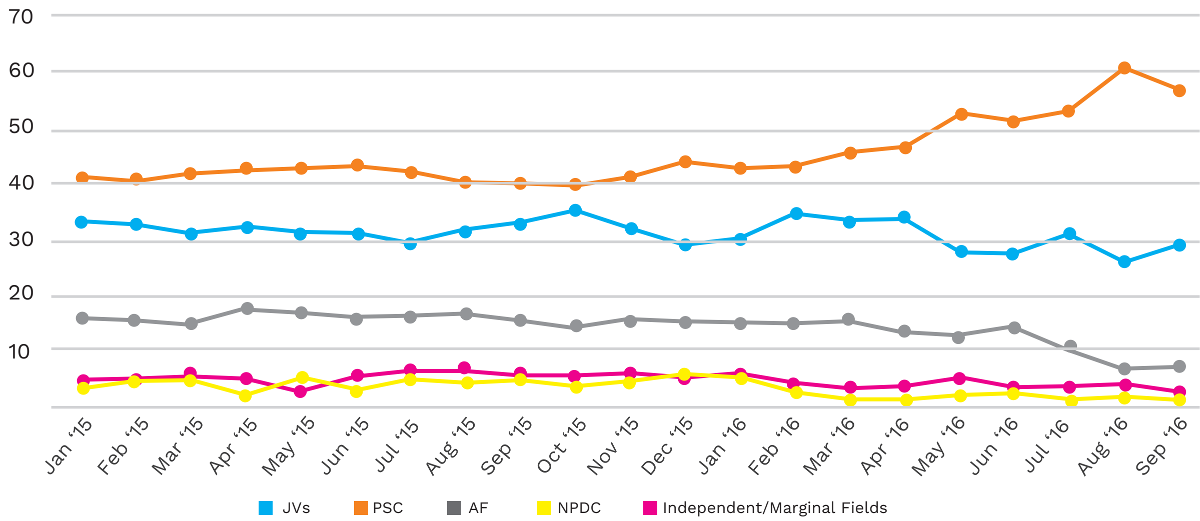
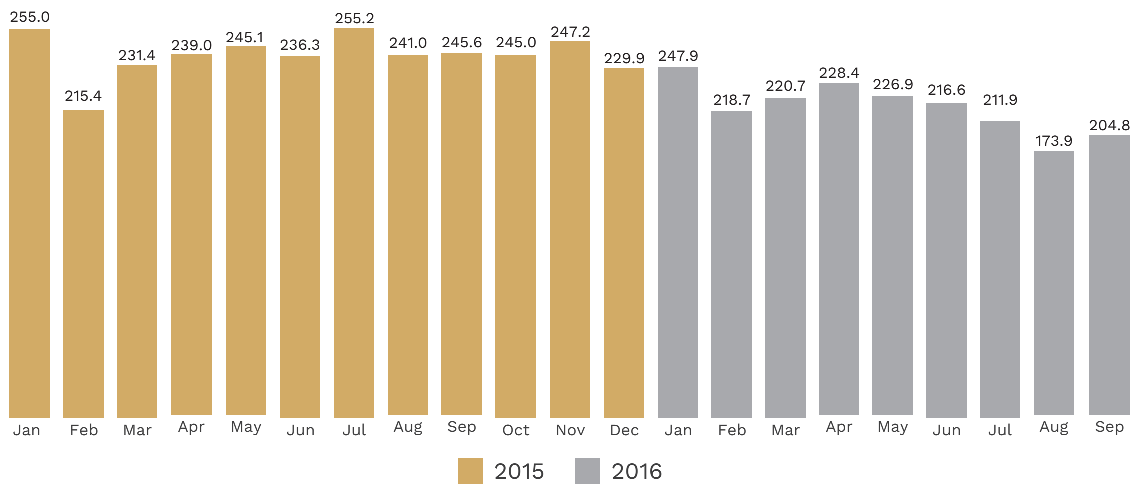
Fig 4: National Crude Oil & Condensate Production (% Contribution)



Natural gas production fell by 19.6% between January 2015 and September 2016

FIG 5: Natural Gas Production (billion standard cubic feet)



19.6%

We see that gas production has fallen by 19.6% between January 2015 and September 2016. This is not unconnected with the militant activities in the Niger Delta which has affected production.

Figure 5 presents natural gas production. In 2015, monthly gas production generally fluctuated between 250 and 255 billion cubic standard feet (BCF). In 2015, the highest production of 255 BCFwas attained in January and July while the lowest production of 215 BCF was recorded in February. In 2016, gas production ranged between 247.9 BCF in January to 173.9 BCF in August.

Thus, we see that gas production has fallen by 19.6% between January 2015 and September 2016. This is not unconnected with the militant activities in the Niger Delta which has affected production.

Unlike the case of crude oil production, JVs account for the bulk of gas production

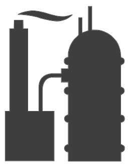
Figure 6 presents the percentage contribution of different production arrangements to gas production. JVs are the largest gas producers in the country and they have consistently accounted for about 70% of gas production.

This is contrary to observations in crude oil production where PSCs account for the largest percentage of production.

A possible explanation for this is that the signed PSCs do not make any provision for how the parties should treat gas available for commercial exploitation; except that the parties define a separate agreement. No such agreements have been concluded. Where gas is already in commercial production such as in Bonga, the absence of an agreement results in loss of income to the Federation.

70%

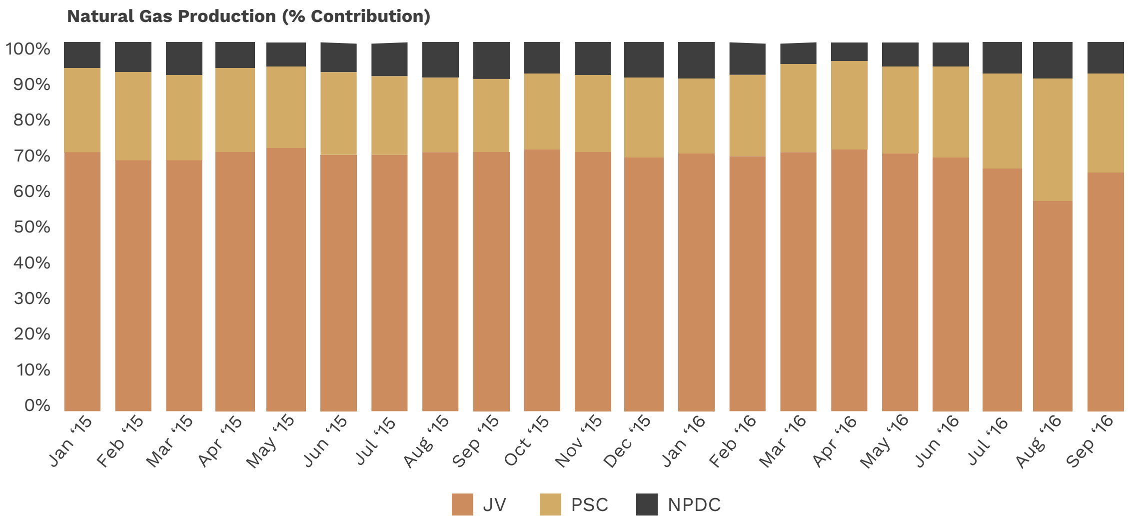
JVs are the largest gas producers in the country and they have consistently accounted for about 70% of gas production.



Apart from Snepco and TUPNI, all other PSCs do not have the facilities to deliver gas onshore for commercial purposes.

In addition, gas production in Nigeria is generally incidental to oil production.

One of the reasons is inadequacy or an outright lack of infrastructure in the gas industry.This is even more evident in PSCs as they mostly operate deep offshore. Apart from Snepco and TUPNI, all other PSCs do not have the facilities to deliver gas onshore for commercial purposes. Consequently, they usually either flare gas, reinject or use for fuel.



Government lifting of crude oil has fluctuated considerably, with over 50% of such liftings for the domestic market

67.6%

The bulk of government liftings of crude oil is for the domestic market with the share of lifting for the domestic market ranging from a low of 47.5% in January 2016 to a high of 67.6% in April 2016.

Table 1 presents statistics for quantity of crude oil liftings. All government lifting of crude oil is carried out by NNPC. In addition to its statutory lifting for domestic use and export, NNPC also lifts crude oil for both the Federal Inland Revenue Service (FIRS) and Department of Petroleum Resources (DPR). Government lifting of crude oil experienced considerable fluctuation with the highest quantity of crude lifted in January 2015 (27.22 million barrels) and the lowest lifting recorded in July 2016 (16.21 million barrels).

This translates to a 40.45% difference in the volumes of crude oil lifted by government in the highest and lowest months. The bulk of government liftings of crude oil is for the domestic market with the share of lifting for the domestic market ranging from a low of 47.5% in January 2016 to a high of 67.6% in April 2016.

Table 1: Crude Oil & Condensate Lifting &Utilisation (millions barrels)									
	NIGERIAN GOVERNMENT						IOCs & INDEPENDENTS (INC. NPDC)	AF	GRAND TOTAL
	FIRS (PSC)	DPR (PSC)	NNPC			SUB-TOTAL GOVERNMENT LIFTING			
			FEDERATION EXPORT	DOMESTIC	SUB-TOTAL (NNPC)				
Jan-15	6.60	0.41	6.65	13.56	20.21	27.22	40.15	1.29	68.66
Feb-15	5.00	0.26	6.54	14.61	21.15	26.40	37.71	1.05	65.17
Mar-15	2.30	1.30	6.07	14.06	20.13	23.73	37.74	1.21	62.68
Apr-15	4.75	0.05	5.12	11.17	16.29	21.10	40.59	2.30	63.99
May-15	4.86	1.45	3.94	12.29	16.23	22.54	36.79	2.39	61.72
Jun-15	3.27	0.55	5.02	11.19	16.22	20.03	37.76	1.78	59.57
Jul-15	7.81	0.00	1.92	15.49	17.41	25.22	38.38	1.26	64.86
Aug-15	6.69	0.48	3.39	10.90	14.30	21.47	42.39	2.27	66.14
Sep-15	2.50	0.00	6.93	13.52	20.44	22.95	41.13	2.08	66.16
Oct-15	6.09	0.70	6.17	12.07	18.24	25.03	42.77	2.51	70.31
Nov-15	3.77	0.15	3.73	11.32	15.05	18.97	45.12	1.39	65.48
Dec-15	2.74	1.45	5.18	13.04	18.21	22.40	42.28	1.28	65.95
Jan-16	6.10	1.00	5.38	11.30	16.69	23.79	41.76	2.05	67.59
Feb-16	5.33	1.53	3.05	10.27	13.32	20.17	40.08	0.99	61.24
Mar-16	4.22	0.77	4.95	14.19	19.14	24.13	34.44	1.09	59.67
Apr-16	2.82	1.30	2.11	13.05	15.16	19.28	39.21	0.97	59.47
May-16	2.05	0.38	4.31	11.29	15.60	18.03	36.66	0.24	54.93
Jun-16	3.74	0.50	3.16	8.96	12.12	16.36	31.74	1.39	49.48
Jul-16	3.93	1.05	2.18	9.06	11.24	16.21	28.85	0.98	46.04
Aug-16	5.13	0.33	1.84	8.98	10.82	16.28	37.14	0.19	53.61
Sep-16	4.21	0.23	0.45	5.16	5.61	10.05	37.28	1.44	48.77
TOTAL	93.91	13.88	88.10	245.48	333.58	441.37	809.98	30.15	1281.50

Source: NNPC

$20.93 billion worth of crude oil was lifted by NNPC between January 2015 and September 2016

Oil lifted for domestic use had the highest value of $11.57 billion. This was followed by oil lifted for FIRS ($4.48 billion), oil lifted for exports ($4.25 billion) and oil lifted for DPR ($616 million).

Table 2 shows that between January 2015 and September 2016, the value of crude oil NNPC lifted on behalf of government was $20.93 billion. Out of this amount, oil lifted for domestic use had the highest value of $11.57 billion. This was followed by oil lifted for FIRS ($4.48 billion), oil lifted for exports ($4.25 billion) and oil lifted for DPR ($616 million).

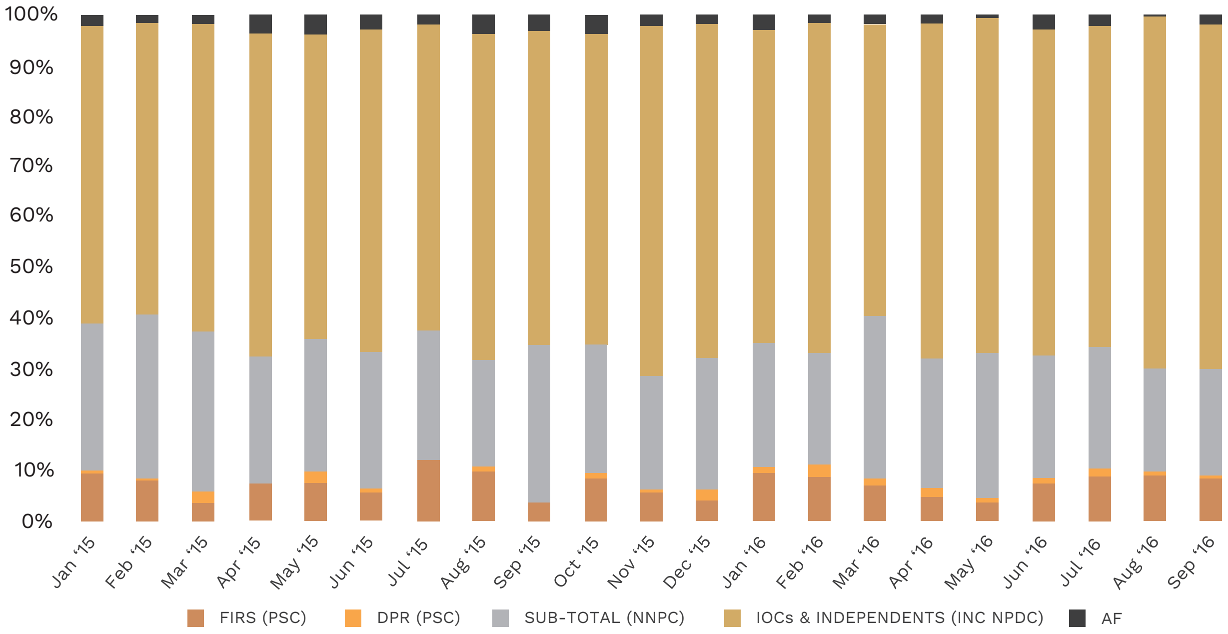
A general decline in values of crude oil lifted is observed from Table 2. The highest value of crude oil lifted was in May 2015 ($4 billion), out of which total government crude oil lifting was $1.43 billion, while total IOC and Independents lifting was $2.41 billion. The lowest value of crude oil lifted was $1.96 billion recorded in January 2016.

Table 2: Crude Oil Lifting Values (USD millions)									
	NIGERIAN GOVERNMENT						IOCs & INDEPENDENTS (INC. NPDC)	AF	GRAND TOTAL
	FIRS (PSC)	DPR (PSC)	NNPC			SUB-TOTAL GOVERNMENT LIFTING			
			FEDERATION EXPORT	DOMESTIC	SUB-TOTAL (NNPC)				
Jan-15	310.27	19.54	323.43	643.40	966.82	1,296.63	1,953.47	61.31	3311.41
Feb-15	292.12	15.67	361.90	824.80	1,186.69	1,494.48	2,086.96	62.95	3644.399
Mar-15	126.35	69.71	340.23	761.34	1,101.57	1,297.63	2,114.90	67.56	3480.089
Apr-15	285.99	2.94	306.60	659.36	965.95	1,254.89	2,430.73	144.15	3829.764
May-15	306.63	88.01	259.16	777.32	1,036.48	1,431.12	2,419.55	157.17	4007.834
Jun-15	201.85	33.79	307.75	676.15	983.90	1,219.54	2,313.78	109.16	3642.481
Jul-15	443.05	0.00	108.92	805.22	914.14	1,357.19	2,178.60	73.99	3609.782
Aug-15	308.97	22.23	160.58	489.71	650.30	981.50	2,005.73	109.76	3096.996
Sep-15	119.67	0.00	325.28	644.54	969.82	1,089.49	1,931.18	101.18	3121.844
Oct-15	291.07	33.02	305.86	573.00	878.85	1,202.95	2,120.53	123.70	3447.179
Nov-15	167.00	6.55	161.90	476.23	638.13	811.68	1,957.98	62.10	2831.761
Dec-15	103.57	51.40	202.09	444.17	646.26	801.23	1,650.58	47.38	2499.195
Jan-16	183.36	30.46	156.19	320.72	476.91	690.73	1,211.65	58.01	1960.394
Feb-16	172.39	46.07	98.31	338.34	436.64	655.10	1,293.01	32.39	1980.503
Mar-16	164.25	29.35	191.30	549.10	740.40	934.00	1,330.89	43.47	2308.361
Apr-16	114.38	47.29	89.13	547.80	636.93	798.60	1,655.28	42.89	2496.765
May-16	98.22	17.18	198.53	533.87	732.39	847.79	1,688.64	11.36	2547.795
Jun-16	178.12	23.10	153.01	432.57	585.58	786.79	1,537.21	68.36	2392.363
Jul-16	183.98	42.08	101.54	409.29	510.84	736.89	1,342.91	47.11	2126.912
Aug-16	231.99	14.74	86.80	421.10	507.90	754.63	1748.85	9.11	2,512.59
Sep-16	203.61	23.45	21.40	245.81	267.22	494.28	1762.52	67.81	2,324.61
TOTAL	4,486.83	616.60	4,259.89	11,573.83	15,833.72	20,937.15	38,734.95	1,500.93	61,173.02

Source:NNPC

International and Independent Oil Companies lifted over 50% of crude oil and lifted a total of oil worth $38.7 billion between January 2015 and September 2016

Fig. 7 - Crude Oil Lifting Values (% Contribution)



69.1%

The IOCs and Independents consistently lift over 50% of crude oil, and lifted as much as 69.1% of the value of total crude oil liftings in November 2015.

Figure 7 presents the percentage contribution of crude oil lifting by NNPC and oil companies. The IOCs and Independents consistently lift over 50% of crude oil, and lifted as much as 69.1% of the value of total crude oil liftings in November 2015.

This is reflected in Table 2 which presents statistics for the value of crude oil liftings. The total value of crude oil lifted by IOCs and Independents between January 2015 and September 2016 was $38.7 billion.

Based on the findings of NEITI oil and gas reports, the IOCs lift the larger share of production as a result of their cost/share oil due to third party financing and Modified Carry Agreement arrangements.

245.4m

Between January 2015 and September 2016, NNPC lifted a total of 245.4 million barrels of crude oil for domestic use.

10.06%

This represents a mere 10.06% of the total crude oil lifted for domestic use.

Only 9.74% of crude oil lifted by NNPC for domestic use is delivered to the refineries

Table 3 presents data on the utilization of crude oil for domestic supply. Between January 2015 and September 2016, NNPC lifted a total of 245.4 million barrels of crude oil for domestic use.

Out of this total, only 24.7 million barrels was delivered to the refineries.

This represents a mere 10.06% of the total crude oil lifted for domestic use. The remaining were exported for a variety of uses. 64.8 million barrels were exported directly. This amounts to 26.4% of the total domestic crude.

Furthermore, 97.6 million barrels were sold under the Offshore Processing Agreements (OPA), amounting to 39.77% of the total. Finally, 58.29 million barrels were sold under the Direct Sales-Direct Purchase (DSDP) scheme, making up 23.75% of the total. These reflect the dire condition the nations refineries are in.

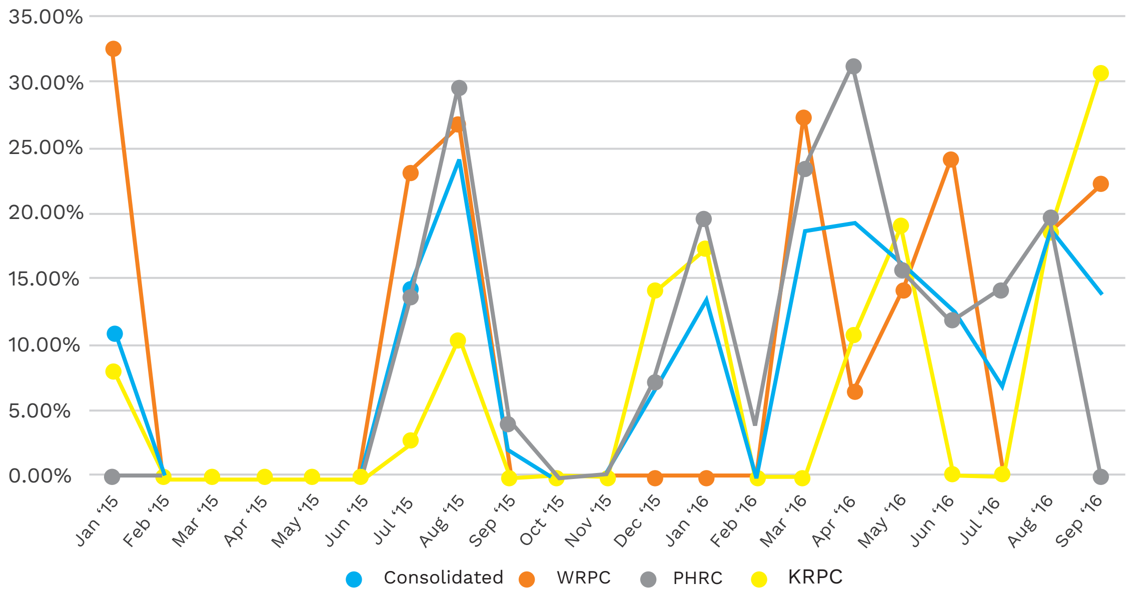
This has been flagged severally by the annual NEITI oil and gas audits since 2006 as a remedial issue that must be addressed urgently. The disadvantages of the OPA were highlighted by the 2009-2011 NEITI audit reports. Such concerns from NEITI and other stakeholders led to the discontinuation of the OPA in April 2016.

Table 3: Breakdown of NNPC Utilisation of Crude Oil for Domestic Product Supply										
	EXPORT		OFFSHORE PROCESSING		DELIVERIES TO REFINERIES		DIRECT SALES DIRECT PURCHASE		TOTAL	
	Qty ('000 Bbls)	Value in USD (mill.)	Qty ('000 Bbls)	Value in USD (mill.)	Qty ('000 Bbls)	Value in USD (mill.)	Qty ('000 Bbls)	Value in USD (mill.)	Qty ('000 Bbls)	Value in USD (mill.)
Jan-15	6,993.53	330.91	6,570.68	312.49	0	0			13,564.21	643.4
Feb-15	6,408.80	356.01	7,934.01	441.15	265.45	27.64			14,608.26	824.8
Mar-15	5,388.98	293.84	8,673.47	467.51	0	0			14,062.45	761.34
Apr-15	5,219.86	306	5,954.11	353.36	0	0			11,173.96	659.36
May-15	3,735.48	239.32	8,551.54	537.99	0	0			12,287.02	777.32
Jun-15	2,761.38	166.51	7,483.12	451.83	948.58	57.81			11,193.08	676.15
Jul-15	3,415.78	189.56	8,731.92	441.17	3,345.99	174.48			15,493.69	805.22
Aug-15	1,861.37	83.09	6,643.33	298.9	2,397.68	107.73	0	0	10,902.37	489.71
Sep-15	3,871.78	185.57	7,597.21	362.87	2,047.77	96.09	0	0	13,516.76	644.54
Oct-15	6,387.71	306.52	5,687.09	266.48	0	0	0	0	12,074.80	573
Nov-15	4,536.37	192.45	6,784.71	283.78	0	0	0	0	11,321.08	476.23
Dec-15	5,529.59	197.27	7,507.77	246.9	0	0	0	0	13,037.36	444.17
Jan-16	5,106.14	145.48	5,694.26	161.34	502.45	13.91	0	0	11,302.86	320.72
Feb-16	1,768.20	56.9	948.99	30.24	1,888.31	62.75	5,663.46	188.44	10,268.97	338.34
Mar-16	904.22	34.1	1,897.06	71.81	1,890.48	74.19	9,493.82	369	14,185.59	549.1
Apr-15	0	0	0	0	2,605.02	111.97	10,445.94	435.83	13,050.96	547.8
May-15	0	0	0	0	1,396.09	65.67	9,894.91	468.2	11,291.00	533.87
Jun-15	0	0	0	0	1,387.01	65.86	7,571.71	366.71	8,958.72	432.57
Jul-15	937.88	40.23	951.14	44.29	1,469.54	66.73	5,698.03	258.04	9,056.58	409.29
Aug-16	0	0	0	0	3,282.24	156.73	5,692.78	264.36	8,975.02	421.10
Sep-16	0	0	0	0	1,319.85	62.51	3,839.18	183.31	5,159.03	254.81
Grand Total	64,827.07	3,123.76	97,610.41	4,772.11	24,746.46	1,144.07	58,299.83	2,533.89	245,483.77	11,573.84

Source: NNPC

Between January 2015 and September 2016, the average capacity utilization of the refineries was 8.55%

Fig 8: Refinery Capacity Utilization (%)



Refineries did not process crude at all in seven months,

20%

In the other months in which some crude was processed, consolidated capacity utilization was only ever above 20% in one month (August 2015).

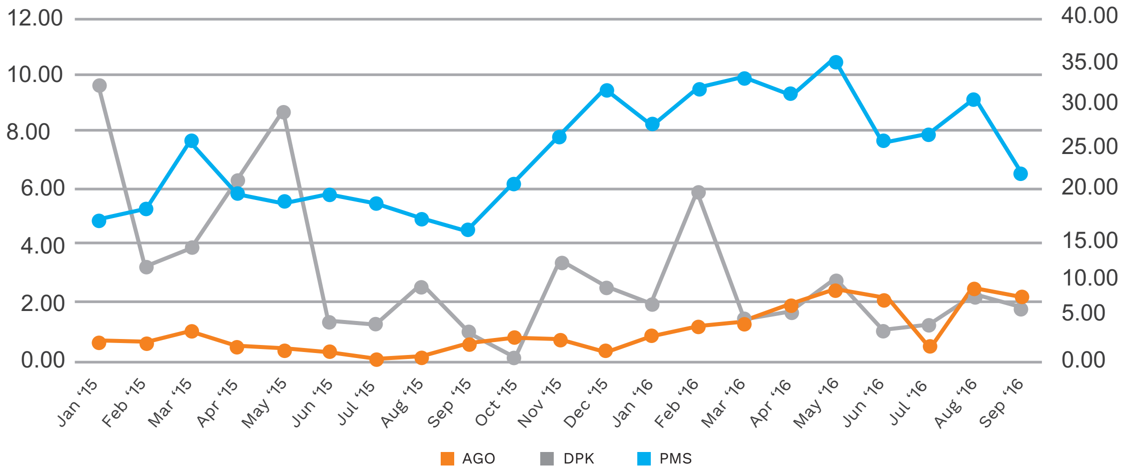
Table 4 presents data on the consolidated operations of all the nation's refineries. Of the 22 months between January 2015 and September 2016, the refineries did not process crude at all in seven months, indicating 0% consolidated capacity utilization. In the other months in which some crude was processed, consolidated capacity utilization was only ever above 20% in one month (August 2015). NNPC attributed these low capacity utilizations to prolonged Turn Around Maintenance (TAM) issues and pipeline vandalism. Figure 8 presents a breakdown of the capacity utilization of the refineries. It is seen that Kaduna Refinery (KRPC) has been the poorest performer of all the refineries. The highest performing refinery in terms of highest capacity utilization is the Port Harcourt Refinery.

Table 4: Consolidated Refineries Operations														
	Opening Stock (A)	Crude Received (B)	Total Crude Available (C=A+B)	Closing Stock (D=C-E)	Crude Processed ('E)	(i) Finished Products	(ii) Intermediate Products	(iii) Plant Consumption	(iv) Losses	Plant Capacity	Capacity Utilization	Losses	Plant Consumption	Yields Efficiency based on CDU, CRU & FCC (%)
	MT	MT	MT	MT	MT	MT	MT	MT	MT	kpd	%	%	%	%
Jan-15	311,096	43,732	354,828	152,580	210,420	113,514	57,924	35,432	3,551	445	11.18%	1.69%	16.84%	53.95%
Feb-15	152,580	2,509	155,089	155,089	0	32,370	-51,371	17,107	1,894	445	0.00%	0.00%	0.00%	0.00%
Mar-15	156,522	0	156,522	156,522	0	2,778	27,814	23,048	1,988	445	0.00%	0.00%	0.00%	0.00%
Apr-15	157,379	27,665	185,044	185,044	0	19,830	31,052	7,617	3,605	445	0.00%	0.00%	0.00%	0.00%
May-15	155,960	12,521	168,481	168,481	0	2,463	1,201	1,262	0	445	0.00%	0.00%	0.00%	0.00%
Jun-15	165,188	77,006	242,194	242,194	0	15,469	22,458	3,082	3,907	445	0.00%	1.03%	0.00%	0.00%
Jul-15	242,463	296,784	539,247	282,930	256,317	100,543	140,009	13,117	2,649	445	14.08%	1.67%	5.12%	39.23%
Aug-15	285,216	462,218	747,434	294,282	453,152	232,171	180,847	32,574	7,561	445	24.08%	8.72%	7.19%	51.23%
Sep-15	299,744	220,850	520,594	484,946	35,648	100,269	83,650	15,922	3,107	445	1.89%	0.00%	44.66%	281.28%
Oct-15	491,540	50,777	542,317	542,317	0	68,420	92,332	18,749	5,162	445	0.00%	0.00%	0.00%	0.00%
Nov-15	493,959	0	493,959	493,959	0	5,015	4,843	4,099	3,927	445	0.00%	1.69%	0.00%	0.00%
Dec-15	493,611	109,198	602,809	478,163	124,646	79,574	32,226	10,743	2,103	445	6.85%	3.73%	8.62%	63.84%
Jan-16	485,105	12,764	497,869	241,193	256,676	216,141	-1,064	32,015	9,584	445	13.64%	4.04%	12.47%	84.21%
Jan-16	369,069	16,391	385,460	128,707	256,676	216,141	1,064	32,015	9,584	445	13.64%	3.73%	12.47%	83.79%
Feb-16	128,707	178,354	307,061	274,154	32,352	90,628	74,167	11,140	4,751	445	1.72%	14.69%	34.43%	50.88%
Mar-16	274,154	322,480	596,634	243,195	329,396	202,791	110,057	14,577	1,971	445	18.71%	0.60%	4.43%	94.98%
Apr-16	243,195	569,113	812,308	317,025	351,698	318,104	2,624	21,354	14,864	445	19.32%	4.23%	6.07%	89.70%
May-16	325,666	303,988	629,654	231,361	301,604	242,053	9,708	37,565	12,278	445	16.03%	4.07%	12.46%	83.47%
Jun-16	244,493	382,108	626,601	296,354	225,770	133,991	47,495	31,812	12,473	445	12.40%	5.52%	14.09%	80.39%
Jul-16	296,354	432,903	729,257	454,110	126,756	139,284	-40,640	21,612	6,500	445	6.74%	5.13%	17.05%	77.82%
Aug-16	459,550	509,814	969,364	516,329	359,081	328,314	-16,305	35,461	11,612	445	19.09%	3.23%	9.88%	86.89%
Sep-16	516,329	460,246	976,575	581,127	252,897	139,724	74,885	32,545	5,744	445	13.89%	2.27%	12.87%	84.86%
Total	6,262,775	4,478,657	10,741,432	6,678,869	3,316,413	2,583,446	886,040	420,833	119,231	445	8.55%	2.95%	9.81%	58.20%

Source: NNPC

On average, 24.24 million litres of petrol were sold daily between January 2015 and September 2016

Fig 9: Daily Average of Petroleum Product Sales by PPMC (millions of litres)



Notes: AGO & DPK are measured on the left axis. PMS is measured on the right axis

Figure 9 presents data on daily average petroleum products sales. Between February 2015 and August 2016, an average of 24.24 million litres of petrol (PMS) were sold per day. Also, an average of 1.06 million litres and 3.12 million litres of diesel (AGO) and kerosene (DPK), respectively, were sold per day.

35.09m

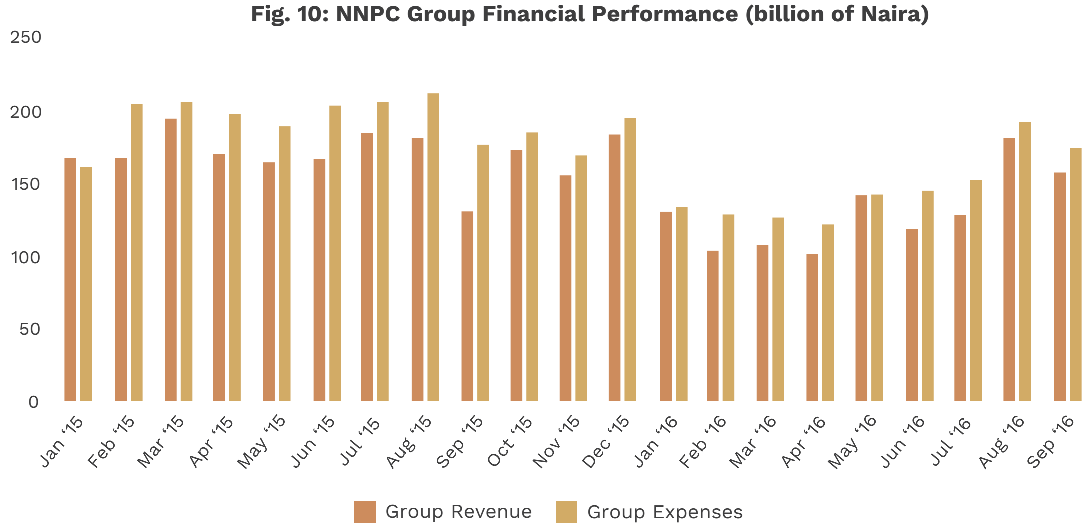
The highest daily average of petrol sale was recorded in May 2016 (35.09 million litres) while the lowest sale was recorded in September 2015 (15.23 million litres).

This indicates that sale of petrol far outweighs sales of diesel and kerosene by a wide margin. Petrol sale was quite volatile.

The highest daily average of petrol sale was recorded in May 2016 (35.09 million litres) while the lowest sale was recorded in September 2015 (15.23 million litres). It is also seen from the figure that daily average petrol sales in 2015 fluctuated between 15 and 25 million litres. Average petrol sales experienced a surge in 2016 and fluctuated between 25 and 35 million litres.

Between January 2015 and September 2016, NNPC Group made losses in all but 2 months

Fig. 10: NNPC Group Financial Performance (billion of Naira)



It is seen from figure 10 that NNPC Group's expenditure exceeded revenue in every month over this period, except May 2016.

Figures 10 and 11 present data NNPC Group's financial performance for the period February 2015 to September 2016. It is seen from figure 10 that NNPC Group's expenditure exceeded revenue in every month over this period, except January 2015 and May 2016.

This is further depicted in figure 11 and we see that NNPC Group's losses were as much as N46 billion in September 2015. Although NNPC Group's surplus/deficits have been rather volatile, it is instructive that they were negative almost throughout the period under review.

Between January 2015 and August 2016, NNPC Group made losses in all but two months

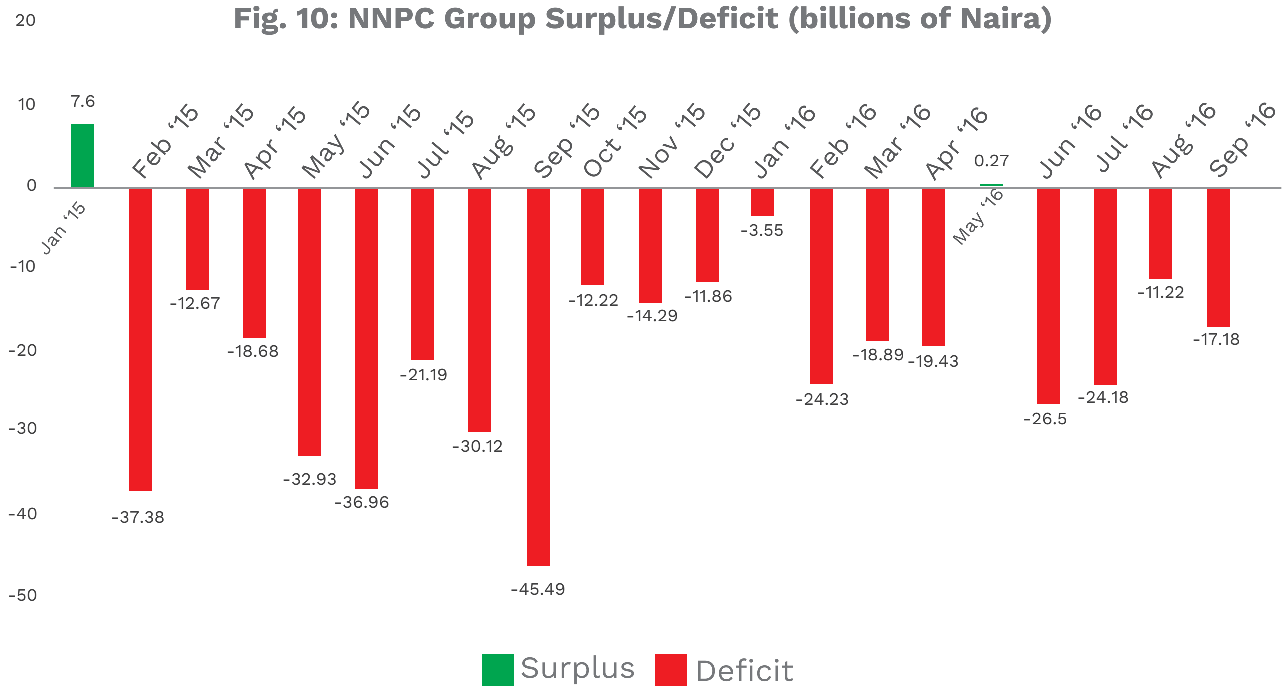


Fig. 10: NNPC Group Surplus/Deficit (billions of Naira)

Conclusion

Summary

- NNPC reports reveal that the nation's production of crude oil has been falling since January 2015 mainly as a result of increased militant activities and continuously falling oil prices.
- The nation's refineries are operating below 10% of their installed capacities.
- Most of the crude oil lifted by NNPC for domestic use is exported
- The reports show that NNPC Group has been perpetually making losses.

This review has examined what we know from 14 issues of NNPC's Monthly Financial and Operations Reports. Although NEITI has not independently validated the data, these reports offer something close to real-time information about development in Nigeria's oil and gas sector. NNPC reports reveal that the nation's production of crude oil has been falling since January 2015 mainly as a result of increased militant activities and continuously falling oil prices.

Over 500,000bpd was lost as a result of activities of pipeline vandals and oil thieves in May 2016. The reports also show that on average, the nation's refineries are operating below 10% of their installed capacities. This has led to a situation where most of the crude oil lifted by NNPC for domestic use is exported in order to import refined petroleum products. Also, the reports show that NNPC Group has been perpetually making losses. The bulk of crude oil export receipts are remitted to settle Joint Venture Cash Call obligations. These pieces of information highlight critical issues facing Nigeria's oil and gas sector and provide timely information that will be useful in addressing these issues.

While we commend NNPC for opening up and for consistently doing so, the monthly reports also reveal a few things that NNPC has committed to do but which have not yet been done. Interestingly, most of these border on issues of transparency and accountability, which are the core mandate of NEITI. Thus, NEITI is particularly interested in NNPC delivering on these commitments to further promote openness, transparency and accountability in the nation's extractive industry.

To produce the Audited Annual Report and Accounts as required by NNPC enabling Act.

To collaborate with IOCs to carry out Value–For-Money Audit on all the Federation's Joint ventures

To continue with the review of existing PSCs

We briefly list these as follows:

I. In 2016, development of an index by which NNPC could continuously measure its progress in improving its transparency and public accountability. We observe that this index is yet to be developed. We encourage NNPC to intensify efforts in developing this index [December 2015& January 2016 issues];

ii. In the second quarter of 2016, like other National Oil Companies, to produce the Audited Annual Report and Accounts as required by NNPC enabling Act. We also observe that as at November, this Annual Report is yet to be published. Again, we encourage NNPC to intensify efforts in producing this Annual report [December 2015&January 2016 issues] ;

iii. To collaborate with IOCs to carry out Value–For-Money Audit on all the Federation's Joint Ventures with a view to business process improvement on projects execution [April 2016 - August 2016 issues]. We do not know if this is already being done but again, we urge NNPC to focus resources to get this achieved;

iv. To continue with the review of existing PSCs to negotiate more favourable terms and improve revenue base to the Federation [April 2016 – June 2016 issues].

The NEITI Occasional Paper Series is one of the advocacy and policy instruments of NEITI, designed to stimulate debate and engender change about important issues in the extractive sector in Nigeria.

NEITI, the Nigerian Chapter of the global EITI, is mandated by the NEITI Act (2007) to promote transparency and accountability on the management of revenues from oil, gas and solid minerals sector in Nigeria.

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