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278 companies bid for NNPC's 950,000 bpd crude deal

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By Sebastine Obasi & Michael Eboh

ABUJA—The Nigerian National Petroleum Corporation, NNPC, yesterday, stated that 278 companies were vying to secure the contract for the trading of about 950,000 barrels per day of Nigeria's crude oil from January 2016.



Speaking at the bid opening ceremony for the sale and purchase of crude oil grades in Abuja, Group Managing Director of NNPC, Mr. Ibe Kachikwu, said the Federal Government was committed to ensuring transparency in the trading of Nigeria's crude oil.

He said: "The essence is to ensure that nobody needs to call me personally as Ibe Kachikwu for him to get crude allocation. So, you can imagine the burden it takes off my shoulders. It means a good amount of my time will now go into other relevant areas of operations, where the country needs me most."

He assured the bidders that consideration would only be given to companies that are competent, credible and with the right capacity to deliver Nigeria's crude.

Bidding coys

Some of the companies that submitted bids include Forte Oil, MRS, Statoil, Eni Trading and Shipping Limited, Sacoil Energy Equity Resources, RainOil Limited, Repsol Trading S.A., Indian Oil Corporation Limited, Mercuria Energy Trading SA, Gunvor and BP Oil International.

Others are Obat Oil, Energy Network IBC, Groundwells Energy International, Universal Import and Export International, Global Oil Incorporated, Waltersmith, Hindustan Petroleum Limited, Societe Africaine, Nigermmed Petroleum SA, Eterna

Plc, Niger Delta Petroleum Resources Limited and Strategic Fuel Fund/South African Government, among others.

The contract for the engagement of qualified and reputable companies for the sale and purchase of Nigerian crude oil grades is conducted in consonance and in pursuance of the provisions of the Public Procurement Act 2007 and the Bureau for Public Procurement, BPP, guidelines.

Prerequisites for 26 grades

As part of the pre-qualification requirements, interested companies are expected to demonstrate the possession of minimum annual turnover of USD 750 million and net worth of at least USD 300 million; ability to establish an irrevocable Letter of Credit for the payment of any allocated crude oil subject to the contract terms as well as the ability to pay an initial deposit of USD 2.5 million representing the first lifting deposit upon signing of the contract agreement, among other requirements.

The 26 grade of crude on offer include Bonny Light, Forcados Blend, EA Blend, Bonga, Qua Iboe Light, Yoho Blend, Erha and Escravos Light.

Others are Pennington Light, Agbami, Brass Blend, Abo, Oyo, Okono Blend, Amenam Blend, Akpo Condensate and Usan. The rest are Atam Blend, Okwori, Okoro, Ima, Ukpokiti, Obe, Okwuibome, Ebok and Asaratoru.

... to reduce buyers

Group General Manager, Crude Oil Marketing Division, NNPC, Mr. Mele Kyari, also

said the corporation plans to reduce the number of buyers by one-third, cutting down the number of companies from 43 to 15 or 16.

He said: “We have realized that in the past, we have large volume of buyers— 43 to be specific. What that means is that we were unable to guarantee supply to any of the customers and it opened room for optimum discretion.

“Discretion created problems, as we are unable to satisfy any of the customers. At the end of the day, the market becomes unstable and then you have the long term effect of having lower government revenue.

“Our objective is to cut down that number. This means we have to come down from 43 to something smaller. We are thinking in the region of one-third of that number; maybe 15 or 16.”

Ends Nov 20

He noted that the bid process is expected to be concluded by November 20, while the contract would take off from January 2016.

Kyari added that the objective of the process was to ensure that Nigeria’s crude oil gets to the ultimate end users, eliminate price shocks and curb instability in the crude oil market.

He said: “The absence of having credible buyers has resorted in a situation where individuals pick cargoes and they would not know what to do with it.

“At the end of the day, it would become like an overhang and the result is that you have oversupply: a fake oversupply that does not actually exist and then the

market reacts to it and then you have lower value.”

Bids’ spread

Kyari explained that the winning bids would be spread across refiners, international oil traders and indigenous companies to reduce risk.

He said: “Once we are able to deal with the issue of reducing the number of buyers, we will, as a market strategy, sell to people in groups. The crude oil market has category of buyers. It has refiners, who are the ultimate off-takers; we have trading companies and then we have Nigerian downstream companies.

“Among those baskets, you need to spread it so that you do not sell to any one group. The risk of selling to one group is that they can hold you hostage, whether they are indigenous companies, international trading companies or refiners. Anyone of them that realize that you are stuck, you are in trouble.

“Therefore, we are going to spread our risk across this group so that at the end of the day, we have buyers across these categories and what that does is that it creates a landing for us; it optimizes value for us and all those issues of pricing would not happen.”

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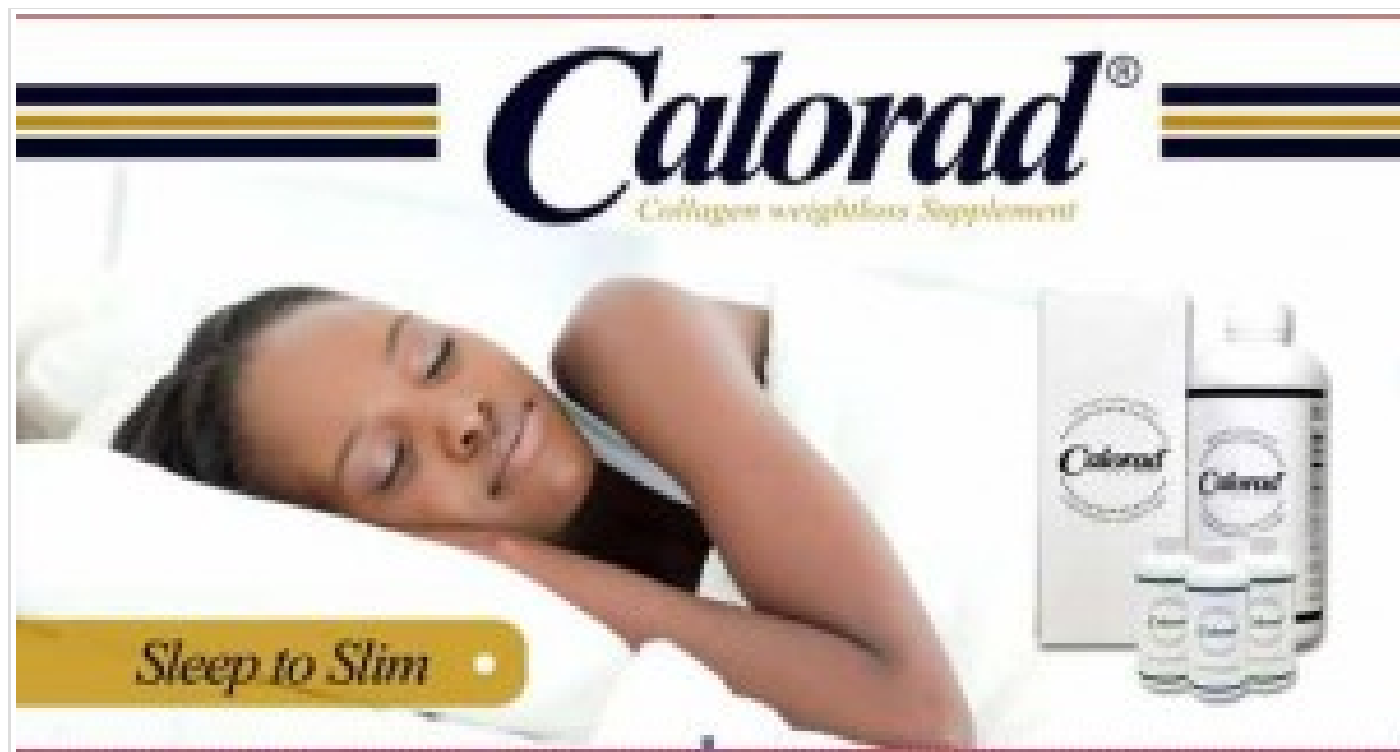
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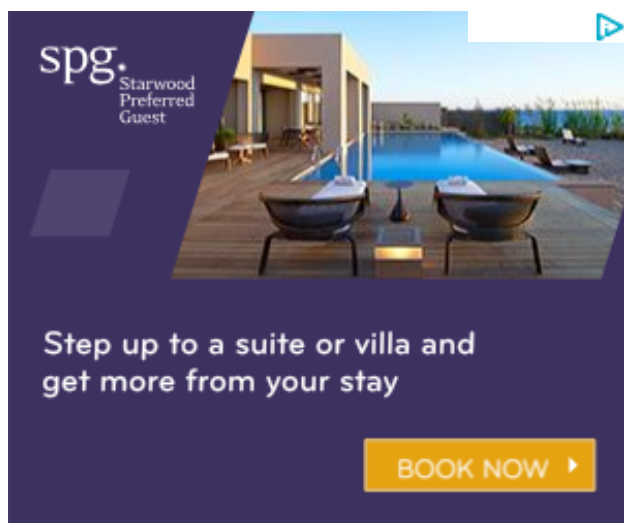
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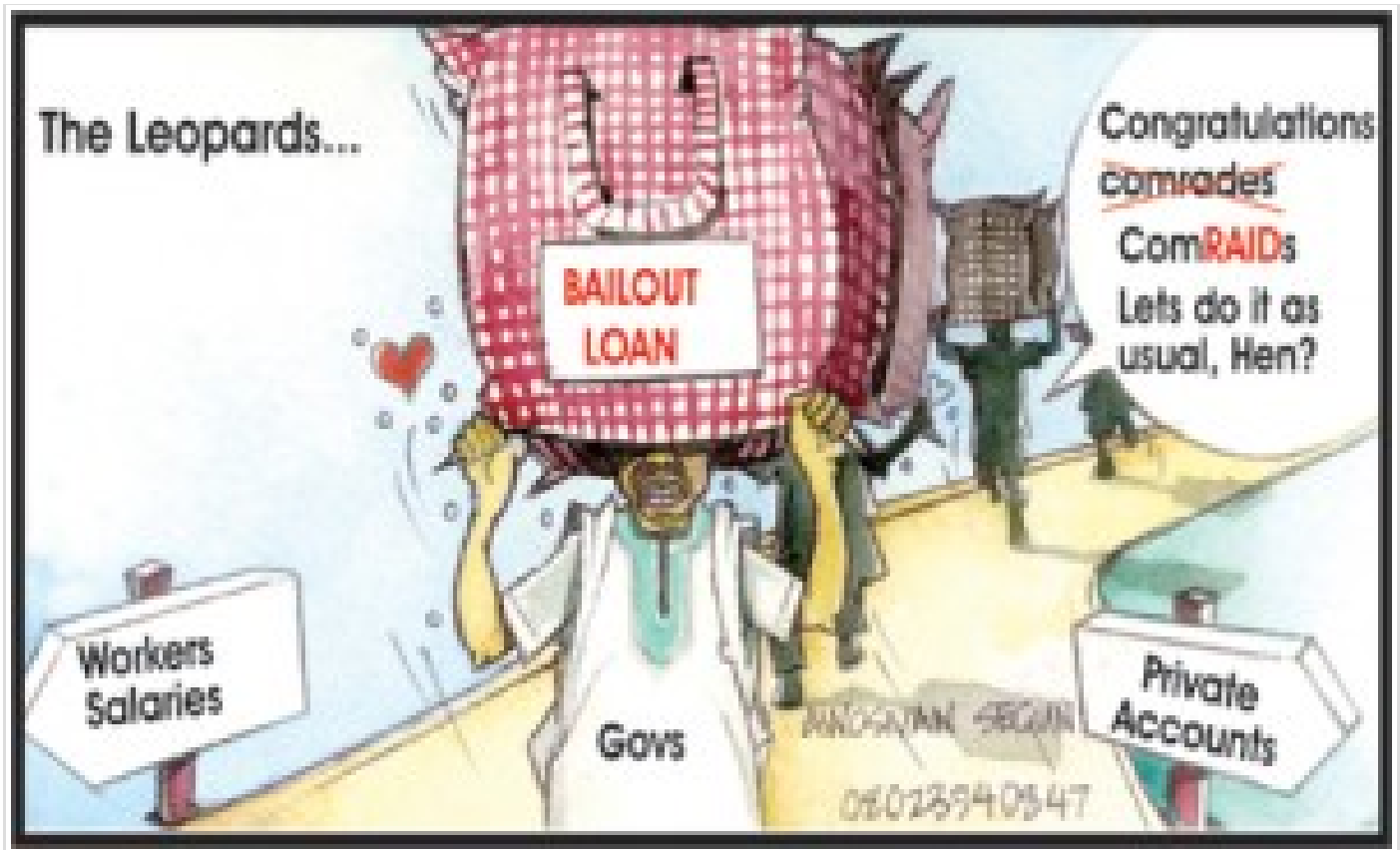
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