



***Petroleum & Natural Gas  
Senior Staff Association of Nigeria***  
(PENGASSAN)

**...An affiliate of Trade Unions Congress of Nigeria (TUC)**

**President:** COMRADE BABATUNDE OGUN  
**General Secretary:** COMRADE BAYO OLOWOSHILE

**Tel:** +234(1) 2790715  
**Fax:** 2790717  
**E-mail:** admin@pengassan.org  
admin1@pengassan.org  
**Website:** <http://www.pengassan.org>

**All Correspondence to:**  
**General Secretary**  
**U.M. OKORO HOUSE**  
288, Ikorodu Road, Anthony, Lagos.  
P. O. Box 10433 Marina, Lagos.

**JANUARY 13, 2010**

## **PENGASSAN POSITION ON THE DOWNSTREAM SECTOR**

WE welcome you all to this stakeholders' forum on the development of the downstream sector of the oil and gas industry. We do expect that the main reason behind this forum is to ensure that all the challenges confronting the downstream sector of the industry are resolved. We equally expect that far reaching decisions arrived at after the views of various stakeholders will be taken into consideration in resolving the critical aspects of the supply and distribution end of the downstream sector, which has been making Nigerians to go through nightmarish experiences.

As an important stakeholder in the Oil and Gas Industry, we are making the following contributions, which we hope will help in tackling some of the challenges that had been a cog in the wheel of progress of the downstream sector.

### **THE CHALLENGES**

- Lack of local refining capacity as a result of the poor state of the four state owned refineries
- Unfavourable operational environment for private sector participation in the refining sub sector of the downstream sector
- Poor system distribution due to



- (i) Insecurity in the Niger Delta
  - (ii) Pipeline vandalism
  - (iii) Lack of repair and maintenance of the pipelines by the government
  - (iv) Poor rail system, and
  - (v) Poor and inadequate receiving facilities, such as jetties, ports and depots.
- Delay in the fulfillment of obligations in terms of payment to parties involved in the supply and distribution sub sector of the products.
  - Lack of appropriate and acceptable template for pricing of petroleum products
  - Non usage of competent NNPC staff for the TAM of the refineries

## **OUR POSITION**

### **Local Refining**

In all our earlier presentations, we have expressed concern over the importation driven system in the downstream sector and have come out to say that in the best interest of the development of Oil and Gas Industry and the nation's as a whole, the government should consider local refining to reduce the burden and problems associated with the present importation of refined petroleum products. Such problems associated with the importation driven style include high cost of the products and scarcity, among others.

We therefore call that:

- Government should urgently put machinery in place to upgrade and repair the ailing four state owned refineries in Kaduna, Warri and Port Harcourt .

Private sector operators, including the major oil industry, should be given the chance to bring their money into the country and renovate



the refineries to standard. Such technical partner must have enough funds to inject into the system that can take care of the repair and renovation of the refineries.

- The private company should be repaid as the government is selling the products and making proceeds from such sales.
- Government can make use of the JVC or IJVC system in the running of the refineries to enable such private companies recoups their investments. We have repeatedly advised on the need to use LLNG model to save Nigerians from this embarrassment
- Government can also use the Build, Operate and Transfer (BOT) to encourage private sector participation to build new refineries in the country and as such increase local refining capacity.
- Government should make building and owning a refinery in the country as a precondition and mandatory prerequisite for Oil and Gas operators, including the oil majors for their operations in the country. Building and running of a refinery should be one of the prerequisite for granting of exploration licence to Oil and Gas Company and/or for renewal of exploration licence.
- Higher percentage of crude produce in the country must be refined locally to meet local demands.
- Before deregulation can take place government must have the assurance of maximum reserves of petroleum products in the country. This can only be achieved if local refining is increased.

Government cannot tell us that it does not have the wherewithal to make the refineries work. With all we have in this country, local refining can be increased.

Nigerian National Petroleum Corporation (NNPC) has accepted that it cannot alone carry the burden of the supply end of the downstream sector. So private sector participation is needed to meet our local demands and this can only be achieved by providing enabling environment for them to thrive.



## System Distribution

It has been discovered that the network distribution system is inefficient and this is what makes us to be in the mess we are today. To improve this, PENGASSAN believe the following must be looked into and considered:

- Insecurity in the Niger Delta threatens the distribution of the products all over the country. Government should work on the Amnesty programme in a way that, there will be sustainable peace in the region. Government should keep to its promises to the repentant militants and the host communities in the region. Nigerians must have confidence in the government and the best way to achieve this is to ensure that all promises made by the government are fulfilled.
- Government should ensure security for the pipelines to prevent vandalism and enhance distribution through the pipelines to the depots all over the country instead of the use of takers for haulage .
- Government should exhibit and implement political will for the repair and maintenance of pipelines all over the country.
- Government should ensure that the railway haulage of petroleum products is put in place without delay.

We read in a report that the government is planning to import some coaches to boost rail transportation, this should not be so. Government has no business in importation of coaches but should provide enabling environment for the rail system to work. Government should provide good, standard and modern rail tracks, gauge and other facilities, while existing ones should be improved for effective haulage of the products across the country.

- Private investors should be left with bringing in coaches and running the transportation system.
- Private investors should be made to pay taxes and rent to the government and such money should be used to maintain and improve the facilities.



- Local distributions should be left for the tankers

### Receiving facilities

All the receiving facilities for the petroleum products are not only inadequate but no longer meets the modern day standards for the purpose of supplying and distributing petroleum products.

- Government should improve jetties for receiving the products in the country. There should be expansion of the jetties to reduce cost of demurrage.
- Government should dredge and expand the jetties.
- Government should create additional jetties where there are big rivers and waters to accommodate them. This will remove the burden from the Lagos jetties, which for now supplies the entire nation. Government should make use of other jetties that spread all over the country, in places like Warri, Sapele, Calabar, Onne and other places.
- Government should commence and without delay complete the dredging of River Niger and other rivers to allow ships and barges carrying petroleum products to berth for effective distribution. This will ease the problem of sole dependence on tankers.
- Private sector participation should be allowed into the repair, maintenance and running of the jetties.
- Government should revive depots, train the staff and improve the depots.

### Deregulation

- Until corrective measures are in place, government should in collaboration with other stakeholders, including the two unions, PENGASSAN and the Nigerian Union of Petroleum and Natural Gas Workers (NUPENG), work out appropriate and acceptable template



for pricing of petroleum products. This should be developed while local refining is worked on and improved.

### Staff Engagement, Welfare and Benefits

- NNPC staff should be fully engaged in the repair and maintenance of the four state owned refineries. It was these staff who had never been found wanting and who are competent that had been carrying out the Turn Around Maintenance of the refineries before past governments started awarding the TAM contracts to contractors. Since the contractors have shown their incompetence through their inability to make the refineries work and used the refineries as a drain pipe to mismanage the nation's hard earn resources, we believe the staff should be engaged for the TAM of the refineries.
- Government must ensure that all the severance benefits and pensions of those retired and those still in the service are settled and guaranteed respectively.
- For those who will be transferring their employment, government in conjunction with the unions must work out their employment transfer benefits.
- All employees existing current remuneration, pension and CBA should continue to exist under the new dispensation.

### Incessant strike and other engagements

- As a responsible union, we have observed that most of the strikes resulted from abuse of power by security agencies. We call on the government to ensure that the security agencies perform their duties responsibly but not to be harassing our members.
- All independent marketers and indigenous oil companies should also adhere to the right of the workers to belong to union and have a CBA



in place to allow for meaningful engagement, safe work environment and protection of workers' rights.

### Other issues

- Government should meet its obligations in terms of payment to all stakeholders
- All investors should imbibe and ensure good corporate governance in the system. We need to put in place comprehensive disciplinary measures for defaulter. There should also be dependable, effective and functional supervisory agency.

Babatunde Ogun

President, PENGASSAN

