



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

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

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**The President General/Secretary General,  
Trade Union Congress of Nigeria (TUC),  
338 Ikorodu Road,  
Lagos.**

Dear Comrades,

## **WAY FORWARD FOR NIGERIA ON THE DOWNSTREAM OIL AND GAS REFORM: PENGASSAN INPUTS TO THE DEREGULATION COMMITTEE**

We refer to the meetings of February 22, 2010 and March 2-4 2010 with the Government which PENGASSAN and NUPENG participated with TUC and NLC as Labour Centres.

We wish to recall that the central discuss at the meeting was the challenge before Government and Labour as key stakeholders that have to review its Government – Labour of June 2010 on same, should also strive to proffer ways for Nigeria to overcome the embarrassing and abysmal state of our Downstream which is persistently embattled by petroleum products shortages despite the liberalisation and partial deregulation of the Sector since 2002.

To this end, and based on the several positions of our Association on the issue, we wish to forward the followings as PENGASSAN inputs for utmost consideration by the Committee:

### **A. STABILISATION/REPOSITIONING OF NNPC AND STIMULATION OF DOMESTIC REFINING OF PETROLEUM PRODUCTS AND EFFICIENCY**

- i. PENGASSAN believes that stabilisation of NNPC financials and operations including its contingent liabilities are very paramount for its effectiveness. By this, NNPC can be repositioned and refocused for commercial viability and global competitiveness as other counterpart national corporations like Saudi Saudi-Aramco, Brazil-Petrobras,



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Malaysia-Petronas, Norway-StatOil, China-Sinopec, Eni-Italy, Egypt-EGPC, Libya NOC to mention few.

- ii. Enabling liberalisation and refining policy, beyond the existing unattractive ones, must be put in place to stimulate local production and efficiency through NNPC-private sectors participation, within defined and monitored time frame.
- iii. As is the case with National Energy Regulatory Commission, a Commission should be institutionalised to oversee the implementation of agreed process for realising this local refining capacity through public-private sector participation. Adequate representation must be drawn from labour.
- iv. NNPC is failing because of operational and administrative bottlenecks, There is need to liberate the corporation and to effectively mandate the Corporation refineries' managers with full responsibility for optimal performance given the followings:
  1. Operational Autonomy
  2. Financial Independence
  3. Ownership with full responsibility and accountability
- v. The above is the case with the refinery operations in Ghana, South Africa, Malaysia, Indonesia, etc.
- vi. Immediate solution must be found to the power plant problem of the 150,000 bpd Port Harcourt Refining Company as that will significantly boost domestic refining capacity.

## **B. PETROLEUM PRODUCTS LOADING AND TRANSPORTATION INFRASTRUCTURE**

- i. The dredging and expansion of products loading and receiving terminals /jetties and the fixing of unattended operational facilities at the depots will enable us overcome demurrage and delays as a result of the limited loading and receiving capacity, which often aggravate the persistent artificial scarcity.



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- ii. Pipeline issue is a phenomenon that requires dedicated social, security and intelligence gathering mechanisms. The effect of pipeline vandalization and sabotage to crude oil and petroleum transportation facilities are better imagined than experienced. Collaboration with law enforcement agencies, industry agencies, and oil and gas communities for effective policing is fundamental. Replacement of corroded and badly damaged pipelines to protect humans, marine and vegetation from toxic and fumes hazard is also solicited.

**C. SOCIO-ECONOMIC RELIEF MEASURES AND STIMULUS**

Given the strategic importance of petroleum products to our socio-economic survival and the fact that deregulation would be largely driven by imported petroleum products for the time being, government has obligation to ensure that relative socio-economic relief measures and stimulus are put in place to assuage the attendant impacts of petroleum subsidy removal on the cost and standard of living, and consumer price index can be minimized by the following basic socio-economic infrastructures.

**D. IMPROVED ROAD NETWORKS/TRANSPORTATION BOOST FOR PERSONS AND GOODS**

Government needs to devotedly improve on road repair and maintenance mechanisms in view of the regular road damage and increased hazards caused by the intensity of usage by petroleum products trucks etc. Good road networks, including those of inter-states and rural areas will reduce pressures on major roads.

*PENGASSAN strongly advocates for assisted transportation scheme for persons and goods through the networks across the country with links to cities, rural/coastal areas, jetties, oil and gas products depots, petroleum products refineries, sea and airports.*

This can be stimulated by:

- i. Improved/maintained road network
- ii. *Improved/maintained rail system/ network*
- iii. Improved inland waterways/coastal/rural transportation network
- iv. Assisted mass transits buses



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**E. STANDARD MEDICAL DIAGNOSTIC LABORATORIES**

PENGASSAN calls for the establishment of standard medical laboratories with modern facilities for analyzing/diagnosing all diseases, well equipped and manned by well trained personnel in each geo-political zone. Such standard medical centers would discourage capital flights, build capacity and empowerment, minimize economic wastage and save the nation the troubles of putting the lives of Nigerians at the mercy of foreign hospitals.

**F. STANDARD MEDICAL HOSPITALS**

PENGASSAN calls for the establishment of standard medical hospitals adequately equipped with modern facilities and manned by competent/trained personnel. In addition, the National Hospital needs to be upgraded and equipped with modern facilities and be manned by competent and trained personnel.

**G. CAPACITY BUILDING AND RESEARCH DEVELOPMENT**

Capacity building and development has been the key to empowerment and succession in the oil and gas industry with its attendant impact on national content development at all levels of manpower requirement in the industry. To this end, we strongly recommend that serious attention should be given to the upgrading of Petroleum Training Institute (PTI) to train middle level manpower for the industry.

Further, it is our demand that a standard hydrocarbon laboratory be established in Nigeria, being a major oil and gas producer, to strengthen local capacity in hydrocarbon potentials diagnosis and interpretation.

PENGASSAN recommends the upgrading of Government Unity Schools and tertiary institutions to stimulate support for talented manpower hunt into the petroleum industry, and to boost research and development works. This will also check the growing bias for our education system, and the premium placed on foreign schools.

**H. PETROLEUM EQUALISATION FUND BOARD (PEFB)**

PENGASSAN extols the continued relevance of Petroleum Equalisation Fund Board. PEF is playing very appreciable role by encouraging marketers to transport petroleum products to those parts of the Country where additional transportation incurred by marketers could lead to arbitrary pricing



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of petroleum products. Government policy of deploying Petroleum Equalisation Fund Board to reimburse the additional transport allowance is facilitating regular access of petroleum products to all Nigerians at relatively uniform prices. This will also be required even in a deregulated environment. PENGASSAN appreciates PEFB's effective monitoring and verification mechanisms of such transportation allowances before settlement.

### **I. EXCESS CRUDE TRUST FUND**

Finally, to accomplish the above socio-economic goals, we urge the Federal Government to set up **Excess Crude Trust Fund** to cater for the identified priority areas as stated above. Membership of the fund shall include Civil Society Organizations, Organized Labour - TUC, NLC, PENGASSAN & NUPENG and relevant government ministries, departments and agencies. Publication of quarterly audit of the fund should be made, and copies lodged the EFCC and ICPC to ensure transparency and accountability of this public fund.

### **J. POWER GENERATION AS A MAJOR CHALLENGE**

Power Generation has remained the bane of Nigeria's socioeconomic and industrial growth/development. The Oil and Gas Industry and the Power Sector are inseparable Siamese twins in terms of interdependency. Consequently, the proposed **Excess Crude Trust Fund** should be deployed, with specific area of focus to facilitate generation and stable supply of electricity across the country, having in mind the realization of 6,000 MW in December 2010, 10,000 in December 2012 and 20,000 MW in 2015. We recommend a Joint Stakeholders Committee in which labour (TUC, NLC, NUPENG and PENGASSAN) is represented, to be charged with short, medium and long term targets, timelines and milestones for stable power at targeted megawatts.

### **K. MANAGING THE TRANSITION FROM REGULATED 'PRICE' ENVIRONMENT INTO FULLY LIBERALISED FRAMEWORKS. OUR CONCLUDING REMARKS**

Every attempt to fully deregulate petroleum products prices by previous and current administrations have been resisted by labour based on the strong conviction that perennial product scarcity is caused by government's failure to take the appropriate decision as regards the democratic dividends that should accrue from our endowed oil and gas resources.



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The fact that NNPC was left to monopolise the downstream petroleum refining and marketing indeed made the situation worse as the major multinationals that should have been drafted by enabling legal and policy frameworks were not inspired until 2002 when the downstream operations became less attractive globally.

Petroleum products remain the major source of energy for industrial and domestic operations. The pressure on petroleum products has been further heightened by the unstable energy situation and yet no solution in sight.

By the thrust of the Petroleum Industry Bill, government appears resolved to redirect the legal, policy and institutional frameworks towards commercial orientation. NNPC is to be transited to self sustaining, commercially oriented and profit making holding company with full capacity to seek fund from foreign and local money/capital market for its operations.

The above indicates that government is abdicating its socio-economic obligation and limiting its role to policy formulation and regulation. NNPC will operate autonomously and compete with other companies in the sector.

**PENGASSAN hereby strongly demand that PPPRA price template, particularly being import-driven must be purged of demurrage and port charges that result from delay in products discharge in view of the limited capacity of the loading our jetties and terminals to cope with the required level of efficiency.**

**PPBRA board must be reconstituted to include labour with a view to ensure right decision on, and compliance with its MODULATED PRICE BANDWIDTH OF PEROLEUM PRODUCTS.**



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Federal Government must in line with its obligations to the provision of enabling environment, step up on effective funding, staffing and capacity building of the regulatory agencies, to enable them contend with the challenges of product quality and safety compromises so as to ensure that consumers are adequately protected against marketers' sharp practices tendencies.

In this respect, government may be considered as being sensitive to the plight of Nigerians in this transition from regulatory price environment to fully liberalised frameworks. We strongly believe that if the above recommendations are implemented, deregulation can in the medium term stimulate economic growth and backward linkages into other sectors of the economy.

Thanks.

**Comrade Babatunde Ogun**  
*President*

**Comrade Bayo Olowosile**  
*General Secretary*