



PETROLEUM PRODUCTS PRICING REGULATORY AGENCY (PPPRA)

(Ministry of Petroleum Resources)

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**GUIDELINES
FOR
PETROLEUM PRODUCTS SUPPLY AND
DISTRIBUTION
UNDER THE
APPROPRIATE PRICING FRAMEWORK
(APF)**

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TABLE OF CONTENT

1.0.	Preamble	3
1.1	Establishment	3
1.2	Vision	3
1.3	Mission Statement	3
1.4	Our Clients	3
1.5	Mandate	3
2.0.	Guidelines for Operators in the Downstream Sector on the Implementation of Appropriate Pricing Framework (APF) for Petroleum Products	5
3.0.	Role of the Parties	7
3.1	Petroleum Products Pricing Regulatory Agency (PPPRA)	7
3.2	Department of Petroleum Resources (DPR)	7
3.3	Petroleum Equalization Fund (Management) Board	8
3.4	Oil Marketing Companies (OMCs)	8
3.5	Petroleum Products Suppliers/Traders	8
3.6	PPPRA Independent Cargo Inspectors	8
4.0.	Vessel Arrival and Notification Procedure	10
4.1.	Documents Checklist	10
5.0.	Cargo Reception and Inspection Process	11
6.0	PPPRA Pricing Template	11
7.0	Sources of Supply	11
8.0.	Checklist for Participation	12
9.0	Appendix: List of Applicable Sanctions	13
10.0	Glossary	14

1.0. PREAMBLE

1.1. Establishment:

The Petroleum Products Pricing Regulatory Agency (PPPRA) was established by an Act of the National Assembly, No. 8 of May 2003.

1.2. Vision:

The attainment of a strong, vibrant downstream sector of the petroleum industry, where refining, supply and distribution of products are self-financing and self-sustaining.

1.3. Mission Statement:

To reposition Nigeria's downstream sector for improved efficiency and transparency.

1.4. Our Clients:

Our clientele consists of all Stakeholders in the Downstream Sector such as Workers, Employers, Marketers, Manufacturers, Government, Transporters and indeed all Nigerians. The composition of PPPRA Governing Board reflects the totality of Stakeholders' relevance to the Agency's mandate.

1.5. Mandate:

The Mandate of the Agency as provided in the establishment Act are as follows:

- i. Determine the pricing policy of petroleum products.
- ii. Regulate the supply and distribution of petroleum products.
- iii. Establish an information data bank through liaison with all relevant Agencies to facilitate the making of informed and realistic decisions on pricing policies.
- iv. Moderate volatility in petroleum products prices, while ensuring reasonable returns to Operators.
- v. Oversee the implementation of the relevant recommendations and programmes of the Federal Government as contained in the White Paper on the Report of the Special Committee on the Review of Petroleum Products Supply and Distribution as they relate to its functions, taking cognizance of the phasing of the specific proposals.
- vi. Establish parameters and codes of conduct for all Operators in the downstream petroleum sector.

- vii. Maintain constant surveillance over all key indices relevant to pricing policy and periodically approve benchmark prices for all petroleum products.
- viii. Identify macro-economic factors with relationship to prices of petroleum products and advise the Federal Government on appropriate strategies for dealing with them.
- ix. Establish firm linkages with key segments of the Nigerian society, and ensure that its decisions enjoy the widest possible understanding and support.
- x. Prevent collusion and restrictive trade practices harmful to the Sector.
- xi. Exercise mediatory role as necessary for all the Stakeholders in the Sector.
- xii. Other functions which the National Assembly may confer on the Agency from time to time; and
- xiii. Carry out such other activities as may be necessary or expedient for the full and efficient discharge of its functions under this Act.

APF Final Draft

2.0 GUIDELINES FOR OPERATORS IN THE DOWNSTREAM SECTOR ON THE IMPLEMENTATION OF APPROPRIATE PRICING FRAMEWORK FOR PETROLEUM PRODUCTS

One of the cardinal objectives of PPPRA is to establish a Petroleum Downstream Sector that is self-sustaining by promoting and encouraging private sector participation and investments in an economically viable environment.

The procedures and guidelines shall apply for the purpose of coordinating operational activities in the Downstream Sector in Nigeria which shall be reviewed from time to time in line with Government policy initiatives in the Sector.

The eligibility to carry out operations in the Downstream Sector is subject to the fulfillment of all conditions and regulations of the PPPRA as spelt out below:

- i. All Downstream Operators (including Refiners, Marketers, Depot Owners, Retailers, Dealers, Suppliers, Sub-Suppliers, etc) willing to transact business of petroleum products shall submit its Expression of Interest to PPPRA in line with its mandate of regulating petroleum products supply and distribution. This is for the purpose of capturing such information on the Agency's databank, subject to due diligence and execution of Contract Agreement. Registered Downstream Operators shall be issued a commercial license to supply petroleum products.
- ii. Any Company registered with PPPRA intending to supply petroleum products into the domestic market shall submit a request to the Agency for **Quantity Notification (QN)**. Furthermore, ownership of Downstream facilities (Depot or valid Throughput Agreement) is a precondition for granting of QN. The QN shall be granted within 48 hours of application upon fulfillment of all conditions.
- iii. PPPRA's QN shall be a precondition for the issuance of DPR Import Permit for all petroleum products.
- iv. Marketers' quarterly supply plan shall be submitted to the Agency for planning purpose.
- v. Marketers shall notify PPPRA on LAYCAN programme for the quarter, based on the approved QN, for planning purpose and tracking supply performance. This is without prejudice to any other supply plan in the course of the quarter.
- vi. Marketers are required to tender Vessel's Notice of Arrival (NOA) documents to PPPRA at least 48 hours before vessel arrival. Such vessel shall be attended to by PPPRA within 4 hours after berthing at the discharge port, upon complete documentation.

- vii. Marketers shall ensure that PPPRA and DPR attend to vessels before commencement of discharge operations.
- viii. PPPRA shall assign cargo Inspectors to witness Arrival and Discharge of all petroleum products (PMS, AGO, HHK, ATK, LPG, Base Oil etc).
- ix. All Depots and Retail Outlets in the country shall give unrestricted access to PPPRA in the course of carrying out its assignments.
- x. Marketers shall pay all statutory charges (PPRA Administrative Charge, Bridging Fund, MTA, etc) upon vessel arrival and certification of PMS volume discharged, before evacuation.
- xi. PPPRA shall hold quarterly meetings with Oil Marketing Companies to ensure proper planning of products supply and distribution.
- xii. PPPRA shall monitor indicative prices for all petroleum products in the country in line with prevailing market fundamentals.
- xiii. PPPRA shall continue to work with Marketers in the submission of daily truck out information for the purpose of developing accurate database for proper planning and decision making.
- xiv. Marketers shall, from time to time, submit necessary information to the Agency which will assist in the determination of indicative prices in the Sector.
- xv. Suppliers/Traders shall notify PPPRA of all intending buyers and submit Family Tree documentation to the Agency upon vessel arrival into Nigerian waters.
- xvi. All local Refiners shall provide PPPRA with monthly data on refinery production and evacuation on products basis and other relevant information.
- xvii. PPPRA shall periodically review these Procedures and Guidelines in line with policy initiatives of Government in the sector.
- xviii. Non-compliance to the provisions of these Guidelines shall attract appropriate sanctions as listed on the Appendix.

3.0 ROLE OF THE PARTIES UNDER THE APPROPRIATE PRICING FRAMEWORK (APF)

3.1 The Petroleum Products Pricing Regulatory Agency (PPPRA) in the exercise of its statutory mandate as a Regulator shall fulfil the following obligations:

- i. Issue Quantity Notification (QN) to Oil Marketing Companies.
- ii. Monitor petroleum products supply during the quarter based on LAYCAN programme forwarded by OMCs.
- iii. Maintain a reliable databank on the Industry.
- iv. Ensure a level playing ground for all Operators.
- v. Collaborate with PEF (Management) Board and other Stakeholders on products movements, to ensure efficient products supply and distribution to every part of the country.
- vi. Embark on wide publicity and enlightenment programmes to educate Stakeholders and the public on the benefits of Government policies in the Sector.
- vii. Monitor petroleum market fundamentals, Indicative Prices and supply performance.
- viii. Perform mediatory role among Stakeholders/Operators.
- ix. Set regulations on holding of strategic petroleum stocks and ensure compliance.
- x. Review, from time to time, the APF Guidelines in line with the Market realities.

3.2 Department of Petroleum Resources (DPR) shall:

- i. Issue import permits upon receipt of PPPRA's QN to Oil Marketing Companies and Trading Companies.
- ii. Ensure compliance with products specifications.

- iii. Collaborate with PPPRA and PEF (Management) Board on intelligence monitoring to ensure compliance with laid down rules and regulations in the Downstream Sector.
- iv. Oblige PPPRA with the necessary information and data relating to petroleum products supply and distribution (Imports and local production).

3.3 Petroleum Equalization Fund (Management) Board shall:

- i. Regularly provide PPPRA with data on products distribution (local and bridging).
- ii. Ensure that bridged products are received and acknowledged at invoiced destinations.
- iii. Collaborate with PPPRA and DPR on intelligence monitoring to ensure compliance with laid down rules and regulations in the Downstream Sector.

3.4 Oil Marketing Companies (OMCs) shall:

- i. Supply and distribute petroleum products nationwide.
- ii. Comply with rules and regulations set by PPPRA, DPR and PEF concerning products scheduling, shipment to Jetties, products transportation through vessels, pipeline network/trucks/rail to storage Depots and evacuation to Retail Outlets.
- iii. Submit on a daily basis, data on products supply and distribution.

3.5. Petroleum Products Suppliers/Traders shall:

- i. Be either local or international Companies duly registered in Nigeria.
- ii. Register their intention with PPPRA to supply petroleum products into the Nigerian market.
- iii. Disclose the sources of their supplies to PPPRA for every shipment.
- iv. Submit to PPPRA on a quarterly basis, quantity of products supplied into the country and beneficiaries for planning purpose.
- v. Submit to PPPRA the Family Tree of each mother vessel at the end of her discharge.

3.6 PPPRA's Independent Cargo Inspectors shall perform the following:

- i. Carry out on-board marine inspection of vessel on arrival and after discharge.
- ii. Carry out Shore Tank inspection before discharge.
- iii. Carry out Fiscalisation of shore tanks and inspection after vessel's discharge.
- iv. Carry out cargo quantity reconciliation.
- v. Forward all reconciled data and relevant documents to PPPRA.
- vi. Carry out nationwide stock taking exercise at the beginning of the year, mid-year and end of the year.
- vii. Endorse all relevant documents submitted to PPPRA.

4.0 VESSEL ARRIVAL AND NOTIFICATION PROCEDURE

All Importers shall furnish PPPRA with the following documents before vessel arrival:

STAGE	MARKETERS	NNPC	TIME FRAME
STAGE 1	Quarterly Supply Plan	Quarterly Supply Plan	Within the quarter
STAGE 2	Submission of Quarterly LAYCAN	Submission of Quarterly LAYCAN	2 weeks upon receipt of QN
STAGE 3	Notification of Arrival of Vessel (NOA).	Notification of Arrival of Vessel (NOA).	48 hours prior to vessel arrival.

4.1. Documents Checklist

- i. **Financial Documents:** Letter of Credit, Form M, Proforma and Final Invoice.
- ii. **Mother Vessel:** Copies of Bill of Lading, Certificate of Origin, Cargo Manifest, Quality and Quantity certificates.
- iii. **Daughter Vessel:** Copies of Bill of Lading, Certificate of Origin, Cargo Manifest, Quality and Quantity certificates.
- iv. Notice of Arrival.

5.0. CARGO RECEPTION AND INSPECTION PROCESS

- i. PPPRA shall appoint Independent Cargo Inspectors to witness the process of all petroleum products vessel arrival and discharge.
- ii. Upon the satisfactory verification of pre-discharge documents by PPPRA, Cargo Inspection Mandate (Nomination) shall be released to PPPRA Zonal Offices and the Marketer immediately.
- iii. The inspection process shall be carried out in the presence of PPPRA and DPR.

6.0 PPPRA PRICING TEMPLATE

Appropriate pricing of petroleum products aims at achieving the following:

- i. Full recovery of cost of production for refinery or importation.
- ii. Prompt response to the dynamics of market fundamentals.
- iii. Transparency and ease of administration.
- iv. Sustainable margins to all stakeholders i.e. Depot and Jetty owners, Retailers, Transporters and Dealers).
- v. Fairness to the end users.
- vi. Consistency with the nation's economic and social policies.
- vii. Elimination of hoarding and diversion of petroleum products.
- viii. Competitive cross-border pricing of products leading to elimination of products smuggling.

7.0 SOURCES OF SUPPLY

The two petroleum products procurement sources recognised by the Agency are:

- i. Refineries
- ii. Blending Plants

The Certificate of Origin presented must reflect these two sources only.

8.0 CHECKLIST FOR PARTICIPATION

S/NO	CHECKLIST
1	Written Expression of Interest.
2	Proof of ownership of Storage Facility/Through-put Agreement/ Retail Outlets.
3	DPR Storage License.
4	Evidence of registration with DPR to operate in the downstream sector.
5	Certified True Copy (CTC) of Certificate of Incorporation.
6	Certified True Copy (CTC) of Memorandum and Articles of Association.
7	Certified True Copy (CTC) of Forms CO2 and CO7 (allotment of Shares and Particulars of Directors).
8	Current Status of Annual Returns.
9	Nature of Business in MEMAT.
10	Evidence of Bank Financing/Bank Reference Letter.
11	Company Profile.
12	FIRS Tax Clearance Certificate (3years).
13	Audited Reports for (3 years) copy.
14	Evidence of Registration with PPPRA (as Oil Marketing Company/Trader).

9.0 APPENDIX: LIST OF APPLICABLE SANCTIONS

S/NO	AREAS OF DEFAULT	SANCTIONS
1	SUBMISSION OF NOTICE OF ARRIVAL (NOA) DOCUMENTS OUTSIDE THE ALLOWABLE WINDOW OF 48 HOURS BEFORE VESSEL ARRIVAL.	VESSEL WILL NOT BE ATTENDED TO BY RELEVANT AGENCIES AFTER BERTHING UNTIL PAYMENT OF FINE AS DETERMINED BY PPPRA MANAGEMENT.
2	DISCHARGING PRODUCTS WITHOUT INDEPENDENT CARGO INSPECTORS APPROVED BY THE AGENCY.	PAYMENT OF FINE AS DETERMINED BY PPPRA MANAGEMENT.
3	IMPORTATION AND DISCHARGE OF PRODUCTS WITHOUT PPPRA QUANTITY NOTIFICATION APPROVED BY THE AGENCY.	FORFEITURE OF TWO SUBSEQUENT QUARTERLY ALLOCATIONS.
4	DELAY/ NON-PAYMENT OF PEF AND PPPRA ADMINISTRATIVE CHARGES.	ANY PRODUCT IMPORTED BY THE DEFAULTING MARKETER SHALL NOT BE CLEARED FOR DISCHARGE UNTIL ALL OUTSTANDING PAYMENTS HAVE BEEN MADE.
5	SUBMISSION OF FORGED/ FAKE DOCUMENTS TO THE AGENCY BY MARKETERS/ SUPPLIERS.	BLACKLISTING FROM IMPORTATION/ SUPPLY OF PRODUCTS INTO THE COUNTRY.
6	DENIAL OF PPPRA STAFF/ OTHER RELEVANT GOVERNMENT AGENCIES ACCESS INTO FACILITIES TO CARRY OUT OFFICIAL DUTIES.	FORFEITURE OF TWO SUBSEQUENT QUARTERLY ALLOCATIONS.

10.0. GLOSSARY

- i. AGO: Automotive Gas Oil
- ii. APF: Appropriate Pricing Framework
- iii. ATK: Aviation Turbine Kerosene
- iv. DPR: Department of Petroleum Resources
- v. HHK: House Hold Kerosene
- vi. LAYCAN: Lay days/Lay time Cancelling
- vii. MTA: Marine Transport Average
- viii. NNPC: Nigerian National Petroleum Corporation
- ix. NOA: Notice of Arrival
- x. OMCs: Oil Marketing Companies (including NNPC)
- xi. PEF(M)B: Petroleum Equalisation Fund (Management) Board
- xii. PMS: Premium Motor Spirit
- xiii. PPPRA: Petroleum Products Pricing Regulatory Agency
- xiv. QN: Quantity Notification