

## AFRICA RISK CONSULTING

### Nigeria Monthly Briefing October 2024

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#### Nigeria Summary 23 October 2024

*The Central Bank of Nigeria (CBN) increases interest rates to 26.75% to combat inflation and stabilise the foreign exchange market. Nigeria officially begins sales of crude oil in local currency on 1 October. The Shell Petroleum Development Company (SDPC) joint venture and partners on 11 October signs a Gas Sales and Purchase Agreement (GSPA) with Brass Fertilizer & Petrochemical Company. It is the largest single GSPA to any domestic gas off-taker in Nigeria.*

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#### CBN increases interest rates

The **Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC)** on 24 September raised the Monetary Policy Rate (MPR) by 50 basis points from 26.75% set in July, to 27.25. CBN governor, **Olayemi Cardoso**, emphasised that the increase is necessary to address persistent inflation and stabilise the foreign exchange market.<sup>1</sup> **National Bureau Statistics (NBS)** reported on 15 October that inflation increased for the first time in three months in September to 32.7%, up from 32.2% in August.<sup>2</sup>

The interest rate hike marks the fifth increase under Cardoso's leadership. Similarly, the CBN raised the Cash Reserve Ratio (CRR) for commercial banks from 45% to 50%. Merchant banks saw a smaller increase from 14% to 16%.<sup>3</sup> These changes will influence lending practices and economic conditions and could impact borrowing costs for both businesses and consumers.

Economists are also predicting potential effects on employment rates and overall economic activity - while the policy aims to address inflation by managing money supply, there are discussions about its possible influence on productivity and investment levels. As such, the organised private sector reacted to the CBN's decision to increase interest rates.

**Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA)** president **Dele Kelvin Oye** stated that the increase will burden businesses with higher loan cost, exacerbate the challenges of conducting business and impact on profitability. Similarly, **Centre for Promotion of Private Enterprise (CPPE)** CEO **Muda Yusuf** noted that many companies are already struggling and suggested that the CBN choice to further tighten monetary policy could add to their challenges. Yusuf implied that business owners were hoping for some relief, but instead face potentially more difficult conditions.<sup>4</sup> The next MPC meeting will be held on 25 and 26 November and committee may maintain the same tightening policy until inflation is under control.<sup>5</sup>

The recent hike has also been aimed at stabilising the foreign exchange market. The **World Bank** in August ranked the naira among the worst performing currencies in **sub-Saharan Africa** in 2024. Several factors contributed to the depreciation of the naira, including a high demand for **United**

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<sup>1</sup> The Nation, 25 Sep 2024

<sup>2</sup> Nigeria Bureau of Statistics, 15 Oct 2024

<sup>3</sup> Dataphyte, 25 Sep 2024

<sup>4</sup> This Day, 25 Sep 2024

<sup>5</sup> Proshare, 24 Sep 2024

**States (US)** dollars in the parallel market, limited US dollar inflows and delays in foreign exchange disbursements by the CBN.<sup>6</sup>

While current economic reforms are influencing the naira's value, sustainable fiscal growth remains crucial for Nigeria's long-term economic stability. However, these reforms have faced significant public opposition, as many Nigerians struggle with the economic impact on households and businesses. Citizens have urged the government to address these challenges, particularly focusing on the weakened Naira and increase in fuel and energy costs.

### **Nigeria begins crude oil sales in naira**

Government announced the official commencement of crude oil sales and refined petroleum products in naira on 1 October following finance minister **Wale Edun** confirmation after a post-commencement review meeting by the implementation committee, formed to oversee the initiative's rollout.<sup>7</sup> The meeting involved key stakeholders, including petroleum minister **Heineken Lokpobiri**, the special adviser to the president on revenue and energy, **Olubukola Arowolo Verheijen**, as well as top executives from state-owned **Nigerian National Petroleum Company (NNPC)** and **Dangote Group**.<sup>8</sup>

The initiative marks a significant shift from the long-standing practice of using US dollars for oil transactions. The decision to sell crude oil in naira is seen as part of the government's broader efforts to strengthen the local currency and reduce dependency on foreign exchange. It also aims to enhance economic growth, stability, and self-sufficiency.<sup>9</sup> The naira-for-crude initiative was approved in July although its pilot phase began on 1 October with sales to **Dangote Refinery**.<sup>10</sup> Dangote Refinery will receive about 400,000 barrels of crude per day, culminating to approximately 24 million barrels of crude in October and November, signalling a shift towards utilising more domestic supply.<sup>11</sup>

The crude and product sales will be valued in US dollars at prevailing international market prices, but financial settlements will be completed in naira at a fixed exchange rate. While the outcome of this policy remains to be seen, there are concerns that it will disrupt existing crude oil contracts and international trading relationships.<sup>12</sup>

This development comes amid local media reports that NNPC ended its exclusive purchase of fuel agreement with Dangote Refinery. If true, this means NNPC will no longer be the sole off-taker and opening the market for other major oil marketers to buy fuel directly from refinery. This indicates an official end to subsidy payments as the NNPC will no longer cover the difference between the facility's price and the selling price to retailers.<sup>13</sup> Oil marketers are also free to import fuel and sell it at a non-regulated price. The development aligns with the government's plan to fully deregulate the downstream sector, to promote competition and improve supply chains efficiency.

Although there has been no official confirmation through its verified media platforms, the NNPC retail stations in **Abuja Federal Capital Territory (FCT)** increased their pump price from ₦897(\$0.55) to

<sup>6</sup> Proshare, 24 Sep 2024

<sup>7</sup> Proshare, 24 Sep 2024

<sup>8</sup> The Punch, 16 Oct 2024

<sup>9</sup> Channels, 6 Oct 2024

<sup>10</sup> This Day, 6 Oct 2024

<sup>11</sup> Channels, 6 Oct 2024

<sup>12</sup> Business Insider Africa, 6 Oct 2024

<sup>13</sup> Rio Times, 7 Oct 2024

₦1,030(\$0.63), marking the second price adjustment in the past month.<sup>14</sup> Recent changes in fuel pricing have resulted in the highest recorded pump prices in Nigeria to date. The ongoing increases are part of a broader shift in fuel pricing policy and suggests that future prices may continue to fluctuate based on global market conditions. The fuel price hike has exacerbated frustrations among Nigerians, who are already grappling with inflation that has driven up the cost of food and transportation, intensifying the ongoing cost-of-living crisis.

### Nigeria enters joint venture agreement with IOCs and approves divestments

The federal government through NNPC signed a landmark deal with three international oil companies (IOCs) to begin sales of gas to the **Brass Fertilizer & Petrochemical Company Limited (BFPCL)**. The Gas Sales and Purchase Agreement (GSPA) was signed on 11 October by the **Shell Petroleum Development Company (SDPC)** joint venture and partners, comprising the NNPC, SDPC, France-headquartered **TotalEnergies Ltd**, and **Nigerian Agip Oil Company Ltd (NAOC)**.

Under the GSPA, the companies will supply 270 million standard cubic feet of gas per day to BFPCL, situated in **Brass (Bayelsa State)**, making it the largest single GSPA to any domestic gas off-taker in Nigeria.<sup>15</sup> The GSPA, which marks a milestone in ongoing efforts to monetise the country's large gas reserves, was signed nearly nine years after its project was first announced.<sup>16</sup>

The deal paves the way for BFPCL and its partners to commence construction of the \$3.3 billion facility, further driving Nigeria's ambition to shift from crude reliance. Once operational, the project is expected to generate over \$1.5 billion annually through the export of petrochemicals, fertilisers, and other gas-based products. During the signing petroleum resources minister **Ekperikpe Ekpo** stated that the project will boost exports and reduce fertiliser importation by 30% saving Nigeria approximately \$200m in foreign exchange annually.<sup>17</sup>

Nigeria holds the Africa's largest gas reserves of more than 200 trillion cubic feet and seeks to develop the commodity to boost supplies to industries, power plants and for export.<sup>18</sup> Currently, much of its gas output is either flared or re-injected into wells and seeks to end routine flaring by 2030. The **Brass Methanol Project**, sponsored by BFPCL, is a joint venture between Danish-headquartered **DSV Engineering Limited**, the NNPC and the **Nigerian Content Development & Monitoring Board (NCDMB)**. BFPCL will own and operate the venture.<sup>19</sup>

As part of its oil and gas sector restructuring initiative, the **Nigerian Upstream Regulatory Commission (NUPRC)** approved four out of five divestment proposals. The approved transactions include:

- US-headquartered **ExxonMobil's** \$1.3 billion divestment to Seplat;
- TotalEnergies' \$860m divestment to **Spain-headquartered Telema Energies**;
- Oando PLC's \$783m acquisition of **Nigerian Agip Oil Company (NAOC)** shares;
- **Equinor Nigeria Energy Company Limited's** divestment to **Project Odinmin Investment Limited**, valued at over \$700m.

During NUPRC's third anniversary celebration on 21 October, CEO **Gbenga Komolafe** announced that SPDC's proposed divestment to **Renaissance Africa Energy Company** was rejected for failing to

<sup>14</sup> Business Day, 8 Sep 2024

<sup>15</sup> Premium Times, 7 Oct 2024

<sup>16</sup> BBC, 9 Oct 2024

<sup>17</sup> This Day, 10 Oct 2024

<sup>18</sup> Punch, 11 Oct 2024

<sup>19</sup> Brass Fertiliser, 11 Oct 2024

meet regulatory requirements.<sup>20</sup> Shell announced its exit from Nigeria's onshore and shallow water operations through the sale of SPDC to a consortium of five companies, mostly local firms, on 16 January. The company plans to redirect its future investments toward potentially more profitable deep offshore fields.<sup>21</sup>

The above approved transactions represent a significant milestone in transforming Nigeria's oil and gas sector, aimed at attracting both domestic and international investments while optimising operations.

### Planner

4 Nov 2024 **Lagos (Nigeria) Alternative Energy Sources and Renewable Energy Conference**  
 6-7 Nov 2024 **Abuja (Nigeria) International Paper Publishing & Printing Expo 2024**  
 14 Nov 2024 **Abuja (Nigeria) Public Finance and Public Policy Conference**  
 14-14 Nov 2024 **Lagos (Nigeria) Africa Prosperity Summit 2024**  
 16 Nov 2024 **Ondo (Nigeria) Ondo State governorship election**  
 25 – 26 Nov 2024 **Abuja (Nigeria) Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC) meeting**

### Chronology

22 Oct 2024 **Abuja (Nigeria) The Naira Metrics.** State-owned **Nigerian National Petroleum Company (NNPC)** signs an agreement with **A4E Energy** to construct a 100 million standard cubic feet per day (MMSCF/F) natural gas distribution facility in **Ajaokuta (Kogi State)**;

22 Oct 2024 **Abuja (Nigeria) Daily Trust.** **Transcorp Hotels**, a subsidiary of **Transcorp Group**, reports revenue growth (before tax) from N28.97 billion (\$17m) in Q3 2023 to N48.49 billion (\$29m) in Q3 2024;

21 Oct 2024 **Abuja (Nigeria) Vanguard.** A draft legislative bill seeking to protect Nigeria's raw materials processing and local production passes the first reading at the Senate;

21 Oct 2024 **Abuja (Nigeria) The Nation.** The **Central Bank of Nigeria (CBN)** extends the suspension of processing fees on cash deposits until 31 March 2025;

20 Oct 2024 **Abuja (Nigeria) This Day.** Nigeria's foreign reserves increase from \$36.1 billion in July to \$38.93 billion in October;

20 Oct 2024 **Nibo (Nigeria) This Day.** Suspected gang members attacked a traditional festivity in Nibo community in **Awka South (Anambra State)**, killing 12 people;

20 Oct 2024 **Abuja (Nigeria) Voice of Nigeria.** President **Bola Tinubu** approved the launch of four satellites as part of effort to strength the nation's space technology capabilities;

20 Oct 2024 **Abuja (Nigeria) News central.** Government proposes a 5% excise duty on telecommunication, gaming and betting services, under the **Nigeria Tax Act**;

17 Oct 2024 **Abuja (Nigeria) UNICEF.** Nigeria is set to administer new free malaria vaccine to recipients after receiving a first batch of 846,200 doses;

15 Oct 2024 **Majiya (Nigeria) Al Jazeera.** A fuel tanker overturns and explodes in Majiya town in **Tuara (Jigawa State)** killing over 170 people and injuring 50 others;

<sup>20</sup> Reuters, 11 Oct 2024

<sup>21</sup> Nairametrics, 12 Oct 2024

- 15 Oct 2024 **Abuja (Nigeria)** *Arise News*. Nigeria's aviation Minister, **Festus Keyamo** announces concessions for five major airports;
- 15 Oct 2024 **Abuja (Nigeria)** *Leadership*. The **Nigerian Upstream Regulatory Petroleum Commission (NUPRC)** launches an initiative to target one million barrels of oil per day (1mbpd) to raise Nigeria's production to 2.6 million barrels per day;
- 8 Oct 2024 **Lagos (Nigeria)** *Business Day*. Federal government approves **Dangote Refinery** as the sole supplier of jet fuel, also referred to as Jet A1, to aircraft companies operating in the country;
- 3 Oct 2024 **Abuja (Nigeria)** *Punch*. The federal government announces plans to commence the implementation of \$750m rural electrification project in November, being financed by **World Bank** and will electricity to 17.5 million Nigerians through renewable energy solutions;
- 2 Oct 2024 **Abuja (Nigeria)** *Arise*. The **United Nations' Central Emergency Response Fund (CERF)** releases \$5m to enhance flood relief efforts in Nigeria. This funding is specifically targeted at addressing urgent needs in **Borno, Bauchi, and Sokoto** states, which have been identified as the area's most severely impacted by recent flooding;
- 2 Oct 2024 **Abuja (Nigeria)** *Vanguard*. Civil Society Organisations (CSO) activists and youths hold peaceful #FearlessInOctober protests in **Abuja, Lagos, Oyo, Rivers, Ondo** and **Osun** states;
- 1 Oct 2024 **Lagos (Nigeria)** *Channels*. **United Arab Emirates (UAE)**-headquartered **Emirates** resumes flight operations to Nigeria, after suspending its Dubai – Lagos flight in November 2022 over its inability to repatriate funds;
- 1 Oct 2024 **Niger (Nigeria)** *Vanguard*. A boat carrying about 300 passengers capsizes while transiting the **Gbajibo River** in **Mokwa (Niger State)**. Around 150 people are rescued while 60 people were confirmed dead;
- 30 Sep 2024 **Kaduna (Nigeria)** *Daily Trust*. The **Nigerian Air Force (NAF)** carries out an airstrike targeting a bandit logistics base in **Yadin Forest** in **Giwa LGA (Kaduna State)** but local reports allege that the airstrike resulted in the deaths of 23 civilians in a densely populated area;
- 27 Sep 2024 **Osun (Nigeria)** *Hallmark*. **Osun State** government demands N 60 billion (\$36m) from **United Kingdom (UK)**-headquartered **Thor Explorations Limited** and its subsidiary **Segilola Resources Operating Limited** as financial considerations for acquiring the state's interest in **Tropical Mines Ltd** between 2016 and 2019;
- 26 Sep 2024 **Lagos (Nigeria)** *Punch*. The **Independent Petroleum Marketers Association of Nigeria (IPMAN)** begins discussion to purchase fuel directly from the **Dangote Petroleum Refinery**;
- 26 Sep 2024 **Abuja (Nigeria)** *Nairametrics*. The federal government proposes amendments to the **National Identity Management Commission (NIMC)** regulations which would potentially allow non-citizens residing in the country to receive a **National Identification Number (NIN)**. One aim of this proposal is to facilitate tax collection from foreign residents;
- 26 Sep 2024 **Abuja (Nigeria)** *Vanguard*. **United States (US)**-headquartered **ExxonMobil** announces plan to invest \$10 billion in Nigeria's deep-water oil operations during a sideline meeting in the **United Nations General Assembly (UNGA)**;
- 25 Sep 2024 **Abuja (Nigeria)** *Punch*. The **Central Bank of Nigeria (CBN)** approves the sale of \$20,000 to eligible Bureau De Change Operators (BDC) at NGN 1,590 per **United States (US)** dollar and limits profit margin to 1%;
- 24 Sep 2024 **Abuja (Nigeria)** *ICIR*. The **Securities and Exchange Commission (SEC)** approves an offer by **Flour Mills of Nigeria's (FMN)** major shareholder **Excelsior Shipping Company Limited** to acquire all the shares held by minority shareholders,

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