



STATE HOUSE,
ABUJA,
NIGERIA.

Restricted

Reference:

PRES/65-1/COS/-4/777

5th July, 2012

The Chief of Staff to the President,
State House,
Presidential Villa,
Abuja,

**RE: NON PROVISION FOR NNPC SUBSIDY IN 2012 APPROPRIATION
ACT AND NON PAYMENT OF NNPC SUBSIDY FOR 2012**

Reference:

A: Letter HMPR/001/1 dated 25th June, 2012.

I am directed to forward reference A to you and to draw your kind attention to Mr. President's directive on page 3

2. Humbly submitted for your further action, Sir.


Matt Aikhionbare
Senior Special Assistant to the President (Admin)

Enclosures:

Copy of Reference A and attachment..



FEDERAL MINISTRY OF PETROLEUM RESOURCES
OFFICE OF THE HONOURABLE MINISTER

Block D, 11th Floor, NNPC Towers, Herbert Macaulay Way,
Central Business District, P.M.B. 449, Abuja.

Ref: HMPR/001/1

Date: June 25, 2012

His Excellency
Dr. Goodluck Ebele Jonathan, GCFR
President, Commander-In-Chief of the Armed Forces
Federal Republic of Nigeria
Presidential Villa, Aso Rock
Abuja.

Your Excellency, Sir,

**NON PROVISION FOR NNPC SUBSIDY IN 2012 APPROPRIATION ACT
AND NON PAYMENT OF NNPC SUBSIDY FOR 2012.**

- 1 The purpose of this memo is to apprise Mr. President on the issue on non-provision of subsidy for NNPC in the 2012 Appropriation Act, non-payment of subsidy to NNPC in 2012 and the impact on the Corporation's ability to meet the domestic crude cost obligations.
- 2 In the 2012 Appropriation Act there was no provision for domestic fuel subsidy for NNPC. While a total sum of N888.10 billion was provided to cover 2011 arrears plus subsidy estimate for 2012, the whole amount was credited in favour of other marketers, while NNPC was given ZERO. (*please see Attachment 1*). The consequence of zero budget in the 2012 Appropriation Act for "Domestic Subsidy (NNPC)" is that NNPC shall not be entitled to subsidy payments during the year. This would seem to have been corroborated by the fact that no subsidy payment has been made to NNPC for 2012 since the beginning of the year, notwithstanding the fact that NNPC has delivered to the nation a total of 2,889,716.97 metric tons of PMS (equivalent to 3,875,110,456.77 litres) plus 905,430.39 metric tons of DPK (equivalent to 1,104,625,075.80 litres) between January and May 2012.
- 3 Furthermore, Your Excellency, NNPC is being owed over seven hundred and fifty billion Naira (N750 billion) for products legitimately supplied to the nation over the past few years. This huge sum coupled with the Zero

budgetary provision in 2012 Appropriation Act and non-payment of subsidy for PMS and DPK in 2012 have adversely impacted NNPC's financial capacity with very serious implication on her ability to perform her statutory role of making petroleum products available nationwide and meet its payment obligation for purchased domestic crude oil.

- 4 Your Excellency may wish to note that both NNPC and the Hon. Minister of Petroleum Resources have written severally to the Hon. Minister of Finance / Coordinating Minister of the Economy and the Budget Office on this issue without response. (*please see Attachments 2A, 2B and 2C*).
- 5 Faced with this challenge, NNPC has had to temporarily review the terms of the Swap arrangements with Trafigura and Duke Oil to sell their allocated crude oil volumes rather than swap them into petroleum products for the month of June 2012. This was done to enable NNPC pay for the purchased domestic crude oil and with due regard to the volume of products available, which would sustain the nation for about thirty five (35) days, during which it is hoped that the issues would have been addressed and the situation brought under control.
- 6 Your Excellency, given the critical role NNPC plays in the petroleum products supply chain, any development that could erode its capacity, such as non-provision for subsidy payment in the Appropriation Act and payment for all outstanding PPPRA certified deliveries, portend serious concern for the industry and the nation. It may therefore be auspicious at this time to evolve an alternative means of reimbursing NNPC for products supplied. In this regard, the Petroleum Support Fund (PSF) may need to be sufficiently funded to play this role.

7 Prayers:

Your Excellency is therefore kindly requested to consider the above and:

- a) Direct the Honourable Minister of Finance / Coordinating Minister of the Economy to urgently address the ZERO budgetary provision for NNPC subsidy in the 2012 Appropriation Act;
- b) Direct the HMF/CME to effect payments for all PPPRA duly certified products delivery for NNPC for January to June 2012;

- c) Direct HMF/CME to evolve and implement a more acceptable mode of reimbursement for subsidy on products supplied by NNPC from the PSF scheme.

The above is humbly submitted for Your Excellency's consideration and further directives as may be applicable.

Please accept, Your Excellency, the assurances of my highest regards and loyalty at all time.

~~SECRET~~
~~CONFIDENTIAL~~
Mrs. Diezani Alison-Madueke (CON)
Honourable Minister of Petroleum Resources

~~CONFIDENTIAL~~
pls schedule a meeting
of Finance & Petroleum
with me.
07/07/12