29th September 2017

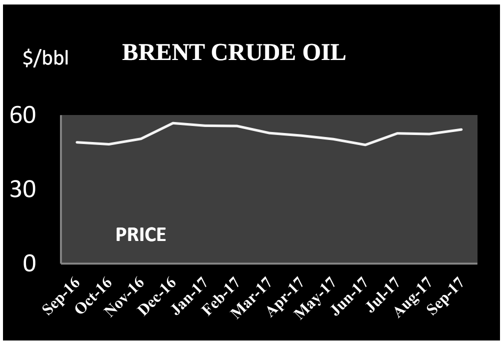
GLADIUS

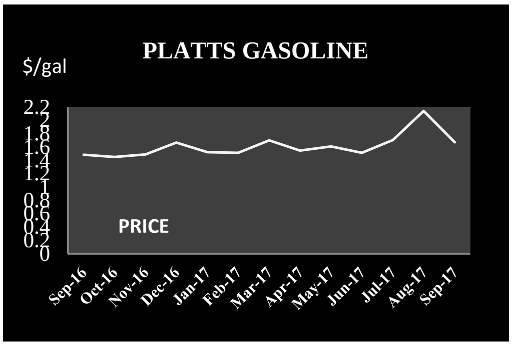
MARKET REPORT

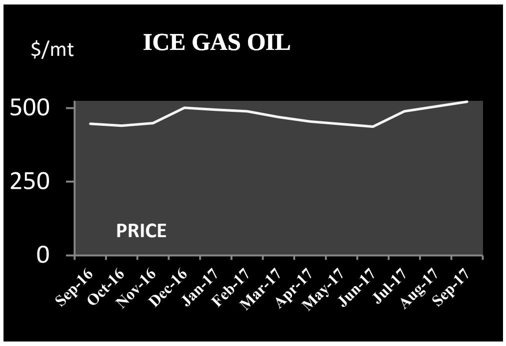
Gladius Energy Desk

research@gladiuscommodities.com

Tel: **+234-1-2931855**







LOCATIONS	PMS	AGO	DPK
LAGOS	[MT] 521,236	[MT] 49,188	[MT] 27,018
P.H.	-	-	-
DELTA	7,515	-	-
CALABAR	14,962	-	-

GLOBAL	PRICE
BRENT	**57.90 $/bbl**
ICE GAS OIL	**548.75 $/mt**
PLATTS GASOLINE	**1.6540 $/gal**

PRICE (EX DEPOT) NGN / Litre

	LAGOS	P.H.	DELTA	CALABAR
PMS	**136.50 – 137**	**136 –137**	**136 –137**	**136 –137**
AGO	**182–185**	**180-186**	**181-186**	**180-186**

FX RATES

28/09/17	USD	GBP	EUR
NGN (PARALLEL MARKET)	**362 / 365**	**480/ 486**	**422/ 428**
NGN (INTER BANK)	**305.75**	-	-
NAFEX	**359.96**	-	-

NIGERIA

Nigerian Petroleum Development Company (NPDC), a subsidiary of the Nigerian National Petroleum Corporation (NNPC), is expected to take the Company's equity production from the current 180,000 barrels per day (bpd) level to 500,000 bpd by 2020 through various Oil Mining Leases (OML) in the Niger Delta region. The Minister of State for Petroleum Resources, Dr. Ibe Kachikwu has set a target to increase Nigeria's crude oil production from the 1.8 million bpd to 4 million bpd. NPDC's Managing Director, Yusuf Matashi disclosed that the Company has engaged in activities which would accelerate exponential growth that would take production to 400,000 bpd in 2019 and 500,000 bpd in 2020. Matashi said the NPDC had varied interests in seven deep-water concessions and successfully executed a Global Memorandum of Understanding (GMoU) with communities in OMLs 30 and 34, adding that NPDC achieved a major feat by successfully drilling and completing five horizontal wells in nine months in OML 26, leading to production of an additional 7,000 bpd. However, Matashi stated that the greatest challenges of the company were the recurring infractions on its facilities and the incessant uprisings by some members of its host communities, adding that a holistic plan was being worked out to address the teething challenges.

On Thursday 28th September, the NNPC announced its plans to review its approach to crude oil sales. In the next few years, NNPC intends to handle up to 80% of the country's crude oil lifting contracts via its trading arm, Duke Oil, as part of efforts to widen its customer reach. The NNPC will commence the sale of more of the country's crude oil on a Cost, Insurance and Freight (CIF) basis instead of the current Free On Board (FOB) basis. CIF is an Incoterm used in international trade covering both sea and inland waterways, requiring the seller to arrange for the carriage of goods by sea from the port of origin to a port of destination and also provide the buyer with the documents necessary to obtain the goods from the carrier. In a CIF agreement, the seller assumes responsibility and pays costs until the goods reach the buyer's chosen port of destination. At the 2017 Annual Asia Pacific Petroleum Conference in Singapore, the Group General Manager, Crude Oil Marketing Division of the NNPC, Alhaji Mele Kyari, said the Corporation's decision to review its approach to crude oil sales was to enable it sell directly to customers and ensure the security of supply. Kyari told Standards and Poors (S&P) Global Platts, "*There is a plan to see how Duke Oil can directly trade the volumes in the market, up to 80% and ultimately 100% of our equity in the long term. The NNPC was looking at engaging one-on-one as a CIF supplier to customers. We are growing it. It existed but we have not been patronizing it. Now we see a great need for that*." Kyari further stated that the NNPC will make sure that Nigeria's crude oil grades were appropriate and ensure supply stability so as to attract new buyers. In addition, Kyari disclosed that the NNPC will continue to depend on Asia and Europe as its two main traditional destinations and hopes to increase its share in both regions.

WAF

GHANA/ COTE D'IVOIRE

On Saturday 23rd September, the International Tribunal for the Law of the Sea ruled that the Tullow Oil Plc's offshore fields will remain under Ghana's jurisdiction, putting an end to the boundary dispute with Ivory Coast. The Chamber ruled unanimously that Ghana did not violate the rights of Cote d'Ivoire in exploring oil at the maritime boundary. The Executive Director of the Africa Centre for Energy Policy, Benjamin Boaky, issued and signed a statement on Monday 25th September, congratulating both Ghana and Côte d'Ivoire for committing to the peaceful process of addressing the boundary dispute between the two countries. Tullow will continue to work with the Government of Ghana to put in place the necessary permits to allow the restart of development drilling in the TEN fields. Tullow expects to resume drilling around the end of the year, which will allow production from the TEN fields to start to increase towards the FPSO design capacity of 80,000 bpd. Tullow's Chief Executive Officer, Paul McDade, said: "*Tullow looks forward to continuing to work constructively with the Governments of both Ghana and Côte d'Ivoire following the conclusion of this process. While the TEN fields have performed well during the period of the drilling moratorium, we can now restart work on the additional drilling planned as part of the TEN fields' plan of development and take the fields towards their full potential*."

GLOBAL

On Thursday 28th September, oil prices edged lower after U.S. government data revealed a weekly climb in domestic production to the highest level in over two years. The U.S. West Texas Intermediate crude for October contract shed 20 cents at $51.94 a barrel at 3:35 AM ET (07:35 GMT), while the ICE Futures Exchange in London Brent oil for November delivery dipped 37 cents at $57.20 a barrel. The U.S. Energy Information Administration (EIA) weekly report for Wednesday 27th September showed a fall in crude oil inventories by 1.8 million barrels while gasoline stockpiles went up by 1.1 million barrels in the week ending September 22.

In recent weeks, prices have been well-supported amid growing optimism that the crude market was on its way towards rebalancing as data showed strong compliance from major producers with their supply cut agreement. In May, OPEC and non-OPEC members led by Russia agreed to extend production cuts of 1.8 million barrels per day for a period of nine months until March 2018 in a bid to reduce global oil inventories and support oil prices.

GLADIUS COMMODITIES LIMITED

Website: www.gladiuscommodities.com

Address: Elephant House, 214 Broad Street, Lagos – Marina, NIGERIA

192, Old Bakery Street, Valletta VLT 1455, MALTA