

## **Nigeria Petrol Station Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 82 pages | Mordor Intelligence

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### **Report description:**

The petrol station market in Nigeria is expected to register a CAGR of around 1.5% during the forecast period. The COVID-19 outbreak caused several disruptions in oil and gas production across the world. Similarly, in Nigeria, due to lockdown measures imposed by the government, most of the filling stations in the country had low patronage as Nigerians complied with the lockdown order by the government. The outbreak of COVID-19 also caused disruptions in the supply chain and production of oil and gas, as a result of which many filling stations in the country remain closed. The production of premium motor spirit (PMS) or petrol also has remained stagnant with very little growth. Factors such as rehabilitation and up-gradation of existing refineries help the government's efforts to reduce reliance on refined product imports by adding new refining capacities (using modular and large refinery complexes). However, a lack of investment is expected to restrain the market during the forecast period.

### **Key Highlights**

Smuggling of crude oil and refined products along the borders is expected to restrain the market during the forecast period. Government support to boost the use of natural gas in the country is expected to be proved a major opportunity for petrol station owners in the upcoming years. For instance, in September 2020, the Department of Petroleum Resources (DPR) in Nigeria ordered 9,000 petrol stations across the country to install natural gas fueling equipment to boost the sale of natural gas. The price deregulation is expected to drive the petrol station market in the country as operators now sell at the current fuel prices like that in the international market. This has allowed for some autonomy for the operators in the coming years.

### **Nigeria Petrol Station Market Trends**

Smuggling of Crude Oil and Refined Products is expected to Restrain the Market

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Smuggling of goods has multiple ill effects on a country's economy. The adverse effect is the preference for smuggled goods in the market rather than the goods sold at retail price. Smuggling of petrol from Nigeria is a significant factor that impacts the country's economy. As per the Nigerian National Petroleum Corporation (NNPC), Nigeria loses NGN 2 billion daily due to the smuggling of petrol from Nigeria to the bordering countries, like Benin, Niger, and Cameroon.

As per Nigerian National Petroleum Corporation, the production of petroleum products in 2020 was 1,292.59 million liters. However, smuggling has always impacted the petroleum distribution segment in Nigeria as a huge volume of petroleum products get out of the country due to smuggling. For Instance: In Nigeria, crude oil valued worth over USD 2 billion was lost due to theft and vandalism in 2020, which in turn is affecting the market's growth.

As the petrol in Nigeria is subsidized, it gets smuggled to the neighboring countries. To impose a ban on the ongoing smuggling, the federal government took the initiative to shut down the border and indefinitely banned the delivery of petroleum products to the petrol stations in the country's border towns.

Closure of the borders and restrictions on delivering fuel to the border area led to the scarcity of fuel in the towns, which increased prices in the border areas. In November 2019, lawmakers in Nigeria's House of Representatives asked to suspend the ban due to the adverse effects on the area.

Also, one of the main reasons behind the smuggling is the high unemployment rate. The oil price decline may increase the unemployment rate further, thereby creating an unsafe environment for the petroleum business.

### Fuel Price Deregulation to Offer Huge Growth

Historically, fuel prices in Nigeria were strictly regulated by the central government, with little or no variation in the fuel prices cost, based on various factors, like geography and ease of transportation.

The debate for fuel price deregulation had been going on in the country for quite some time, and the final blow supposedly came from the downfall of crude and refined fuel prices in the global market due to excess supply and low demand.

In December 2021, the average petrol price, as informed by the Petroleum Products Pricing Regulatory Agency (PPPRA), was NGN 165.77, as compared to the average cost of NGN 165.70 in December 2020. The PPPRA modulates monthly fuel prices based on market fundamentals like the expected open market price (EOMP) of refined fuels, such as petrol and diesel.

Also, in March 2020, the Nigerian government approved the gasoline price cut to NGN 125 per liter from its previous price of NGN 145 per liter using the price modulation mechanism. The price trends of petrol in Nigeria will follow the global crude oil price trends.

The Ministry of Petroleum Resources stated that Nigerians would benefit from falling fuel costs, which directly affected the crash in global crude oil prices. The government officials have also noted that price cut action is taken to reduce the economic impact of COVID-19 on the Nigerians.

As a result, the price deregulation is expected to drive the petrol station market as operators can now operate at the current fuel prices like that in the international market. This will allow for some level of autonomy for the operators.

### Nigeria Petrol Station Market Competitor Analysis

The petrol station market in Nigeria is fragmented. The petrol/filling stations in the country are operated by independent petroleum marketers, major oil marketers, and NNPC (NNPC franchise and NNPC Mega). Some of the key players involved in the market include TotalEnergies SE, National Nigerian Petroleum Corporation (NNPC), Sharon Group Nigeria, Oando PLC, and MRS Holdings Ltd.

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