

# PEF(M)B: STABILIZING THE PRICE OF PETROL



The Petroleum Equalisation Fund Management Board was established principally to reimburse marketers of petroleum products such as petrol and kerosene. The cost of transporting the products, from the supply points to the retail outlets. This facilitates the sale of the products at uniform prices as approved by the Federal Government throughout the country. Without PEF(M)B, a marketer who has to transport fuel from, Port Harcourt to Maiduguri would have to add the cost of transporting the products to the pump-prices; and this would have resulted in selling the products at a higher price in Maiduguri than in Port Harcourt.

Now in Nigeria, the most cost effective way of transporting the products is through pipelines, but at the present, the network of

pipelines in the country is not in a good enough condition to do this, mainly due to vandalism. An alternative means of products delivery is by railway; however, it is common knowledge that the railway network is moribund. The only realistic option is road transportation using trucks. By PEF(M)B definition, bridging is the movement of products for distances beyond 450 kilometres. If for any reason, PEF(M)B is not able to pay marketers their bridging claims, they cannot bridge effectively, thereby causing scarcity of products, with all the attendant consequences.

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Where the bridging is flawed, the pump prices would go up. However, as PEF(M)B is able to reimburse marketers promptly they move products as required and this ensures availability, which results in stability of prices. However, if the bridging were faulty leading to scarcity, marketers would sell at higher prices to recover the cost of transportation. Concisely, the PEF(M)B, which has a Management Board, is effectively ensuring the pump price stability of petroleum products in the country. Since its inception, the Board was only operating the equalization scheme, which entailed reimbursing marketers the costs of transporting products. However, as the need for bridging of products increased due largely to failure of the pipelines and closure of refineries for turnaround maintenance (TAM), the Federal Government transferred the administration of the bridging scheme from the Nigerian National Petroleum Corporation (NNPC) to PEF(M)B in 1998.

Government also introduced the Bridging Allowance of NO. 50k per litre, which rose to N2.00 per litre over time. The purpose of the petroleum equalization scheme, it has to be emphasized, is to equalize transportation differentials so that petroleum products are sold at government-approved prices nationwide. It would be impossible for petroleum

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products marketers to maintain uniform, government approved prices throughout the country without the PEF(M)B scheme. The scheme encourages the delivery of petroleum products to areas otherwise considered unprofitable. Actually, the initial projection was to have a maximum of 10% of the total petroleum products bridged, while the balance of 90% would be pumped through the pipelines. Bridging of products is now about 40% of the total products consumed daily nationwide. It is significant to note that products are also bridged from Lagos to the South East and South areas of the country whenever the refineries in Port Harcourt and Warri are shut.

Petroleum products are now available and sold at government approved prices nationwide due to a radical change in the process of paying marketers their bridging costs and equalization allowances, thanks to the vision of the new Executive Secretary of PEF(M)B, Mrs. Adefunke Sharon Kasali. She has successfully introduced the e-payment method that has modernized the scheme. Before she took over the PEF(M)B, payments were made manually in an unwieldy process that caused long delays. Delayed payments of the

bridging claims could erode the ability of marketers to sell products at uniform prices nationwide.

The e-payments system has made it possible for the PEF(M)B to settle more claims in eight months than all the payments it made in the three years before the system became operational there is no more profitable markets, including to other

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countries. Mrs. Kasali, who is thoroughbred oil and gas professional and a chartered accountant, brought this qualitative and irrevocable change. Her other achievements include making PEF(M)B more appreciated by forming an effective Public and Government Relations Unit (PGR) for timely information dissemination, and a Customer Service Relations Unit to respond to enquiries from stakeholders. PEF now has a redesigned website, which is

up and running at [www.pef.gov.ng](http://www.pef.gov.ng). Useful information could be accessed free of charge by marketers in all depots in the country.

Even though a sister-organisation is responsible for regulating products prices, the PEF(M)B is collaborating with the Department of Petroleum Resources (DPR) and Petroleum Products Pricing Regulatory Agency (PPRA) to ensure that approved pump prices prevail.

**BENEFITS OF PEF(M)B:**

The benefits of PEF(M)B's activities to the common man include stable and uniform pump prices of petroleum products. The stability of the prices means that inflation is checked, thus supporting the consumer and the economy. This is particularly important as virtually every single business engagement has energy input.

Similarly, the availability of petroleum products saves a lot of man-hours as the time workers spend looking for products when they are scarce is saved. The time saved would be used in many ways that are more productive. Adulteration of products usually blamed on scarcity would have been eliminated, thus reducing the possibility of explosions, which lead to loss of lives and property as well as physical injuries to victims.

In fact, the PEF(M)B has made it possible for marketers to deliver products to the doorsteps of customers, regardless of the difficulties of terrains, such as the mountainous and riverine areas of Nigeria.

The bridging system managed by the Petroleum Equalisation Fund (PEF(M)B) enhances the well-being of every resident of Nigeria. ■

*Culled from Vanguard Newspaper*