

EXECUTION EDGE



Preparing for a Post Pandemic World How Execution Edge can help

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Global Oil and Gas Industry Overview

COVID 19 - Impacting all facets of human existence

The health crisis caused by the COVID-19 pandemic is causing significant changes across the world like those witnessed during the Spanish influenza of 1918.

Analysts and experts are predicting that the pandemic will significantly restructure global systems; shift geopolitical power; redistribute wealth; modify how we interact and open new markets like the Industrial Revolution.



Figure 1: Exposure of Various industries to the COVID-19 Pandemic

While some industries will witness minimal changes to their markets as a result of the containment measures being adopted, other industries are expected to witness significant changes as a result of this pandemic.

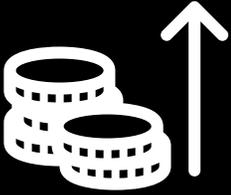
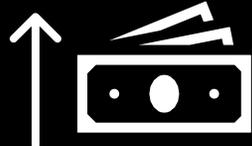
Figure 1 shows the impact of the COVID-19 pandemic on various industries.

The Oil & Gas industry is expected to experience a moderate exposure

Without doubt, this pandemic is reshaping the environment and weighing significantly on macroeconomic indices.

Global Economic Impact

Although predicting the degree of economic impact of the COVID-19 pandemic is be challenging, there is widespread agreement that the outlook of the global economy is less positive than it was a year ago.

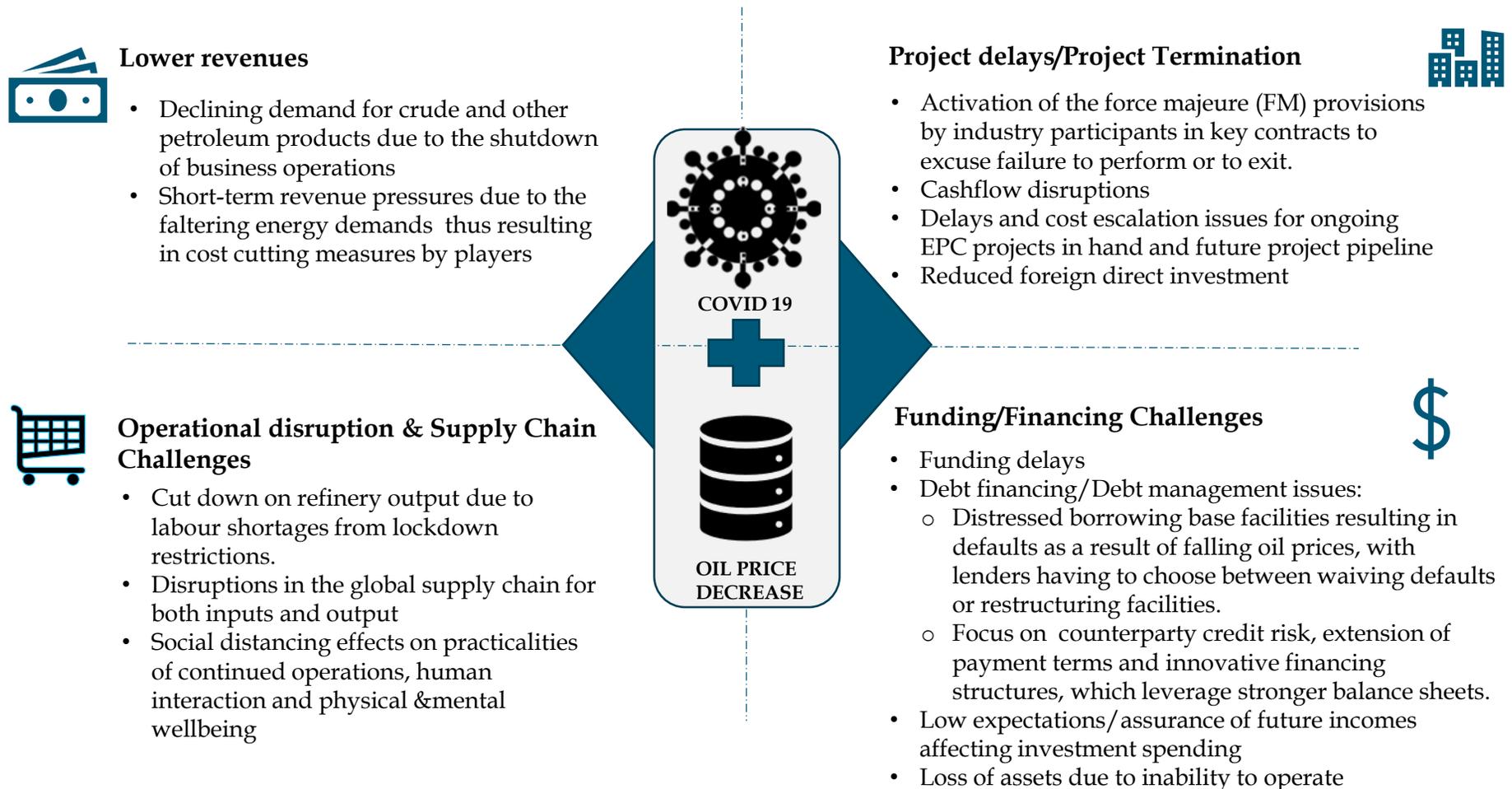
	DECLINE IN GDP GROWTH 	 DROP IN CRUDE OIL PRICE	
BEARISH STOCK MARKET 	 RISE IN INFLATION	WEAKENING EXCHANGE RATES 	
LOW INTEREST RATES 	 RISE IN UNEMPLOYEMENT	LOW BOND YIELDS 	 RISING EXTERNAL DEBT

Growth forecasts have been significantly lowered across the globe with certain scenarios approaching levels not seen since the 2008 financial crisis.

Implications for the Global Oil & Gas Industry

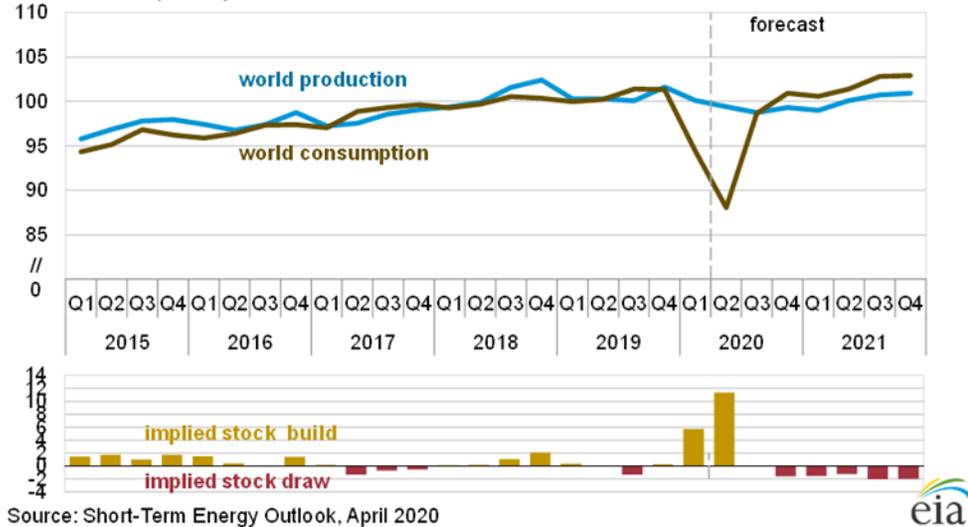
While the impact of the pandemic on the Oil & Gas sector is expected to moderate, mostly reflected in lower demand from the shut down of business operations across the world, lower oil prices caused by the oil wars has further impacted operations in the oil & gas industry.

Global oil demand has been hit hard by the Novel Coronavirus (Covid-19) and the widespread shutdown of China's economy; and is unlikely to return to normal until Q3, 2020. Data shows a demand drop of about 3 million barrels per day in Q1- 2020 due to the pandemic. A summary of the impact on the oil and gas industry is shown below:



Global Outlook Forecasts

World liquid fuels production and consumption balance
million barrels per day



Price Summary

	2018	2019	2020	2021
WTI Crude Oil^a (dollars per barrel)	65.06	57.02	29.34	41.12
Brent Crude Oil (dollars per barrel)	71.19	64.37	33.04	45.62
Gasoline^b (dollars per gallon)	2.73	2.60	1.86	2.16
Diesel^c (dollars per gallon)	3.18	3.06	2.35	2.51
Heating Oil^d (dollars per gallon)	3.01	3.00	2.45	2.47
Natural Gas^d (dollars per thousand cubic feet)	10.46	10.56	10.45	10.66
Electricity^d (cents per kilowatthour)	12.87	13.04	13.04	13.41

^aWest Texas Intermediate.
^bAverage regular pump price.
^cOn-highway retail.
^dU.S. Residential average.

Source: EIA

Despite falling crude oil prices, largely driven by the economic contraction caused by COVID-19 and increase in crude oil supply, the EIA forecasts that Brent crude oil prices will average \$33/b in 2020, but will rise to an average of \$46/b in 2021, as a return to declining global oil inventories puts upward pressure on prices

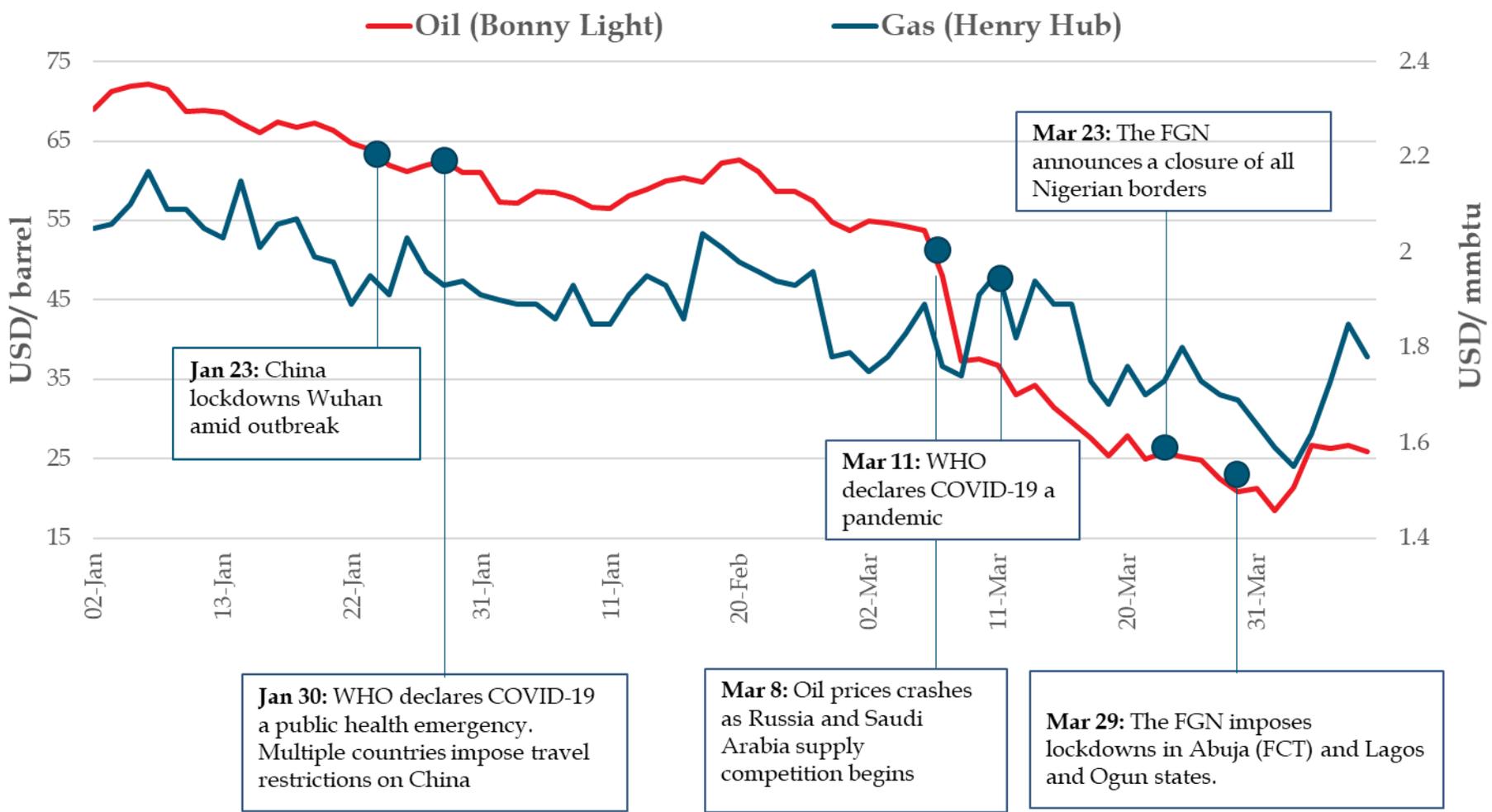
Firmer demand growth as the global economy begins to recover and slower supply growth will contribute to global oil inventory draws beginning in the fourth quarter of 2020. EIA expects global liquid fuels inventories will decline by 1.7 million b/d in 2021.

These forecasts will however be affected by the sustainability of the current drive to alternatives from renewable energy. However, the current downturn presents opportunities for restructuring, strategic acquisitions and investments for long term value addition.

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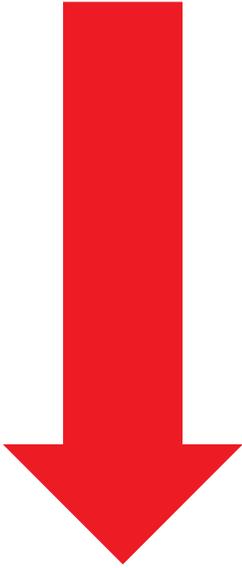
The Nigerian Oil & Gas Industry

Timeline of current oil price movement - Qtr1, 2020



China consumes 13.5 million barrels per day (bpd) of crude oil annually according to a 2018 estimate, of which around 62% is obtained through imports. The lockdowns and travel restrictions imposed in some of the major cities across China have resulted in declining consumption of petroleum products in the country and across the world.

Nigerian Oil and Gas Market Review



Declining Demand for Crude

- The Asian and European market are the primary markets for Nigerian crude, taking about 65% of the supply, while also accounting for 80% of petroleum gas exports.
- The top 5 destinations for Nigerian crude oil exports were India, US, Spain, France and Netherlands.
- Chinese refineries have cut throughput to 2.9million barrels per day. These and recent data on the COVID-19 pandemic suggests that the market for Nigerian products has been significantly affected.
- Therefore, Nigerian operators will have to develop strategies to mitigate the potential drop in offtake.



Fuel Subsidy Removal

The recent decline in crude oil prices globally has allowed the Federal Government of Nigeria (FGN) to effectively end the subsidy scheme on PMS,

Available data shows that

- In 2019, Nigeria consumed about 27 billion litres of refined petroleum products.
- The consumption volumes have grown at an average annual rate of 4% over the past 5 years.
- There is also potential offtake of refined products from other western African countries as available refining capacity exceed Nigerian demand levels.
- Consumption volumes this year might drop due to COVID-19, however opportunities exist in the short, medium and long term for Nigeria to increase its refining capacity and for improved collaboration between the government and private sector and the use of gas to power the economy

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The Nigerian Downstream Opportunity

Subsidy removal and deregulation present opportunities

Increased Product Demand

- Considering the huge dependence on imported refined petroleum products (about 90%); the FGN crude-oil swap deals with local and international traders are meant to ensure sustained supply of refined petroleum products.
- Over 90% of imported refined petroleum products are sourced from Europe.
- However, current COVID-19 containment approaches adopted across Europe suggest a supply deficit which will need to be filled now and in the long run.

Increased Government Partnerships

- In addition to the four FGN owned refineries, about 50 licenses for refineries had been issued in Nigeria as at April 2018
- Some of these refineries are set up while others are at various stages of development
- With crude prices expected to remain low in the medium and long term, it is imperative to ramp up domestic refining capacity to significantly reduce the exchange rate risk associated with importing petroleum products.
- Considering this, the FGN through the NNPC has announced plans to partner with private sector players in an incorporated JV arrangement to help manage its own refineries.

Increased Market Share

- The removal of fuel subsidy creates an opportunity for competitive advantage through product pricing. Organizations can begin to seek innovative and creative ways to drive down operational costs through effective product sourcing, strategic alliances and partnerships, logistics and administrative efficiencies, business process optimization, technology and proactive stakeholder engagement
- Focusing on these areas can create a differentiation for an organization and ultimately improve market share and revenues

Imperatives for Businesses – Opportunities and Challenges

The energy industry is likely to continue to struggle due to depressed oil prices, and revenue, and production declines especially for those at risk of being unable to refinance debt or meet existing debt covenants. Even in a most optimistic case, the industry may face a prolonged recovery period of up to two years. However, joint energy policy agreement between OPEC and Russia could shorten the recovery period.

The pandemic has already disrupted the way organizations run, creating a need to review existing operating models, explore new ways of doing business and challenge the status quo. It is imperative for organizations identify areas of immediate concern, consider medium to long term effect of the changes in the environment and take necessary actions to position their organizations to thrive in the new operating environment. In our opinion, actions that organizations can take at this time include:



Business Strategy and Operating model review

Review of business strategy and operating model in light of current and foreseeable changes in the operating environment. This may involve:

- i. Diversifying business offerings and services in light of foreseeable trends
- ii. Enabling stronger digital operations as the shift to remote working reveals gaps in digital customer contact channels, IT infrastructure and digital workforce competency
- iii. Planning for the best and preparing for the worst trajectories using robust scenario planning.
- iv. Assessing divesting and M&A opportunities

Imperatives for Businesses – Opportunities and Challenges



Supply Chain Optimization

The pandemic has led to a disruption of the global supply chain severely affecting business operations. Organizations can adjust and learn from this by:

- i. Diversifying the supply chain i.e. exploring alternative sources of input/raw materials particularly local sources
- ii. Renegotiations of existing contracts with key vendors/partners to manage costs
- iii. Reviewing supply chain strategies



Workforce Management

Organizations therefore must begin to develop competency for managing a virtual workforce by:

- i. Developing the right policies, structure and culture for remote workforce management
- ii. Assessing the suitability of existing information technology and communications infrastructure to support remote working
- iii. Examining regulatory and compliance requirements for virtual workforce management



Funding/Finance Management

Lower revenues and cash flow challenges are typical outcomes of recessions. To address this, organizations can do the following:

- i. Review profitability and cashflow projections. Identify the financial and operational levers that can be pulled to conserve and generate cash, and potentially increase access to funding
- ii. Revise operating and capital budgets
- iii. Explore debt refinancing options
- iv. Explore interventions provided by the government

Imperatives for Businesses – Opportunities and Challenges



Business Process Optimization

Business Process Optimization, with a view to achieving cost savings and process efficiency. This may include:

- i. Review of core and supporting business processes to identify opportunities for optimization or automation.
- ii. Elimination of redundant or non-value adding activities.
- iii. Improved use of technology
- iv. Outsourcing of corporate and non-core business processes to drive costs down and create better efficiency.

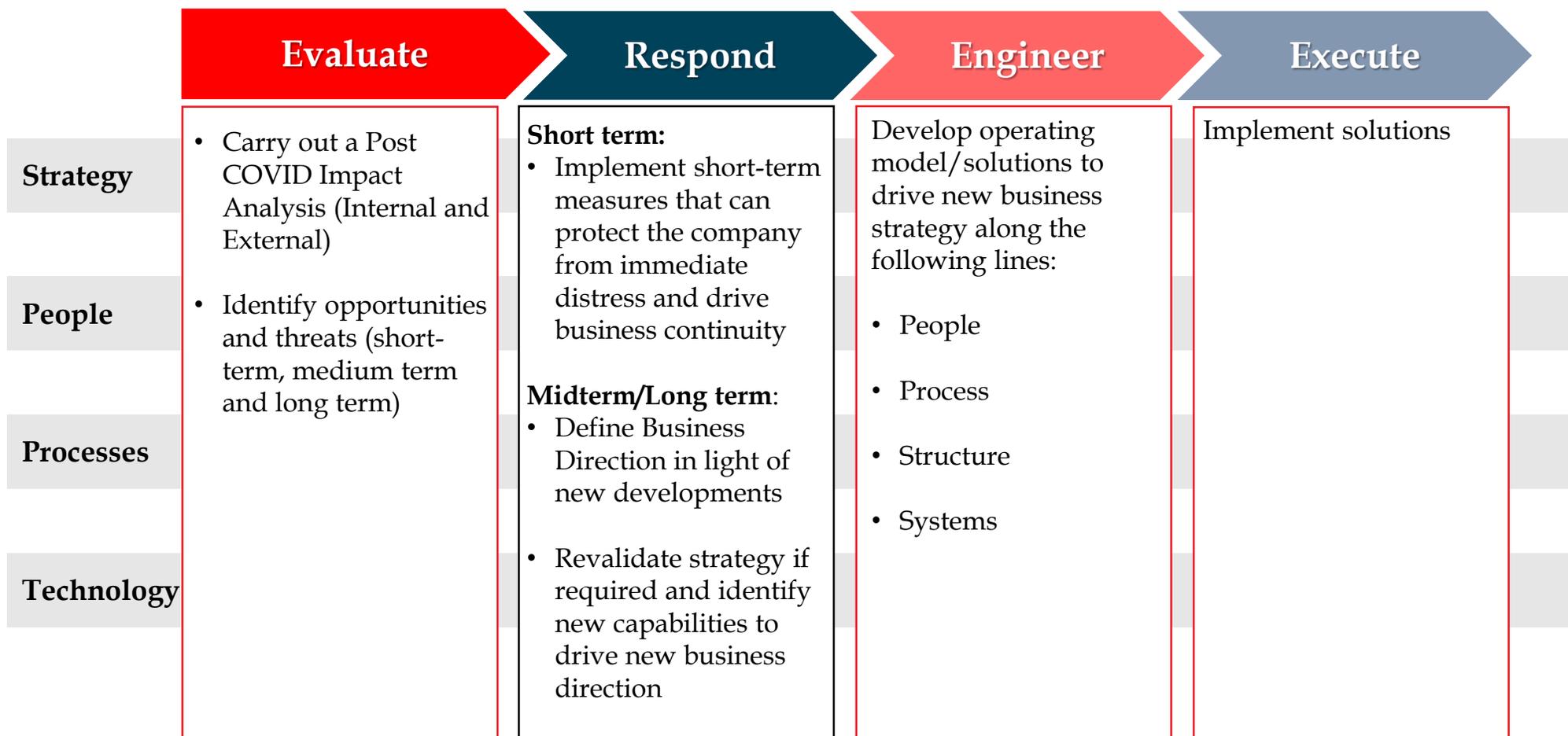


Project Management/ Project Delivery Assurance

The slowdown in the economy is also likely to affect capital projects and necessitate the review of current projects. This may include:

- i. Project cost management
- ii. Project delivery assurance
- iii. Future Project pipeline review
- iv. Project planning and risk management

Organizations can respond to these opportunities and challenges, along the 4 dimensions of Strategy, People, Processes and Technology as shown below:



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How can EE help?

To exploit these emerging opportunities, oil and gas players will need support in:

Strategy Revalidation

- Assessing ongoing operations (including at the field or well level) in a low oil-price climate
- Analyzing current (and forecasted) cash operating expenses, taxes and other cash expense items.
- Reviewing capital and corporate budgets to identify marginal investments and discretionary items.
- Assessing divesting and M&A opportunities
- Assessing risks and developing mitigation strategies
- Articulating IT governance and cyber security strategies.

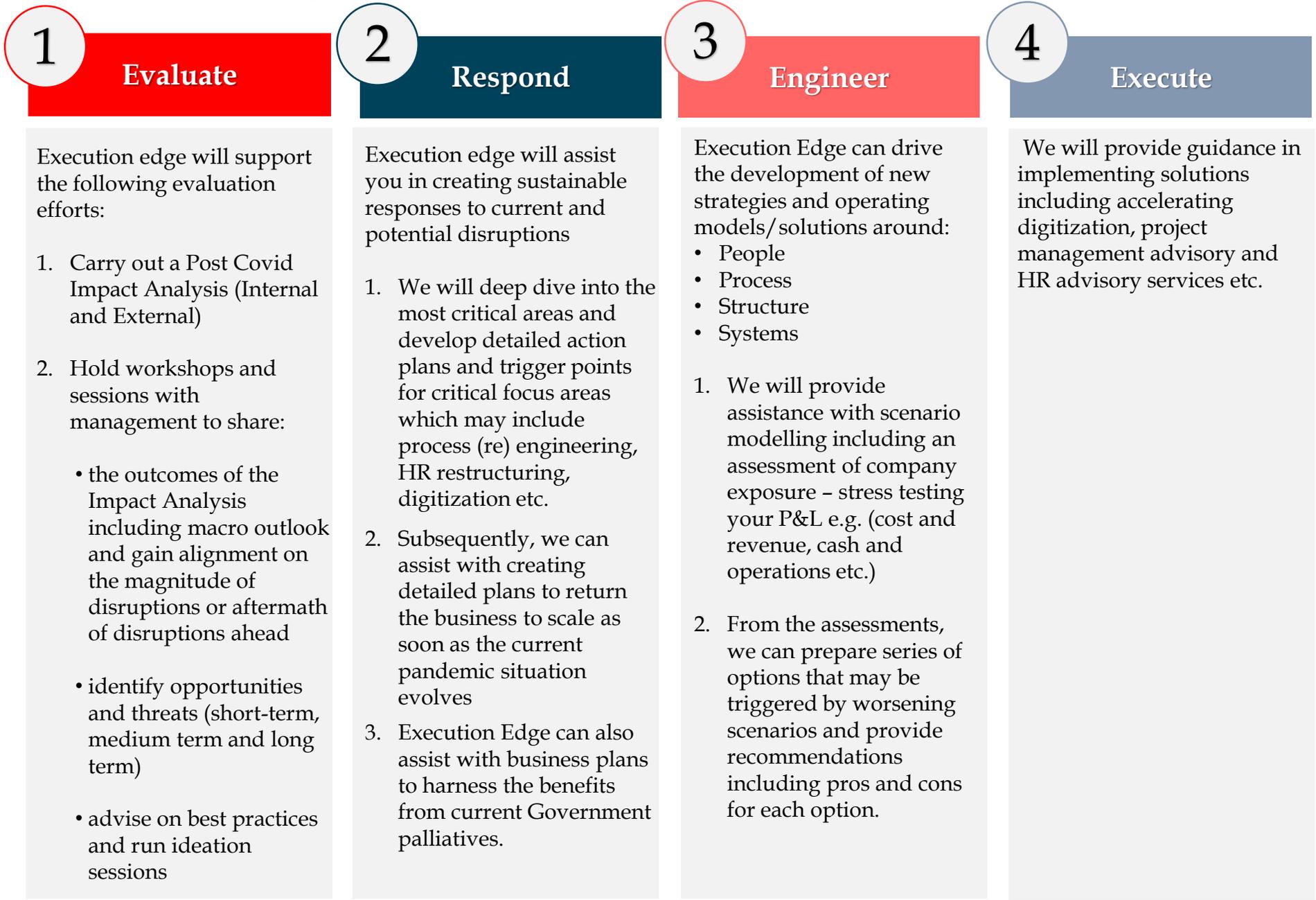
Project Delivery and Value Assurance

- Developing and implementing a structured framework for project delivery management.
- Strengthening its organisational capacity for planning and executing projects, including an appropriate governance structure.
- Creating effective cost and schedule management processes.
- Developing appropriate outsourcing and contracting strategies.
- Maintaining an effective project uncertainty management system.
- Recovering distressed projects.

Production Management Systems

- Assessing the production capacity of your asset.
- Recruiting the right skillset to achieve your production objectives.
- Developing and operating unconventional assets.
- Establishing effective systems required to operate assets successfully.
- Maximizing production for sustained cash flow and profitability.
- Carrying out field studies to increase field reserves.
- Assessing your production process via production process reviews
- Assessing the integrity of production equipment, prior to commencing production as well as during stable operations to ensure integrity of critical equipment.

Execution Edge is well positioned as a trusted business partner to support your organisation to build resilience and emerge stronger through the pandemic and economic knock on effects. We can support you through each or all the 4 dimensions highlighted earlier.



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Why EE?

About Execution Edge

Execution Edge (EE) is an advisory and management consulting firm with strong capabilities and experience in providing value-driven enterprise transformation solutions. We bring capabilities that will deliver enhanced business performance, improve bottom-line savings and business growth.

With over 130 years of collective management consulting and management experience, Execution Edge has deep knowledge of the Nigerian business environment, with proven experience in taking enterprises to leadership positions in their chosen markets.

Our services cut across various facets of businesses, governments and institutions.

With a team of highly skilled and experienced professionals, we deliver innovative and practical “hands on” advisory services that will give our clients a competitive edge in the marketplace.



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We have varied industry experience and credentials

	CLIENTS	CEO SECONDMENT	DEVELOPMENT OF STRATEGIC PLAN	ENTERPRISE TRANSFORMATION	FINANCIAL SERVICES	INVESTMENT ADVISORY	ORGANISATIONAL DEVELOPMENT	BUSINESS PROCESS DESIGN	PROJECT DELIVERY ASSURANCE	MANAGEMENT RETREAT FACILITATION	RECRUITMENT SERVICES
1	E&P Company 1										
2	Oilfield Services Company 1										
3	Gas and Power Company 1										
4	Manufacturing Company										
5	E&P Company 2										
6	Gas Distribution Company										
7	E&P Company 3										
8	E&P Company 4										
9	Conglomerate 1 (E&P, Oilfield Services, Power, EPC)										
10	Conglomerate 2 (E&P, Oilfield Services, Power, Virtual Pipelines, EPC)										
11	Independent Power Producer										
12	Downstream Oil and Gas Company										
13	International FMCG Company										
14	National Electricity Regulator										
15	Oilfield Services Company 2										
16	E&P Portfolio Investor										
17	Integrated Electric Power Company										
18	Industrial and Commercial Real Estate Investor										
19	Financial Services Company										

Strategy related experience
 Other experience

Our core competence and range of services

FINANCE

- Finance function effectiveness
- Finance strategy realignment
- Shared services and outsourcing arrangements
- Financial target process model implementation.

STRATEGY

- Strategy evaluation and validation services
- Market and Financial Analyses
- Business risk management
- Strategy Implementation services

PROJECT DELIVERY MANAGEMENT

- Project delivery management framework
- Project planning and execution framework
- Cost and schedule processes analysis
- Change order process management process



INFORMATION TECHNOLOGY

- IT strategy re-alignment
- IT regulatory compliance framework
- IT services assessments
- IT risk management framework

BUSINESS PROCESS IMPROVEMENT

- Operating process improvement framework
- Supply chain improvement framework
- Management process re-assessment
- Change transformation delivery services

GOVERNANCE, RISK & COMPLIANCE

- Board and management advisory services
- Stakeholder and regulatory relationship management
- Risk mitigation framework
- Internal processes regulatory framework.

Our core competence and range of services

FINANCIAL ADVISORY

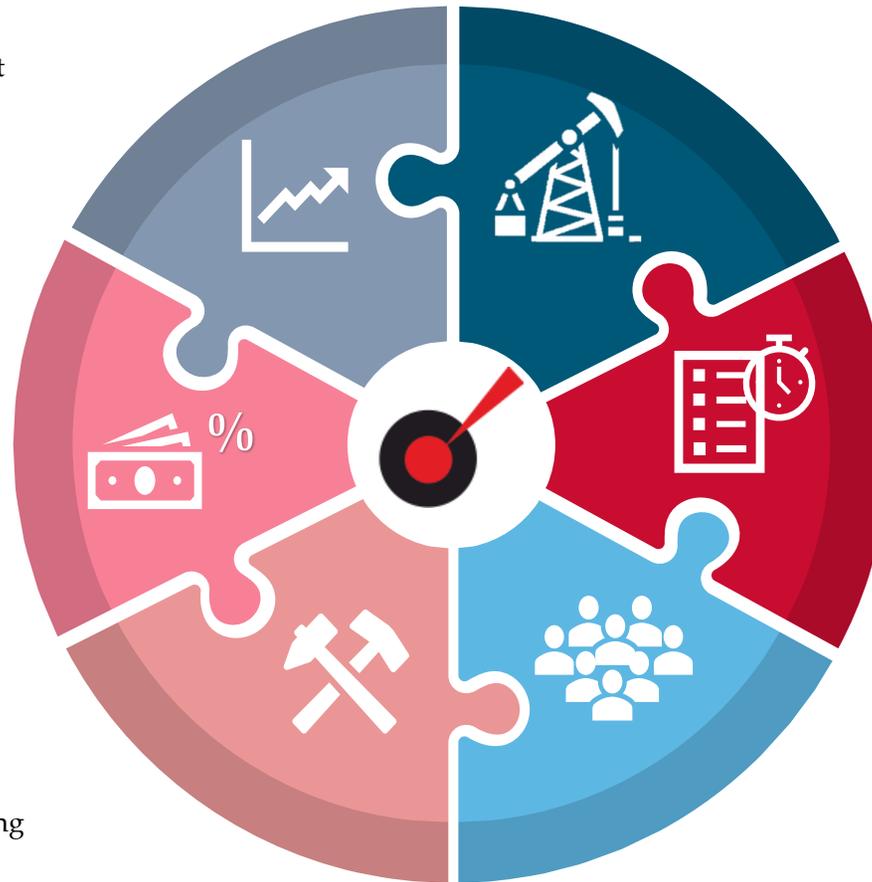
- Opportunity viability assessment and review
- Project Finance Advisory
- Due Diligence and Valuation Services
- Corporate Finance advisory
- Mergers and Acquisition

TAX ADVISORY

- Tax Compliance
- Tax Consulting
- Tax Advisory
- Tax Management Systems Reengineering
- Tax Dispute Resolution
- Tax Software Solutions

RECONSTRUCTION & RECOVERY

- Turnaround Management
- Distressed Business Reengineering
- Receiver Manager/Liquidation
- Financial Restructuring & Advisory
- Distressed Debt Management
- Distress Avoidance (Credit Risk Management)
- Receiver Manager
- Liquidation/Insolvency
- Fast Growth Management



PRODUCTION MANAGEMENT SERVICES

- Oil Fields Acquisition & Development Support
- Support and Ancillary Services
- Financing Support
- E&P Advisory

PROJECT DELIVERY ASSURANCE

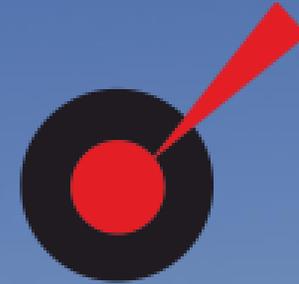
- Independent project assurance services
- Project justification processes
- Internal capabilities' development framework
- Project implementation support services

HUMAN CAPITAL MANAGEMENT

- HC Strategy and Operating Model Design
- HC Transformation support
- Culture and Change Management advisory
- Job Evaluation and Compensation Structure Design
- Climate Audit and Employee Engagement Support



EXECUTION EDGE



**We make strategy work
for our clients!**