

TIT-BITS

Vol. 119

# **NNPCL SUSPENDS THE NAIRA-FOR-CRUDE SCHEME WITH LOCAL REFINERS**

T  LG

For more articles from TOLG  
Visit - [www.tolegalgroup.com/resources](http://www.tolegalgroup.com/resources)

News of the NNPC's suspension of the Naira-for-Crude deal has been greeted with mixed reactions. The deal, brought pursuant to an Executive Order under President Bola Ahmed Tinubu's administration was to denominate crude oil transactions involving local refiners and the NNPC in naira. This was to ease the pressure on forex reserves, stabilize local currency and support domestic refining capacity to curb reliance on imported petroleum products.

The programme was to run from October 2024 through to the end of March 2025, with the NNPC required to supply 385,000 barrels of crude to the 650,000bdp Dangote Refinery in Ibeju-Lekki Lagos. However, the consistently low supply of allocations to Dangote coupled with concerns around product availability meant implementation of the scheme would not be without hiccups.

In a recent twist of events, it emerged that the NNPC pulled out of the deal, citing the overriding event of having committed existing crude oil products to international buyers in forward contracts. The import of this development, if sustained, is that local refiners will have to buy crude from international buyers - an outcome that would spell operational and financial setbacks for private refiners like Dangote Refineries, and other players like BUA Refinery and Waltersmith Petroman.

The current state of play raises legal posers. How does the NNPC's pre-existing contractual obligations with international buyers stack up to its obligation to comply with the Executive Order vide the Naira-for-Crude scheme? We are thus invited to recall the legal principle that where two equities are equal, the first in time prevails.

Questions about the effectiveness of Executive Orders also abound. Notably, no express definition of an "executive order" can be found in Nigerian laws; it is an executive directive issued by the President to Federal MDAs and their personnel on how to exercise their mandate. The authority vested in the President by virtue of section 5 of the 1999 constitution provides the legal basis for this. Nevertheless, the same will not operate to usurp the powers of the National Assembly to make laws.

With talks to emplace a new Naira-for-crude scheme with local refiners currently being held, the contributions from legal and financial analysts, policymakers, and petroleum industry stakeholders will be crucial in reaching an amicable resolution, given its steep implications on the Nigerian economy.

---