

THE NEED FOR INCLUSIVE REGULATION: A SHORT Compendium of Unintended Consequences

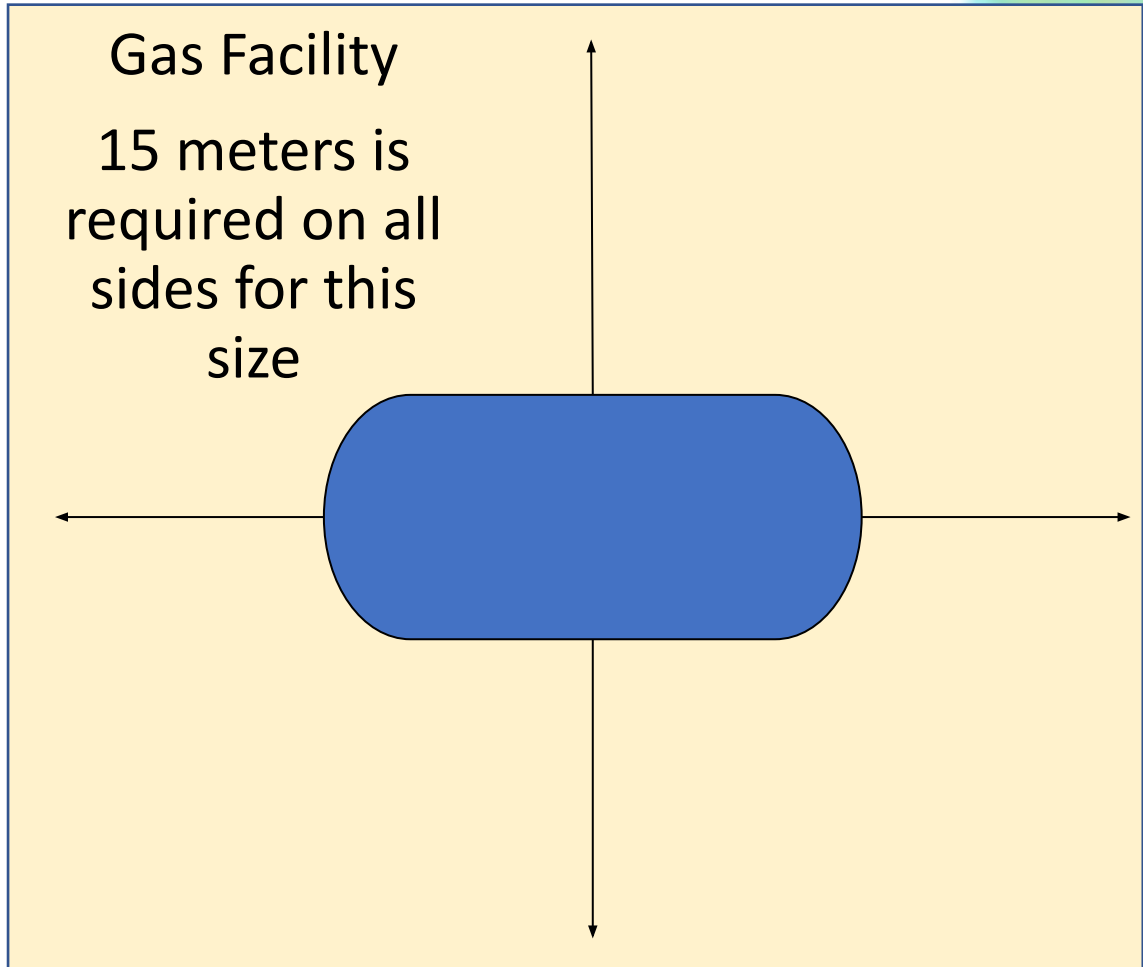
FELIX EKUNDAYO
11th NLPGA Annual Conference
25th November 2021

- Technical Regulation: A Walk Back From the Brink
- VAT & Customs Duty: When Fiscal Policy Goes Awry

**THE SIMPLE ISSUE:
Safety Distances Required Between Gas
Tanks and Any Solid Structure, Ignition
Source or an Adjoining Property**

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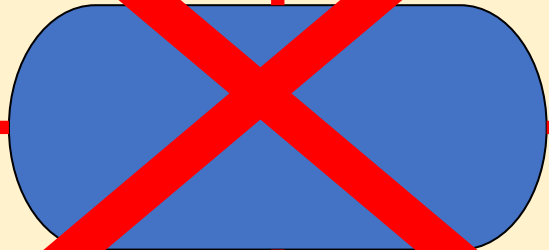
$2,000 \leq \text{water capacity} \leq 30,000$ (USG)
(7,601 - 114,000 Litres)



2,000 ≤ water capacity ≤ 30,000 (USG)
(7,601 - 114,000 Litres)

IN 2020 NOW DEFUNCT DPR
CHANGED REGULATIONS
WITHOUT CONSULTATION

Separation
distances
changed from
15m to 30m



Factory sells out to a
public event centre



Unintended Consequences

- Existing approvals could not be processed. A massive backlog of approvals built up
- Facilities that were previously licensed were now non compliant
- These consultations could easily have occurred BEFORE the new regulations were issued!
- Nevertheless, NLPGA met with the regulator and a joint resolution was arrived at to resolve the issues. This ended on a positive!

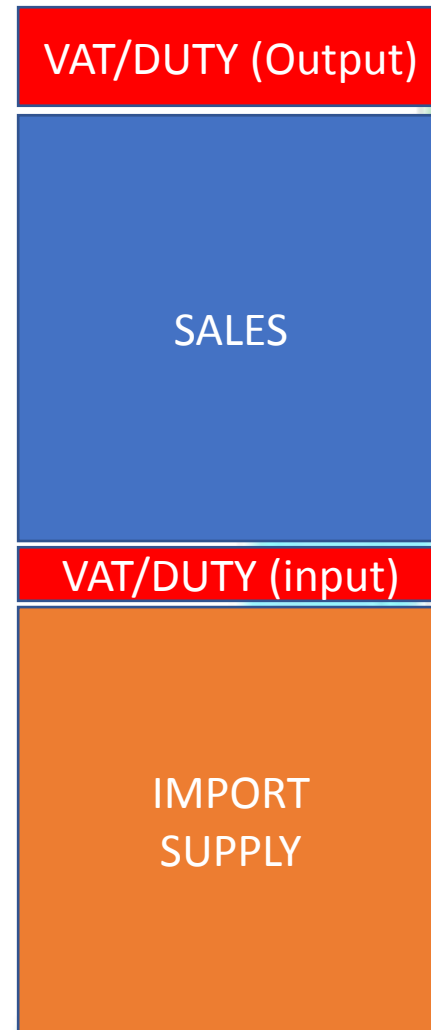
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- Technical Regulation: A Walk Back From the Brink

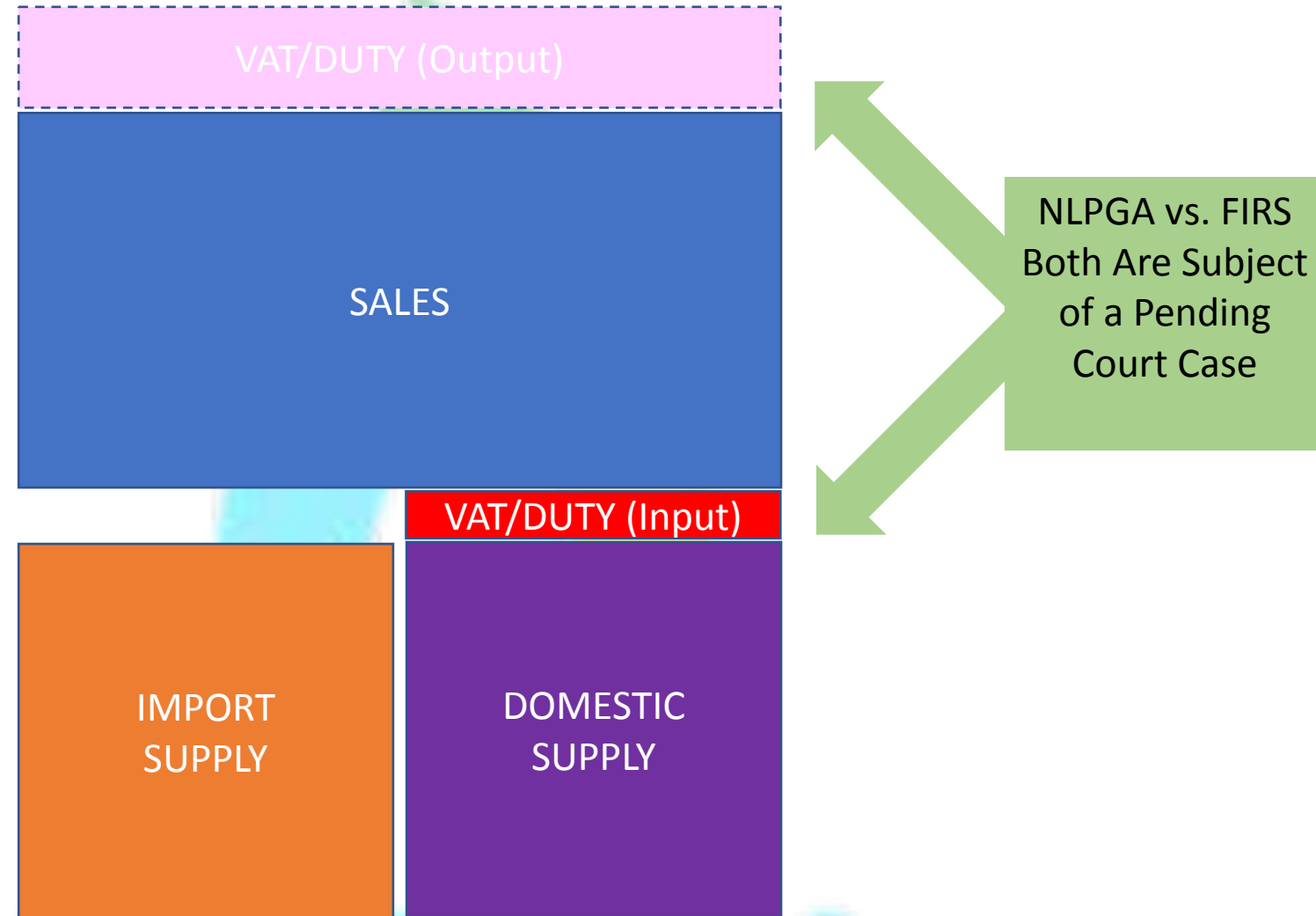
- VAT & Customs Duty: When Fiscal Policy Goes Awry

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- All supplies were import
- Obasanjo administration memo included “import” in waiver
- This also left the issue of “Output VAT” ambiguous

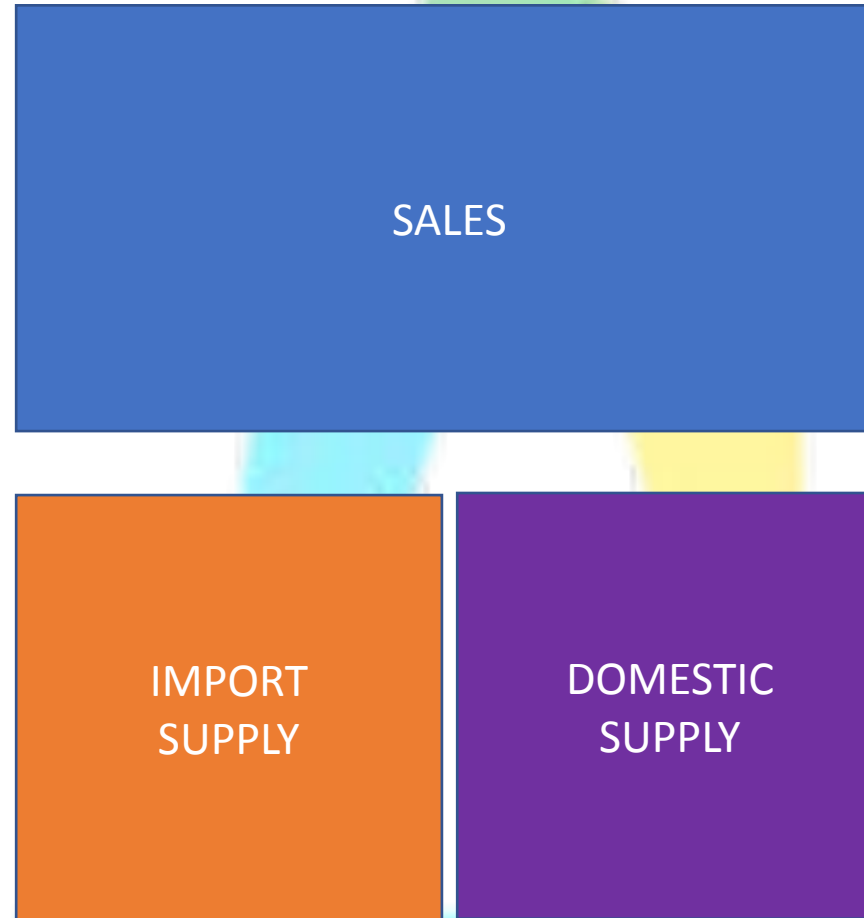


- NLNG commences Dom LPG
- FIRS started applying VAT on domestic supplies making them more expensive than imports
- NLPGA fought to get changed. Took 12 years!!!
- FIRS position is unchanged on output VAT

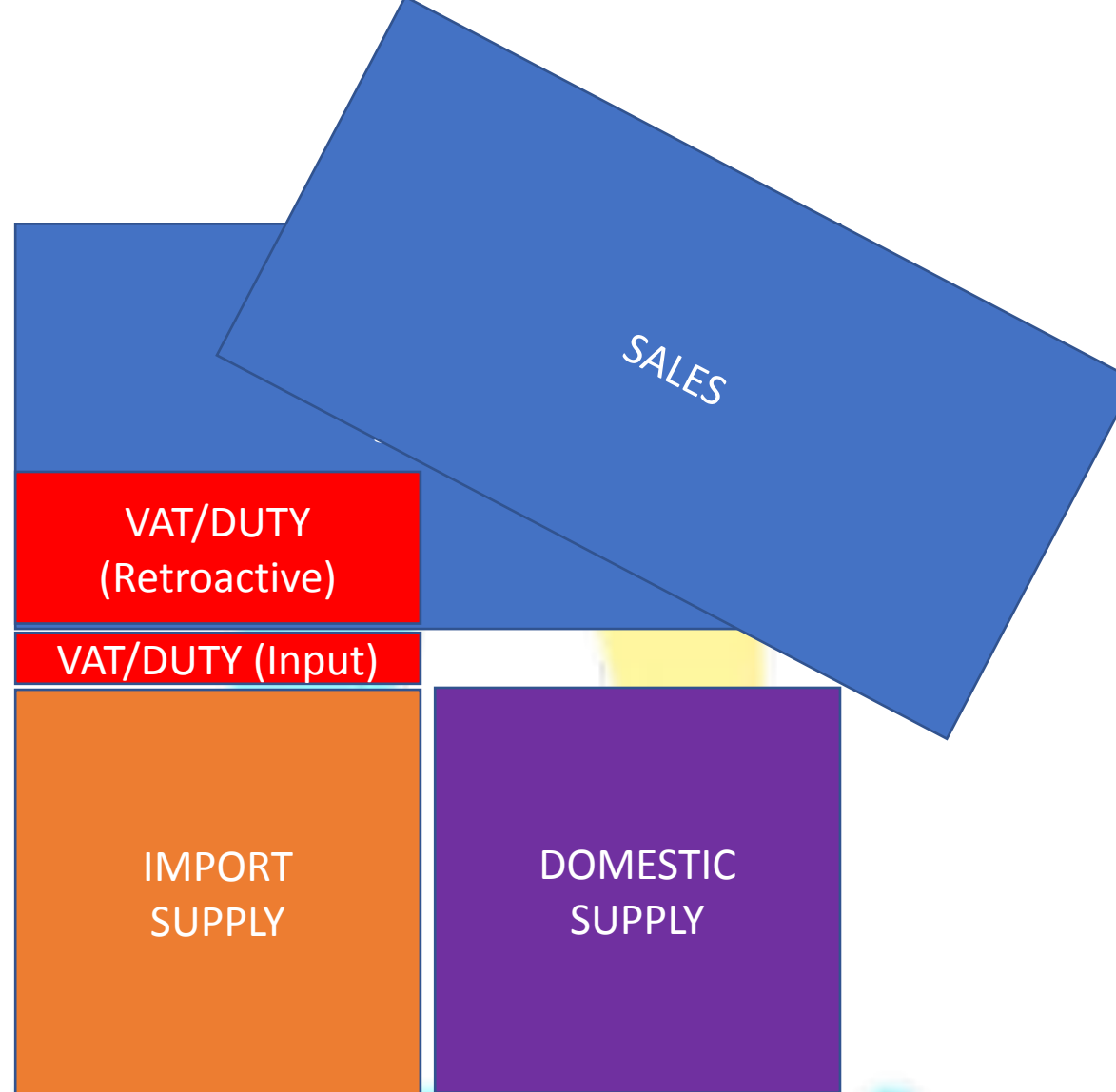


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- FGN finally listened
- Waived for Domestic but again wrote “Domestically Produced”
- We pointed out this was a repeat of previous error but were told use this along side Obasanjo waiver and you are covered
- FIRS position is unchanged on output VAT
- Ministry of Petroleum writes inexplicably to Presidency asking for VAT and Imports on imports (reversing Obasanjo memo)
- Letter stays dormant for 2 years



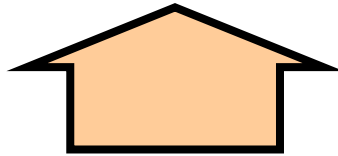
- Customs / FIRS wake up in 2021 and charge VAT going forward based on new memo
- Also back charge 2 years worth of uncollected charges
- FIRS position is unchanged on output VAT



Unintended Consequences



**ESTIMATED
VAT INCOME
N30 billion**



- Supply shock to the system
- Escalating LPG prices
- Collapsing demand during the “Decade of Gas!!!”



**ESTIMATED ANNUAL
PETROLEUM
SUBSIDY BILL FOR
2021 NOW CLOSE TO
N2,000 Billion**

**A 15% reduction in subsidy
generates N300 billion**

Regulation Cannot Be Command & Control

- This Approach is Unproductive!
- It generates unintended consequences!
- **IT SENDS THE WRONG SIGNAL TO INVESTORS!**

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Thank You!

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