

Nigeria oil industry turns a corner, introduces new Nembe grade

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8 Nov 2023

Nigeria's NNPC and Aiteo have launched a new grade of crude called Nembe through a joint venture, as Africa's largest oil producer ramps up its oil output.



The new logo of the privatised Nigeria oil company is seen at the NNPC Mega Gas Station in Abuja. Source: Reuters/Afolabi Sotunde

Crude theft, attacks on pipelines in the Niger Delta and a lack of investment have meant output declines for many years, causing a dwindling of Nigerian government revenue and large fiscal deficits. But output has picked up in recent months.

The Nembe crude stream will be managed and marketed by a joint venture between state-owned NNPC and oil firm Aiteo Eastern E&P Co. Ltd, the companies said on Tuesday, the first such crude marketing project solely run by Nigerian entities.



Dangote refinery will transform Nigeria into oil net exporter

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"It is definitely the trajectory that we are going to follow," Maryamu Idris, executive director of crude and condensate at NNPC Trading told the Argus European Crude conference in London on Wednesday.

Sabotage hit output

Nembe production was added to the Bonny Light stream more than three years ago, until incidents of sabotage on the Nembe Creek Trunk Line (NCTL) hit output, an NNPC source told Reuters on the sidelines of the conference in London.

Now, the country has managed to resurrect Nembe as a separate grade, he added. The addition allows Nigeria to export another two cargoes of 950,000 barrel each of crude each month, NNPC said in a statement.

The first cargoes of Nembe were sold in October, with two 950,000 barrel shipments sold to France and the Netherlands.

The first Nembe cargo was sold to UAE-based Gulf Transport & Trading, which loaded the cargo onto the Suezmax tanker Maran Orpheus for a voyage to an unknown end buyer in Fos, France, said a source familiar with the matter.

Nembe similar to other grades

Nembe is similar to Nigeria's other distillate-rich grades such as Forcados, Bonga and Egina, NNPC's Idris said earlier.

The low-sulphur grade commands a premium to the global Brent benchmark, and is a good candidate to compete with Brazilian and Azeri crude grades for European refiners, she added.

Nembe production is currently around 50,000 barrels per day, but the NNPC is aiming for a rise to 80,000 by the first quarter of next year and 150,000 barrels per day by the start of 2025, the source added.

An October survey showed Nigeria produces roughly about 1.5 million barrels per day (bpd), up from 1.39 million bpd in September, according to OPEC figures. But the country hopes to ramp up production to about 1.8 million bpd by the end of 2023, a second NNPC source said.

NNPC set to supply Dangote

Last week, sources said that NNPC was set to supply the keenly anticipated Dangote oil refinery with up to six cargoes of crude oil in December to be used in test runs.

Nigeria imports almost all its refined fuel needs to inadequate capacity and poor maintenance. The country is now pinning its hopes of ending fuel imports on the 650,000 bpd refinery being built by Aliko Dangote, Africa's richest man.

The refinery is expected to run on crudes that carry an API gravity of 29 to 34 degrees, the first NNPC source said.

API gravity is an index of the density of a crude oil - typically in the range of 15 and 45 degrees. Higher API indicates a lighter, lower density crude.

Nembe carries an API gravity of 29 and a sulphur content of 0.17%, the NNPC statement said

ABOUT THE AUTHOR

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