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Impact of Corona Virus (Covid19) in Oil and Gas Sectors in Africa

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ABSTRACT

The combined impact of Coronavirus (COVID-19) and the oil price shock is wreaking havoc on oil-exporting poor countries at a time when the fossil fuel industry is on the decline. Although some countries may be able to weather the current crisis thanks to sovereign wealth funds or low public debt, this will not be the case for the majority of oil-exporting countries, many of which are resource-dependent and were already dealing with high debt levels and multifaceted economic and social fragility prior to the current crisis. Because oil-exporting developing countries have become increasingly reliant on short-term and expensive non-concessional private borrowing in recent years, a significant portion of which is backed by oil collateral, some countries may find themselves in a spiral of unsustainable borrowing as a result of the current turmoil. To create fiscal space in oil-exporting developing countries, reduce the risks of unsustainable debt, corruption, and illicit financial flows (IFFs), and catalyze a transition to a cleaner and more sustainable future, a timely and coordinated response is required, involving both concessional lenders and private financiers.

Introduction

Africa is a major player in the world of oil production, accounting for more than 12% of global output and 10% of total consumption. Improved trade performance, particularly among oil exporters, is a crucial determinant in economic growth as measured by GDP, because the countries are heavily reliant on natural resource exports for both foreign exchange and government revenues. In the past, rising oil, gas, and mineral prices allowed resource-rich African countries to significantly expand their natural resource exports and income. These increased revenues highlight the importance of natural resources in boosting output and generating export money. Angola, Congo, Equatorial Guinea, Gabon, and Nigeria, for example, rely heavily on oil earnings, accounting for more than half of their total revenue.

The current spread of coronavirus poses huge economic and socio-political difficulties to the health of African producing countries' economies, given their preponderance of reliance on oil and gas income. In Wuhan, Central China, the coronavirus disease 2019 (COVID-19), which has since been labeled a global pandemic by the World Health Organization (WHO), has developed. Chinese and international visitors have now disseminated it to many other countries and regions throughout the world. The virus is distinct from the Ebola outbreak of 2013-2016, which was more deadly but less contagious and was eventually limited thanks to major financial assistance from wealthy countries to Africa. The coronavirus poses major management issues to a broader, more interdependent global economy. Furthermore, the pandemic struck at a time when confidence between and within countries was eroding, leading to rising domestic turmoil, economic and trade disputes among some of the world's most powerful nations, all of which are having a significant influence on the global economy and commodity markets.

Impact of Coronavirus on Global Oil and Gas Markets

The virus is wreaking havoc on the world's oil and gas industry. The coronavirus, according to energy analytics firm S&P World Platts, could lower global oil demand by as much as 4%, or 4.1 million barrels per day, in February 2020. For the entire year, the business forecasts a daily decline in worldwide demand of 290,000 to one million barrels on average. Because of declining air travel, road transportation, and manufacturing, daily Chinese oil demand fell down 20% within a few weeks following the virus's onset. Because China consumes 13 of every 100 barrels of oil produced worldwide, the impact of its reduced consumption will be felt by all oil companies. The majority of China's daily imports of 10 million barrels come from Russia, Africa, Iran, and other Persian Gulf countries. Some oil and gas exporting countries have already been compelled to reduce their supplies significantly.

Officials from some of the world's leading oil producers are scrambling to keep prices from plummeting due to fears that the coronavirus outbreak will worsen, reducing global demand, notably from China, the world's largest importer. On March 5, 2020, the Organization of Petroleum Exporting Countries (OPEC) convened its Extraordinary 178th Meeting in Vienna, Austria. The COVID-19 epidemic has had a significant negative influence on global economic growth and oil demand predictions in 2020, notably for the first and second quarters of the year, according to the meeting's communiqué. Global oil demand growth in 2020 is now expected to be 0.48 million barrels per day, down from 1.1 million barrels per day in December

2019. Furthermore, because of the unusual circumstances and the constantly fluctuating market dynamics, risks are weighted to the downside. As a result, the meeting decided to recommend that the adjustment levels agreed at the 177th Meeting of the Conference and the 7th OPEC and non-OPEC Ministerial Meeting be extended for the balance of the year, based on current fundamentals and market consensus. It also agreed to recommend to the 8th OPEC and non-OPEC Ministerial Meeting a further 1.5 million barrels per day adjustment until June 30, 2020, to be applied pro-rata between OPEC (1.0 million barrels per day) and non-OPEC producing countries (0.5 million barrels per day) participating in the Declaration of Cooperation.

The Conference praised all OPEC member nations, as well as non-OPEC countries who signed the Declaration of Cooperation, for their sustained commitment to achieving and maintaining market balance and stability. These precautions are intended to reduce the potential for the coronavirus pandemic to have a negative influence on global oil and gas markets. However, the effectiveness of these steps is being jeopardized by Russia's failure to follow OPEC's lead and cut production to meet the drop in demand induced by the coronavirus outbreak. As a result, a price war has erupted, potentially plunging the global oil and gas market into an extended downward spiral.

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Reduced Global demand and Africa’s Oil and Gas Trade

China has been Africa's major market for crude oil and other raw resources for numerous years. As a result, a fall in Chinese demand would have incalculable fiscal and budgetary ramifications, potentially jeopardizing the year's economic growth expectations in several African oil and gas producing countries. The International Monetary Fund has already lowered its forecast for Nigeria's 2020 economic growth to 2% from 2.5 percent, owing to falling oil prices caused by the coronavirus outbreak. Nigeria is the continent's largest producer, with crude accounting for 90% of its exports. Nigeria's Finance Minister, Zainab Ahmed, commented on the impact of the coronavirus on the oil and gas sector, saying, "The oil price shock, due to the coronavirus, came as a huge surprise to the Nigerian government, and the impact has put tremendous strain on the budget and the currency." The government's 2020 budget, which was premised on a crude price of $57 a barrel, may need to be adjusted. We are concerned about the current oil price decline because it has dropped below our budget. We will do a mid-term evaluation, and if the impact is significant enough, we will need to make a budget adjustment in collaboration with the National Assembly. Already, the country's Bureau de Change operators are speculating about a currency depreciation due to the downward spiral in oil and gas prices.

Low demand for oil and gas products is already making it harder for producers to trade their products on the market. Nigeria has about 50 cargoes of crude oil that have not found landing, according to MallamKyari, the Managing Director of the Nigerian National Petroleum Corporation (NNPC), the country's national oil company, implying that there are no off takers for them for the time being due to a drop in demand. He went on to say that there are over 12 stranded LNG cargoes on the market worldwide. It's the first time it's happened. LNG cargoes that are stranded and have no chance of being acquired due to a sudden drop in demand caused by the coronavirus pandemic. In the context of the global coronavirus pandemic, he continued, "countries like Saudi Arabia have provided discounts of $8 and Iraq $5 to their off takers in particular regions," implying that "when crude oil sells for $30 per barrel, Saudi Arabia sells for $22 per barrel and Iraq sells for $25 per barrel."

Oil prices fell into negative territory for the first time in history in April 2020, as demand dried up and COVID-19-related lockdowns expanded over the planet. Oil prices plummeted by more than 30% after the Gulf War in 1991, before partially recovering and trading at around a 20% discount. The Economist Intelligence Unit (The EIU) indicated that technical considerations were mostly to blame for the drop in WTI oil prices, with traders selling off positions ahead of the May contract's expiration. EIU chief analyst Peter Kiernan said, "The unprecedented extent of the collapse, to as low as -$40, also indicate the very negative attitude about the state of the oil market's fundamentals."

African countries that rely heavily on oil and gas export profits may find it difficult to compete with Saudi Arabia and Iraq's fierce price war. In sections of the Gulf, the pricing war will be detrimental to governmental finances. For example, even with oil at $58 a barrel, Oman's 2020 budget anticipated a deficit of 8% of GDP. If prices were $30, the shortfall would be as high as 22%. Bahrain, a middle-income country that relies on oil for nearly all of its earnings, had hoped to balance its budget by 2022. Both will almost certainly have to cut costs and borrow money. Today's price action, according to Helima Croft, head of global commodities strategy at RBC Capital Markets, puts the economic health of the vast majority of sovereign producers in jeopardy; budget cuts and greater debt loads are now looming in the case of a sustained period of low prices. The consequences for the most politically and economically vulnerable producer states could be catastrophic. Low oil and gas prices would undoubtedly have serious consequences for African producers.

Because Angola's economy and finances are almost totally reliant on oil, the country suffers indirectly from the corona pandemic. The epidemic-related slowdown in commerce with China will have an impact on oil exports and imperil the country's economic recovery. Coronavirus has a direct impact on the price of oil because Angola's revenues are falling dramatically, according to an Angolan economist, PreciosoDomingos. Since China is Angola's largest oil importer, coronavirus has a direct impact on the price of oil, according to an Angolan economist, PreciosoDomingos. Falling oil prices, on the other hand, are poison to a weak economy like Angola's. Rising oil prices would provide an incentive to raise production and make new investments in the Angolan oil sector. He went on to add that the coronavirus could be more destructive to African manufacturers like Angola in the long run than it is to China, because China's economy is significantly more resilient than that of African producers like Angola.

The implications of the Coronavirus (COVID-19) pandemic will be particularly hard on fragile, oil-exporting poor countries, and there is a chance to help these countries transition to a low-carbon, more diversified, and resilient economic future.

Countries who are net oil exporters are facing a historic double blow: a worldwide economic slowdown brought on by the COVID-19 pandemic, and an oil market meltdown, with the benchmark price for US crude oil, the West Texas Intermediate, briefly falling below zero for the first time in history (in April 2020). The International Energy Agency forecasts that oil and gas revenues for a number of significant producers will fall by 50 to 85 percent in 2020, compared to 2019, based on an oil price of USD 30 per barrel, although the losses could be bigger depending on future market developments (IEA, 2020[1]). The current crisis is taking place in the backdrop of a structural decline in the fossil fuel market, driven by a number of nations' commitments to decarbonisation as well as broader technological advancements that are increasingly making renewable energies the preferred energy alternative (Lahn and Bradley, 2020[2]; Elgouacemi et al., 2020[3])

The current crisis is expected to hit oil-exporting developing countries particularly hard, for two reasons:

For starters, many of these countries are very exposed to market volatility because they rely on a single commodity for their exports and earnings. Despite the fact that Sub-Saharan Africa has the highest proportion of commodity-dependent countries1, oil and gas account for the majority (over 60%) of total merchandise exports in a few of developing countries, including Algeria, the Islamic Republic of Iran, Iraq, Libya, and Timor-Leste (UNCTAD, 2019[4]). The proceeds of crude oil sales by the top 10 Sub-Saharan African oil-exporting countries accounted for more than half of their combined government income and more than seventy percent of their export earnings between 2011 and 2013 (Gillies, Guéniat, and Kummer, 2014[5]). Despite the global attention on energy transitions and repeated demands to diversify their economies, UNCTAD says that some countries are more commodity-dependent than ever (UNCTAD, 2020[6]). Other developing nations are still striving to boost their oil industries as a source of future economic growth.

Second, many of these countries were already vulnerable before to the current crisis, and additional deterioration could compound existing insecurity. More than half of low- and lower-middle-income countries that rely on oil and gas for exports and earnings are considered vulnerable. 2 Decision-makers in resource-rich countries have frequently struggled to translate resource wealth into poverty reduction and long-term development, scoring poorly on a variety of development indicators, including economic growth (Sachs and Warner, 1995[7]), democratic governance (Ross, 2012[8]), and conflict prevention (World Bank, 2011[9]). Although there is some variation between countries, oil-exporting developing countries frequently score weak, poor, or failing on good governance metrics (NRGI, 2017[10]), with decision makers frequently found to overspend on consumption and wasteful infrastructure projects while neglecting priority sectors like education and health (de la Croix and Delavallade, 2009[11]). As a result, social services in oil-rich emerging countries are frequently inadequate, failing to meet the needs of the most vulnerable populations. Although many countries have pockets of efficiency in the form of more capable and resourced state institutions, these institutions have tended to focus on extracting additional resources rather than producing public goods that benefit the entire population (Hertog, 2010[12]; Soares de Oliveira, 2007[13]).

Fig 1. Source: The Economist (2016[22]). Sale of the century? https://www.economist.com/briefing/2016/01/09/sale-of-the-century (Accessed 23.09.2020)

With these rising demands, there are potential for official development assistance (ODA) and, in particular, blended financing to be used to help oil-producing developing nations transition to a cleaner, more diverse, and resilient future. Coronavirus (COVID-19) has brought an already volatile market to a head, highlighting the dangers of a large reliance on non-renewable resources.

Since the 1970s, the global oil price has been more volatile3. With the introduction of futures trading, the market became more speculative. Increasing demand in emerging countries, as well as increased supply fueled by new production in the United States, have all played a role in recent price changes. However, the consequences of the current COVID-19 outbreak have caught everyone off guard, driving oil prices to new lows. Because of the upheaval, the US crude oil benchmark plummeted into negative territory for the first time ever in late April, and the price of Brent Crude, the benchmark for Europe and the rest of the globe, also dropped dramatically (Figure 1).

Although prices have now rebounded, it is unlikely that they will continue to rise at the same rate as they did during the global economic slump of 2008. The fossil fuel sector is facing structural decline, aided by technological advancements and the fast declining cost of renewable energy, a greater commitment to decarburization, and waning investor interest (Lahn and Bradley, 2020[2]). As the globe converts to cleaner types of energy, it is possible that oil prices will not entirely rebound to levels reached prior to COVID-19 (BNP Paribas, 2020[14]). These sobering estimates highlight the dangers of over-dependence on fossil fuels in resource-rich developing countries, and offer an opportunity to prioritize decarburization in recovery plans..

Current conditions in the oil market are due to a number of factors impacting both supply and demand:

On the demand side, the COVID-19 outbreak's containment measures and economic disruptions have caused a global slowdown in output and mobility, resulting in a major decline in global oil demand. The International Energy Agency (IEA) estimated in April that consumption was down 30% year on year, reaching a low not seen since 1995. (IEA, 2020[16]). Faced with a substantial demand glut, producers scrambled for storage facilities, with crude oil stocks hitting an all-time high in June 2020. Since then, as the effect of production reduction takes root and the market begins to rebalance, the demand on storage space has eased slightly (IEA, 2020[17]).

On the supply side, agreements that have historically allowed oil-producing countries to respond collectively to reductions in demand have so far proven insufficient to reduce output, suggesting the diminished traction of international solutions in recent years. In March 2020, just as the global impact of the COVID19 crisis was becoming apparent, the OPEC+ alliance (OPEC members plus other oil producers, including the Russian Federation) failed to extend their production-cut agreement, resulting in some producers, including Saudi Arabia and Russia, briefly flooding the market (Blas and Pismennaya, 2020[18]). With oil demand beginning to dwindle as lockdowns took effect, OPEC+ ultimately agreed to limit production on April 12th, 2020. The accord, which required decreasing these countries' aggregate daily output by over a fifth for the following two months, was the greatest drop in the producer cartel's history (Brower, 2020[19]). However, given the fast-moving nature of the crisis and its impact on oil demand, it's uncertain whether the intervention would be enough to rebalance the market as quickly as the OPEC+ members had hoped, if at all.

The drop in oil prices will exacerbate existing vulnerabilities in oil-exporting developing countries, perhaps pushing them to the brink of a macro-financial catastrophe, as well as social and political turmoil. Many oil-producing countries have non-diversified, sector-dependent economies, with oil accounting for the vast majority of their exports and government revenues. The present drop in oil prices is limiting these countries' ability to respond to COVID-19's multifaceted domestic constraints at a time when more money is needed to fund service delivery, alleviate health risks, and relieve macroeconomic pressure. The International Energy Agency (IEA) predicted in March that significant oil-producing countries such as Iraq, Nigeria, and Angola will face a 50 percent to 85 percent decline in net revenue in 2020 compared to 2019. (IEA, 2020[1]). This would be the sector's lowest income in over two decades, and the International Energy Agency has warned that earnings could fall even more depending on future market conditions. Companies have been shelving new projects and permanently shutting down high-cost operations in response to the oil price collapse, which has exacerbated the challenges. With the onset of COVID-19, companies have been shelving new projects and permanently shutting down high-cost operations in response to the oil price collapse (IEA, 2020[1]). The reduction in discoveries and investments is projected to hurt smaller or new producer countries the hardest (Petroleum Economist, 2020[20]).

The magnitude of the present oil price shock will differ every country, depending on export concentration, anticipated oil reserves, and production costs. Saudi Arabia and Iraq, for example, can produce oil relatively cheaply and break even with a price of less than USD 30 per barrel, whereas countries like the Bolivarian Republic of Venezuela (Venezuela) and Nigeria rely on a price of more than USD 50 per barrel to break even (Statista Research Department, 2020[21]). (Figure 2).

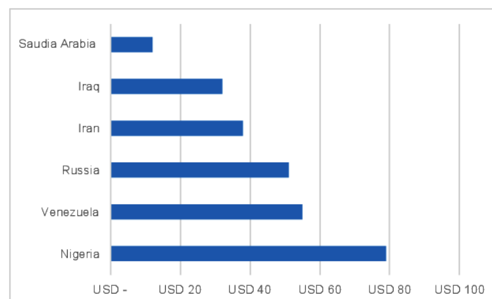

Figure 2 shows the USD per barrel breakeven oil price for a group of countries (2015) Note that information on the breakeven oil price is only available for a few countries.

Even under a low-carbon future, low-cost oil producers are expected to be able to continue producing for a long time. Stopping production may be necessary for countries with greater cost reserves. The current crisis has created new incentives and increased the urgency of countries' efforts to reduce or eliminate costly fuel subsidies in order to free up fiscal space and reduce pollution, as well as diversify their economies away from carbon-intensive industries (Pezzini and Halland, 2020[23]; OECD, 2018[24]). Yet, with public finances tightening, money available for public services and infrastructure projects are projected to be limited, and shifting gears would necessitate carefully calibrated contextual approaches. Foreign currency reserves were deemed substantial by historical standards at the start of the COVID-19 crisis, but they are likely to be insufficient to meet the diverse demands that developing countries are now facing (UNCTAD, 2020[6]).

Longer-term structural challenges, such as the tendency of many oil-dependent developing countries to divert funds away from critical areas like health in favor of rent-generating institutions (Karl, 1997[25]), would have an influence on their resilience capacities. Historically, many resource-rich countries have shown little fiscal restraint and have significantly invested in the extractive industries at the expense of other sectors (Corden and Neary, 1982[26]). Factors such as poor circumstances for private sector growth, weak competitive capacities, and entrenched governmental interest in fossil fuel extraction activities hinder or complicate diversification initiatives (Lashitew, Ross and Werker, 2020[27]; IEA, 2018[28]; Elgouacemi et al., 2020[3]).

The stability of resource-rich fragile economies is generally reliant on political power-sharing arrangements among elite political factions, supported by rent generating and distribution mechanisms, as has been the case in many fragile developing countries since independence in the 1950s and 1960s (Cooper, 2002[29]). In other words, resource rents tend to provide the backbone for distributive regimes in countries with abundant natural resources (Soares de Oliveira, 2007[13]; de Corral and Schwarz, 2013[30]). As a result, the rapid decline in oil-related financial inflows that many nations are currently experiencing has the potential to worsen existing instabilities by causing political instability and societal discontent. Although rent distribution patterns vary, such as fuel subsidies for the middle class in Nigeria and Angola, direct government contracting in South Sudan, and social distribution programs for the poorest in Venezuela, the common trend is that political elites in oil-exporting countries recurrently distribute rents in strategic ways, to those who are seen as critical to consolidating their position in power (Barma et al., 2011[31]). A loss of distributive power as a result of the structural decline in oil demand, exacerbated by COVID-19, could make it more difficult for decision-makers in these countries to keep competitive constituencies happy, raising the risk of domestic upheavals and instability. Whether the loss in rent distribution capacities has a direct impact on these countries' larger populations depends on how inclusive these distribution schemes were prior to the crisis. If oil revenues dry up, political power-sharing arrangements may break down, resulting in societal unrest and violence.

Due to increased economic uncertainty and perceived risks of political upheavals, many oil-exporting developing countries are seeing increased capital outflows. Investors are hurrying to relocate their investments to profit from the security and stability of industrialized economies, known as a "flight to safety." So far in 2020, banks in offshore financial hubs have seen a large increase in activity (Williams, 2020[32]), and demand for golden visa programs, which allow affluent individuals to trade investments for residency, has increased (PRNewswire, 2020[33]). Oil-producing countries have been particularly vulnerable to capital flight in the past, accounting for 55 percent of overall withdrawals from Africa between 1970 and 2015. (Ndikumana and Boyce, 2018[34]). Although it is more difficult to track money that crosses borders unlawfully, existing literature warns of heightened dangers of illicit outflows in the current environment, when enormous sums of money are being moved and monitoring and audit functions are overburdened (OECD, 2020[35]). With the extractive sector being particularly vulnerable to corruption (the OECD Foreign Bribery Report shows that the extractive sector accounts for one out of every five foreign bribery cases, by far the highest of any industry) illicit outflows are expected to increase among oil exporting countries during the current crisis.

How to help oil-exporting developing countries deal with the challenges and risks they face while also building resilience. As previously stated, oil-exporting developing countries will be particularly hard hit by the current crisis due to, among other things, their high resource dependence, which exposes them to significant market volatility and climate risks, as well as their existing socioeconomic and political fragilities. Several of these countries started the crisis with already high debt levels, and now face a double hit from the global economic recession fueled by the COVID-19 pandemic, as well as a large drop in oil prices. In the medium term, the focus will be on freeing up budgetary space in a transparent and accountable manner, avoiding a downward debt spiral, and ensuring that the recovery is built on a cleaner, more diversified, and long-term foundation.

Several measures could improve country macro-fiscal space without weakening discipline:

Assist governments in reducing the burden of servicing foreign public debt. G20 countries agreed on 15 April 2020 to a debt service standstill, a time-bound suspension of debt service payments for the poorest countries that request forbearance, following a joint call by the IMF and the World Bank on 25 March 2020 and backing from G7 finance ministers and central bankers in their statement of 14 April 2020. (G20, 2020[55]). This moratorium was a significant step forward in terms of providing immediate money; nonetheless, a moratorium just delays the problem because it does not waive the principal debt repayment. Furthermore, if the shock isn't fleeting and the temporary debt freeze isn't enough, the moratorium might be prolonged until 2021. However, actions beyond the Debt Service Suspension Initiative will be required in the long run. Writing down debts and/or converting existing loans into new instruments are examples of such activities that might be conducted on a country-by-country basis.

Ascertain that private creditors are included in the moratoriums. Despite the G20's call for private creditors to be included in the current debt moratorium (G20, 2020[55]), no agreement has yet been reached. Similar to what the official sector has announced, the Institute of International Finance (the main forum for coordinating private creditors) has recommended that private creditors voluntarily grant debt payment forbearance for countries eligible to the standstill for a fixed period of time and on request (Institute of International Finance, 2020[56]). There had been no requests to private lenders as of August 2020. Given that debt to private creditors accounts for a significant portion of total external debt and that this debt is more burdensome for debtors due to shorter maturities and higher interest rates, reaching an agreement among private creditors on a suspension of debt service payments for interested countries is critical. According to the IMF, private creditors in African countries are owed USD 16 billion in debt payments in 2020, which is expected to account for more than 10% of these countries' fiscal income (IMF, 2020[50]).

Commodity trading companies should be included in debt suspension discussions. Given their growing importance as lenders to oil-exporting developing countries, commodity trading companies should be included in any agreement between private creditors to suspend debt service payments. This group of companies does not currently participate in the Institute of International Finance, which primarily represents the financial industry, as the main forum for coordinating the stance of private creditors. Commodity traders are also excluded from the newly formed Africa Private Creditor Working Group, which was formed to represent private creditors and help with coordination with African governments and other debt providers.

The OECD and its member states could use their existing connections with the commodity trading industry and insights into that industry's role as a financier (as evidenced by ongoing research in the OECD Development Co-operation Directorate on illicit financial flows and commodity trading4) to engage commodity trading firms in coordinated discussions with private creditors.

Borrowing is projected to rise in the current circumstances. Given the makeup of countries' debt portfolios before to the crisis, more financing to oil-exporting countries is expected to come in the form of collateral debt. As a result, continuing efforts to develop debt management capability and institutions, such as the joint World Bank-IMF Debt Management Facility, will be critical.

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Covid-19: The Nigerian experience

Trend, facts and spread of COVID-19 within Nigeria

In Lagos State, a 44-year-old Italian citizen was diagnosed with COVID-19 on February 27th. Since the first confirmed case was reported from China in January 2020, this is the first case to be reported in Nigeria. On the 24th of February 2020, around 10 p.m., the case landed at MurtalaMuhammed International Airport, Lagos, aboard Turkish Airlines from Milan, Italy. On the 25th of February, he arrived at his company's headquarters in Ogun State. He came at the staff clinic in Ogun on February 26th, and the managing physician had a high index of suspicion. COVID-19 was confirmed on February 27th after he was referred to IDH Lagos. Tables 3a and 3b, as well as the graph below, indicate some of the documented cases:

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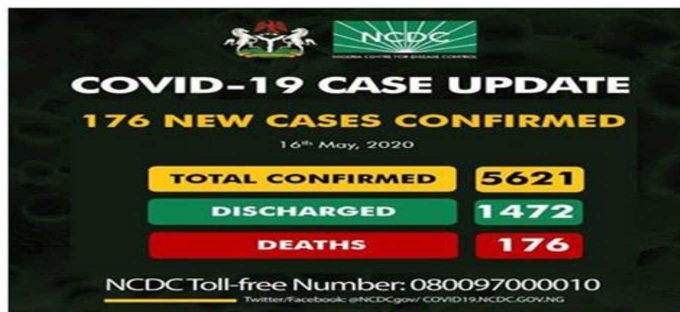
Table 3a. Confirmed COVID19 Cases - Nigeria 2020, as @ Sunday 11:58 am 17 May 2020

Confirmed Cases	Active Cases	Discharged Cases	Deaths	Samples Tested
5,621	3,973	1,472	176	32,942

Source: Nigeria Centre for Disease Control (NCDC), May, 2020

Table 3b. Confirmed COVID19 Cases - Nigeria 2020, as @ Saturday 11:58 am 16 May 2020



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Sources: Nigeria Centre for Disease Control (NCDC), May, 2020

Figure 3: Source: COVID19 Confirmed Cases Nigeria 2020, as of Saturday, May 16, 11:59 p.m. Nigeria's National Center for Disease Control (NCDC), As of the 15th of May 2020, , Two hundred and eighty eight (288) confirmed cases were reported in the last 24 hours in 15 states Lagos (179), Kaduna (20), Jigawa (15), Katsina (15), Borno (13), Ogun (11), Kano (8), FCT (7), Ekiti (4), Niger (4), Bauchi (3), Delta (3), Oyo (3), Kwara (3), Borno (13), Ogun (11), Kano (8), FCT (7), Ekiti (4), Niger (4), Bauchi (3), Delta (3), Oyo (3), K (2) There was no new state with a proven COVID, and Edo was the only one (1). There have been 19 cases in the last 24 hours. The overall number of states in Nigeria that have reported at least one confirmed case, including the Federal Capital Territory, is still 35 (34 states + FCT). In the last 24 hours, one hundred and forty (140) cases were discharged in fourteen (14) states. Kaduna (36), Borno (24), Bauchi (16), Sokoto (13), Oyo (12), Zamfara (11), FCT (6), Rivers (5), Adamawa (4), Ekiti (4), Gombe (3), Kano (3), Ogun (2), and Ebonyi (2) are the states with the most people (1). In the previous 24 hours, four (4) deaths have been reported in four (2) states. Lagos (3) and Gombe (4) provide a breakdown of the cases by state (1).

6.2. Covid-19 and the Nigerian Oil and Gas Industry:

Effects that are immediate The Nigerian economy is impacted by the Covid-19 pandemic in five ways: a) borrowers' ability to service loans; b) oil demand shocks, which force a sharp drop in oil prices (crude oil and domestic gasoline/premium motor spirits (PMS) or fuel); c) global supply chain shocks, which are widespread as many importers shut down their factories and closed their borders, particularly in China and Nigeria; d) the national budget; e) major shocks I The paper then looks at the impact of the pandemic on the oil and gas business, focusing on the Nigerian experience. While the corona virus has spread to over 213 nations, resulting in a global pandemic, there has been a significant drop in oil demand from key importers of Nigerian crude oil in Europe and Asia, which have reported cases of the virus in their countries. Over 90% of the country's foreign exchange profits are generated by the oil and gas sector. However, the corona virus epidemic in Wuhan, China in December 2019 has had a severe impact on the industry globally. Following the virus's spread, a price war between Saudi Arabia and Russia has posed a danger to the sector. The trend of global infected cases of the virus and crude oil prices is depicted in Figure 4 below.

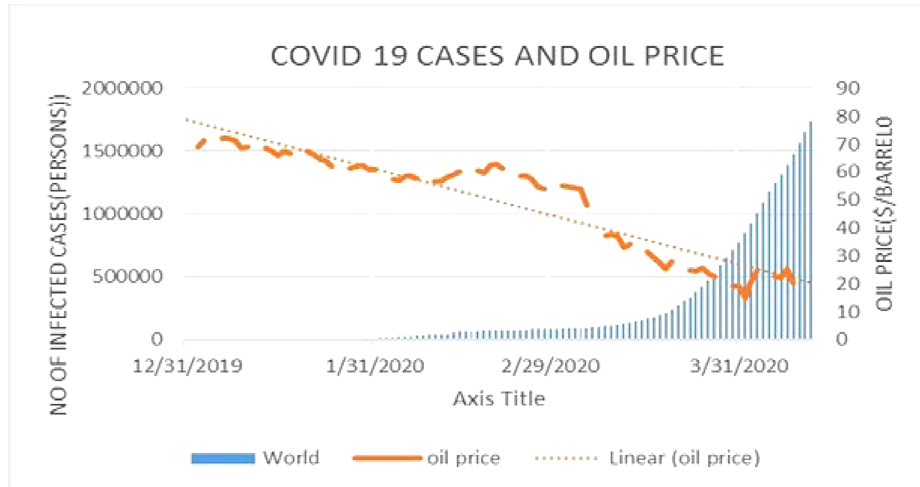

Figure 4: Trend analysis of global COVID 19 infected cases vs. oil price. CBN Statistical Bulletin, 2019 and github.com were used to compile this data.

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To limit the spread of the virus, countries were forced to impose a lockdown on their economy and enforce a ban on international and domestic travel. As a result, demand for oil has been cut to a great extent, resulting in an excess supply of crude oil on the market. Following that, oil-producing countries were required to reduce production in order for the market to determine prices. However, due to a conflict between Saudi Arabia and Russia, two of the world's largest oil producers in this regard, oil prices have dropped sharply from $67 per barrel in December 2019 to around $20 per barrel on April 9, 2020. Given that oil dominates Nigeria's export market, with oil revenue accounting for around 65 percent of government revenue and 88 percent of foreign exchange profits (Ajayi, 2019), a drop in oil prices might have disastrous consequences. Figure 5 depicts the trend in Nigeria's oil and non-oil exports.

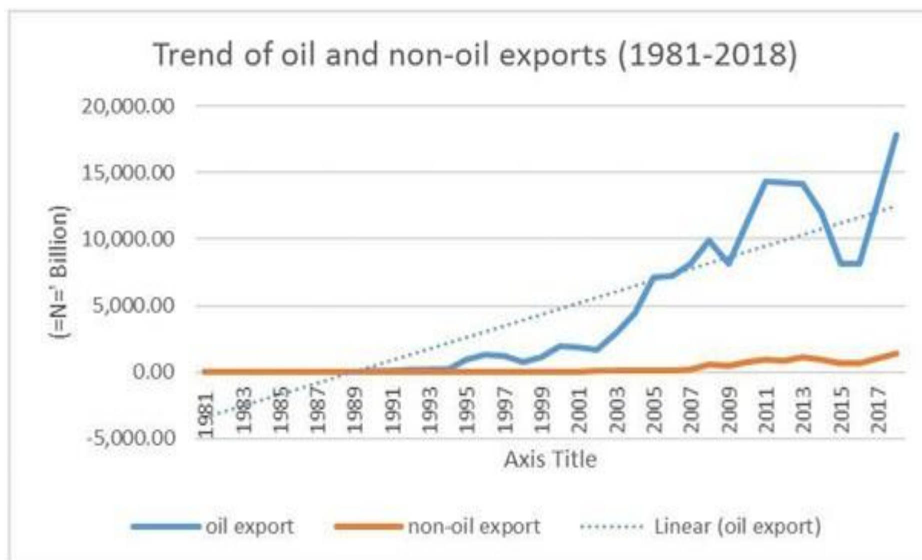

Figure 5: Nigerian oil and non-oil export trends. CBN Statistical Bulletin was used as a source (2018).

Nigeria is usually described to as the world's 49th largest export economy, with petroleum oil and petroleum gas dominating the export mix, with nonskid accounting for over 93 percent of total exports and oil commodities. Crude petroleum exports account for approximately 76 percent of overall exports in Nigeria, with petroleum gas accounting for approximately 13.8 percent (OEC, IMF, 2016). As a result, a drop in oil prices is harmful to the Nigerian economy. Reduced global demand for crude oil as a result of the pandemic has left the country with unsold crude oil and LNG vessels. Nigeria's dilemma is exacerbated by the possibility that big world oil producers such as Saudi Arabia and Iraq will provide discounts on their supplies in order to entice customers due to their low cost of production. Nigeria's current crude oil production costs range from 15 to 17 dollars per barrel,

compared to Saudi Arabia's cost of 4 to 5 dollars per barrel (Uzoho,2020). With the price of oil plummeting, with a barrel of Bonny Light crude selling for $10 as of May 1 Investment, 2020, and yet no buyers, Nigeria's oil fields may become unprofitable. In less appealing as enterprises may begin to have cash issues, making production difficult. Crude oil prices are approaching the cost of production per barrel for many industry players. Sustained price declines could be harmful to the sector, as some operators may opt for a shutdown or significant budget reduction. Oil companies around the world are starting to halt production because onshore oil storage is about 85 percent full. The OPEC Secretariat estimates that global oil storage capacity is over one billion barrels (OPEC, 2020). Given the current unprecedented supply and demand gap, an excess volume of 14.7 mb/d is expected in the second quarter of 2020. This oversupply would add 1.3 billion barrels to global crude oil stocks, causing global crude oil storage capacity to be depleted by the end of May. (OPEC, 2020). The OPEC Reference Basket has dropped from $52.7 per barrel in March 2020 to under $20 per barrel in early April, a 70 percent drop that has resulted in a significant drop in revenue, particularly for oil exporting countries. As a result, the Federal

Spain	9578485.59	N/A	3029877.1	4401172.46	6318788.9	5.3
	-9.31%		-9.21%	-9.90%	-10.13%	-10.70%
Brazil	8315635.06	N/A	N/A	N/A	N/A	N/A
	-8.08%					
France	5897743.28	N/A	2064425.5	3410700.03	4945979.27	3.6
	-5.73%		-6.28%	-7.67%	-7.93%	-6.70%
South Africa	N/A	N/A	N/A	N/A	3981193.24	3.2
					-6.38%	-7.20%
Others	53613017.2	N/A	15305231	19277971.3	30545570.64	N/A
	-52.11%		-46.54%	-43.35%	-48.95%	

Source: Computed from World Bank Data (wits.org), 2020.

Most of Nigeria's commercial partners in terms of exports have been badly devastated by the virus, causing them to shut down their economy. There is a broad drop in global crude oil demand due to the combination of the impact of COVID-19 and the lockdown policy responses implemented to stop the spread of the virus. This slump in demand has filtered down to Nigeria, the country's largest oil importer. For example, the top five major oil export destinations in 2019 are all battling the pandemic and are on lockdown: India, Spain, the Netherlands, France, South Africa, and the United States. The decline in economic activities between Nigeria and its trading partners has an immediate impact on our national income.

Conclusion and policy recommendations

The economic impact of the coronavirus is growing as the world grapples with it, with the Organization for Economic Cooperation and Development (OECD) warning that it poses the greatest threat to the global economy since the financial crisis. Businesses are struggling with lost revenue and interrupted supply networks due to China's production shutdowns, population lockdowns and other nations expanding travel restrictions. Presenting the Interim Outlook, OECD Chief Economist Laurence Boone said: "The virus risks giving an additional blow to a global economy that was already battered by trade and political tensions. Governments need to act swiftly to contain the epidemic, assist the health care system, safeguard people, shore up demand and give a financial lifeline to homes and companies that are most affected."

The combination of the coronavirus outbreak and the drop in global oil prices implies that investment, particularly in the energy industry, will fall dramatically this year, and export growth will slow. The coronavirus pandemic, without a doubt, presents numerous obstacles to African oil and gas producers in terms of income losses and product trading on the worldwide oil and gas market. As a stopgap measure, the countries should implement strategies and policies to mitigate the socioeconomic impact of lower oil and gas sales revenues due to market disruptions. Diversification of their

economies, efficient revenue management, commitment to local value addition in the oil and gas industry through national industry participation, and a severe reduction in corruption and misallocation of limited resources should all be part of such programs. Furthermore, African countries must put in place effective strategies and response mechanisms that will enable them to combat and contain the pandemic whenever it strikes their countries, limiting negative economic and human consequences.

This research attempted a theoretical assessment of COVID-19's impact and implications on the oil and gas industry, as well as the impact on the Nigerian economy. The study reveals that the country is extremely vulnerable to both internal and external oil price shocks, particularly in the oil and gas sector. The economy's mono-product structure is leading us nowhere, especially when the country's sweet oil becomes sour. Furthermore, from the breakdown and critique above it is quite obvious that the impact of the COVID-19 pandemic will have a far reaching implications on the Nigeria economy as it will lead to job losses and layoffs and if nothing is done quickly to bolster the sector will lead to more drastic loss of revenue and continuous cuts in our national budgets and which will increase more hardship on the populace. By ramifications, the decreased crude oil price consequences will continue within the Industry well after some normalcy returns to the daily life of individuals and companies. However, a well-thought out stimulus package, which is not discriminatory in its uses, could ensure that the industry is able to bounce back much sooner than predicted. Nigeria needs to look beyond oil and gas, assemble the greatest economic and political team, and re-strategize, therefore now is the time to step up our efforts in economic diversification. Some of the ways to boost the economy include, but are not limited to: I Measures taken by the interim government. (ii) The CBN Stimulus Package was expanded. (iii) Economic Stimulus in an Emergent Situation. The primary stimulus which Nigeria should devote most resources to economic diversification and priorities alternative viable sectors such as agriculture, solid minerals, manufacturing and services sectors should be further reinforced. Enough with the empty rhetorical promises that have yet to be fulfilled.

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