



BUA Sugar Refinery FZE RCV 1103
26 Azikiwe Road, Bundu Community Area
Port Harcourt, Rivers State, Nigeria
T. +234 1 461 0669 - 70
E. info@buagroup.com



February 11th, 2021

Otunba Niyi Adebayo, *CON*
The Honourable Minister
Ministry of Industry, Trade & Investment
Old Federal Secretariat Complex
Abuja



Dear Hon. Minister,

RE: REQUEST FOR INFORMATION ON BUA SUGAR REFINERY, PORT-HARCOURT

I received your later dated February 10, 2021 requesting for information on the status and operations of our BUA Sugar Refinery at the Bundu Free Trade Zone in Rivers State. I am also aware your letter to us was in response to another letter jointly signed by two competitors – Messrs Aliko Dangote of Dangote Industries Limited and John Coumantaros of Flour Mills of Nigeria Plc. – who incidentally are also interested parties and major players within the Sugar Industry in Nigeria.

BUA has 3 sugar holdings in Nigeria listed as follows:

- a 720,000mt sugar refinery in Apapa, Lagos (Since 2008 and covered by the Backward Implementation Programme of the National Sugar Master Plan)
- a 20,000hectare Lafiagi Sugar Plantation and Ethanol Production Complex (Also covered by the BIP of the NSMP)
- an 850,000mt export focused sugar refinery at the Bundu Free Zone in Port Harcourt, Rivers State

BUA takes serious exception to the ludicrous claims by its two major competitors that it aims to circumvent the BIP of the sugar industry – an initiative in which it has invested billions of Naira and is almost nearing completion. Our flagship Lafiagi BIP project, despite being the last to be handed over by the FG amongst the 3 producers, has seen significant progress which is measured at scheduled intervals by the Nigerian Sugar Development Council and also via peer reviews with the other players in question – in line with the dictates of the Nigeria Sugar Master Plan. To thus claim that the BUA PH export focused refinery in an Export Zone will amount to an undermining of the NSMP is false.

THE BUA EXPORT FOCUSED PH SUGAR REFINERY

Honourable Minister, our project in Port Harcourt is governed under the NEPZA act and the Free Zone approved by Mr. President who is duly empowered by the constitution to do so (Please find attached, approvals).

May we add also that the same department responsible for recommending and seeking Mr. President's approval for any project of this sort is under the same Ministry that has now written us. We are wont to believe that the Ministry is aware of the entire process leading up to this approval. As you are aware, Honourable Minister, the approval went through a rigorous two-year process before it was finally assented to by Mr. President. The attempt by Messrs Dangote and Coumantaros to call the Presidential approval upon which that project is sited to question - is to call to question, the authority of the President's Powers and the diligence of your Ministry. Therefore, we see this as an affront to the powers of the President and an attempt to undermine him and his constitutional powers by both players. We are not surprised. Both companies have always sought to undermine Nigeria and its institutions as well as edge out competition, to gain a monopoly that holds the country to ransom.

The same NEPZA Act upon which this project is based, gives the permission to process, add value and export at the same time. Companies under this act are allowed to process and if they so wish, sell 100percent of their production in Nigeria with payment of duties based on the current raw materials tariff (see attached memo from the Federal Ministry of Finance). As a matter of fact, Aliko Dangote of Dangote Industries, who is one of the complainants alleging and attacking this approval has also applied and obtained the same approval for his Refinery Project in Lekki, Lagos State where he is currently enjoying the same benefits of being in an EPZ.

Most importantly, it is pertinent to note that our export focused Port Harcourt Refinery is mainly for exports rather than for the Nigerian market. However, in the event that these two companies - conniving as they normally do - try to increase prices with wanton abandon locally, we are permitted under extant laws and regulations to intervene, act as a buffer and sell locally as per the NEPZA approval. This is what threatens them the most - an end to arbitrary collusion to create sugar scarcity and keep prices high.

Any action that tampers with this approval is capable of eroding investor confidence for those looking to come and invest in Nigeria under the EPZ programme.

Bottomline: What BUA Sugar is doing is legal and within the confines of the law. We have not done nor are we doing anything wrong.

THE BIP HYPOCRISY AND OTHER ISSUES

As far as the Backward Integration Programme is concerned, BUA is doing everything possible to ensure that its BIP project is on course through our 20,000hectares Lafiagi Sugar Project encompassing a 10,000tpd Sugar Mill, 200,000tpa Sugar Refinery, 20million litres Ethanol Plant, and a 35MW Power Plant from Bagasse. **Of the 3 producers, BUA is the only one with a plantation, a sugar mill for crushing canes, a refinery to produce White sugar, and an Ethanol Plant.** The other players only have sugar mills thus producing only brown sugar without refining. It shows how much lip service they are paying to the National Sugar Master Plan as a means to simply keep importing sugar. This is a matter of Public record also and can be verified.

We have so far invested tens of billions of Naira on this project (*multiples of what the other producers have spent*) and at the current pace, our Lafiagi Sugar BIP project should start producing at the end of 2022. We are very much on track to meet our BIP targets. **As for the Messrs Dangote Sugar and Flour Mills in terms of the BIP, we will need to examine more critically the hypocrisy in their statements.**

Dangote's Savannah Sugar on one hand, was acquired by them almost 20 years ago during the privatisation exercise of President Olusegun Obasanjo's Government at a cost of slightly less than 1billion Naira as at that time – a fraction of the cost of a business that was worth more than 30 times that.

In the 20 years since Dangote Sugar took over this plantation, they have not added any value whatsoever to it. Instead, Savannah Sugar produces even less than it was producing when they took it over. **Therefore, who are they fooling? Which serious project takes 20 years to complete? He has no desire to complete the plantations neither does he seek to see the plantation work beyond its current sorry state.**

It is also a well-known fact – in Nigeria and anywhere in the world that wherever Dangote is operating in any sector or business, he seeks to muscle out competition through any means necessary and this scenario is playing out again in this case. It is however strange that **his current co-conspirator, John Coumanataros – a Greek/American National, was once a victim of Dangote's.** If we recall, he experienced similar issues at the hands of his Co-conspirator which subsequently led to his arrest alongside his elderly father by the EFCC. They were detained for over a week, prompted by Dangote because he decided to compete against Dangote in the Cement business through UNICEM. In the end, the Coumantaros Family had to sell the business to save themselves. This is also a matter of public record. **THEY ARE ONLY JUST ACTING AS FRIENDS IN CONNIVANCE BECAUSE OF THEIR INTEREST TO PUSH OUT COMPETITION AND CREATE A MONOPOLY FOR THEMSELVES.**

John Coumantaros' Flour Mills and his Sunti Plantation on the other hand has been funded solely by Nigerians in the sense that he took an intervention of over 40bn from the Federal Government at a very low interest rate at a time where no one could get any intervention funds. As it stands, they have not invested any amount of their own money there. Neither have they completed nor are they producing anything of significance at Sunti.

When the Honourable Minister led all producers to our respective BIP sites during our December 2019 Peer Review and the team went to Sunti, the sugar they were producing at Sunti was as brown as sand and cannot be consumed or be used to produce White Sugar. It can only be used as a base raw material.

Both Messrs Aliko Dangote and John Coumantaros and their respective companies are not happy with our Lafiagi BIP - seeing the level of investments there as well as the Port Harcourt project. **They feel it could affect their market and drive the price of sugar downwards for Nigeria and Nigerians.** They are fully aware that is our intention. They will therefore do anything possible to stop it.

Honourable Minister, these two companies - desperate as they tried to couch the true intent behind their letter to you, are the true enemies of Nigeria. **I daresay that no company in Nigeria has benefitted more than these two companies as far as concessions, waivers, and exemptions are concerned. That is what they would like to continue.** As a matter of fact, **both players already enjoy 80% of the raw sugar allocation (Dangote - 55%; Flour Mills - 25%) without commensurate investments in their BIP to actually warrant such allocations. This has always been the case since the inception of the Policy and Dangote especially will do anything to protect that monopolistic advantage hence the reason why they are fighting BUA.** If anything, BUA should be getting more allocations by virtue of its BIP investments - which is larger than whatever they are doing and two Sugar refineries which have the biggest refining capacity in Nigeria.

Bottomline: We have our relevant approvals from Mr. President which grants BUA Sugar PH the permission to both export and sell locally in line with extant laws and regulations. Our Lafiagi BIP Project is also not only the most advanced of the 3 but also the only one with a sugar refinery and ethanol plant. The other two cannot produce sugar fit for human consumption and is only an avenue to keep importing whilst doing the 'barest' minimum. Not only that, the cost and scale of our projects is almost 3 times theirs.

IN SUMMARY

Honourable Minister, we would like to thank you for your leadership of the Ministry and urge you to remain firm as well as uphold the responsibilities of your Office sir, protect the integrity of your ministry which got the approval in order to ensure the Office and the Powers of The President are not undermined or brought into

disrepute for pecuniary gains by these two businesses bent on holding common Nigerians to ransom. We summarise as follows:


1. This BUA Sugar PH Export Focused Project will not affect in any way, the backward integration programme. The only way it will affect Nigerians is that Nigerians will pay lower prices for Sugar.

2. The export Focused BUA Sugar PH Refinery is mainly for exports. However, where it is absolutely necessary – in the face of arbitrary price increases and collusion to force scarcity of the product locally, we are allowed under the Act and current approvals/rules to intervene locally in order to stabilise the price.
3. The EPZ under which the BUA Sugar Port Harcourt project is sited went through a rigorous 2-year review process before being forwarded by your Ministry for the approval of the President of the Federal Republic of Nigeria.
4. Only the President alone is constitutionally empowered to approve an EPZ license and it is an affront not only to the President but also to the Ministry whose rigorous process led to their recommendation to the President for final approval.
5. Anything that is done to attack this project in any way, form or any guise attacks Mr. President's approval and we will do everything to ensure our rights are not trampled upon.
6. BUA's Lafiagi BIP is on track to be completed at the end of the year and start producing by the end of 2022.
7. BUA is the only one of the 3 players spending serious money and wanting to complete its BIP Project which will be completed by the end of 2022. We need to start asking firm, hard questions of the 2 other players.
8. Any action that tampers with the current approval is capable of eroding investors confidence under the EPZ.
9. Over \$250million US Dollars has been spent on this project which currently employs over 1,000 Nigerians and has significant economic impact. To try to shut it down or stifle its operations will cost jobs and lost economic impact.

Honourable Minister, we thank you for your leadership and standing firm in the face of these efforts to undermine Your Office, Ministry and most importantly, the Office and Powers of the President of the Federal Republic. As you continue to excellently uphold your duty to the Nation and constitution through your Office, we urge you to also remain firm and resolute in doing the right thing and carrying out your duties as you have always done.

BUA remains committed to its obligations regarding the BIP and the National Sugar Master Plan and we believe that the time has come to call all players to true account.

BUA will continue to respect our obligations to the NSMP and hope the letter by the two other players is disregarded in its entirety. Thank You


ABDUL SAMAD RABIU, CON
Chairman

NIGERIA EXPORT PROCESSING ZONES AUTHORITY (NEPZA)



NEPZA/ZL -0165

LICENCE

I Hereby Certify That

BUNDU FREE TRADE ZONE

Is this day licensed under the Nigeria Export Processing Zones Authority

A FREE TRADE ZONE

Act 63 of 1992 as

30TH APRIL, 2020

Dated this:

Authorised Signature



NEPZA

NEPZA FORM RC/ 1103

**NIGERIA EXPORT PROCESSING ZONES
AUTHORITY (NEPZA)**

Certificate of Registration

I hereby Certify that

BUA SUGAR REFINERY FZE

Is this day Registered under the **NIGERIA EXPORT PROCESSING ZONES
AUTHORITY Act 63 of 1992** as **AN ENTERPRISE IN BUNDU FTZ**

Given under my hand at Abuja this **2ND** Day of

JUNE, 2020

Authorised Signature

FEDERAL MINISTRY OF FINANCE

BUDGET OFFICE
FISCAL POLICY

CENTRAL DISTRICT

ABUJA

ANNEXURE 1

251

BUDGET

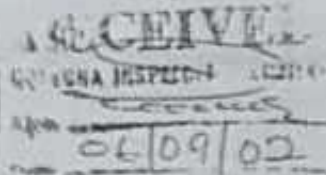
2346965



HD.12337/S.177/11

5th August, 2002

Comptroller - General,
Nigeria Customs Service,
Zone 3,



The Chief Liaison Officer,
Swedish Control Interlock,
4, Idowu Taylor Street,
Victoria Island,
Lagos.

Chief Liaison Officer,
Nigeria General De - Surveillance,
999 Danola Street,
Victoria Island,
Lagos.

The Chief Liaison Officer,
Nigeria Customs Inspections,
1 Kingway Road,
Ikoyi,
Lagos.

SPECIAL CONCESSIONS TO ENTERPRISES IN THE FREE TRADE ZONES

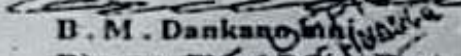
I am directed by the Honourable Minister of Finance to convey to you Mr President's approval of the following concessions covering enterprises in the Free Trade Zones in the country for immediate implementation:

- (i) Enterprises operating in the Zones are allowed to export into the Nigerian Customs Territory up to 100% of their products;
- (ii) The enterprises are also to import their raw materials duty - free;
- (iii) The amount of import duty on goods manufactured, processed or assembled in the Zones and exported into the Nigerian Customs Territory, shall be the rate of duty applicable to the raw materials in the state in which they are originally introduced into the free zones; and

- 2 -

- (iv) All trade/commercial goods imported into the Zones in finished form (without value addition) shall attract full custom duty on export into the Nigerian Customs Territory.

Please ensure compliance.


B. M. Dankano
Director Fiscal Policy Dept.
For: Honorable Minister of Finance
BUA SUGAR REFINERY
FEDERAL GOVERNMENT
GARKI-ABUJA



FEDERAL MINISTRY OF INDUSTRY, TRADE AND INVESTMENT, ABUJA

OFFICE OF THE HONOURABLE MINISTER

OLD FEDERAL SECRETARIAT COMPLEX, GARKI - ABUJA

P.M.B. 88, GARKI, PHONE: 09-6718989

HMITI/GEN.CORR/008/VOL.I/

10th February, 2021


Alhaji Abdulsamad Rabi, CON,
Chairman, BUA Group,
BUA Towers,
PC 32, Churchgate Street,
Victoria Island,
Lagos.

Dear Alhaji,

REQUEST FOR INFORMATION ON BUA SUGAR REFINERY, PORT-HARCOURT

As you are aware, Nigeria's Sugar Industry is governed by the Nigerian Sugar Master Plan (NSMP) which motivates investment in the local production of raw sugar by securing the market for investors in the Backward Integration Program (BIP).

2. We are in receipt of a letter which alleges that BUA aims to circumvent the NSMP's framework and jeopardize its objectives by taking advantage of the location of its Port-Harcourt Refinery in a Free Trade Zone. **Find enclosed a copy of the Letter.**
3. Given the significant investment which the Federal Government has made in the BIP and its expected returns in job creation, foreign exchange savings and wealth creation for the associated farming communities, these are profoundly serious allegations which cannot be taken lightly.
4. Accordingly, please provide detailed information on BUA's plan to service the Nigerian and export markets from its refineries **on or before Friday, 19th February, 2021**, failing which we shall be forced to take necessary remedial action.
5. Please accept the assurance of my regards.


Otunba Niya Adebayo, CON
Honourable Minister



28th January 2021

Otunba Niyi Adebayo, CON
Honourable Minister
Ministry of Industry, Trade and Investment
Old Federal Secretariat
Abuja
Federal Capital Territory

Dear Hon. Minister,

RE: TROUBLING DEVELOPMENTS IN NIGERIA SUGAR INDUSTRY

As the Honourable Minister is aware, the Sugar Industry in Nigeria has been governed for a while now by the National Sugar Master Plan (NSMP) which is a well-designed policy to encourage Backward Integration in the Sugar Industry, with the ultimate objective of attaining self-sufficiency in Sugar production locally.

Following the mid-term review of the NSMP, we recognize that there is a tremendous amount of work that is required by all stakeholders to achieve the intended objective behind the policy. It also became clear that if the policy is to have any chance of success, then efforts must be stepped up by the regulator, the National Sugar Development Council (NSDC) to ensure a disciplined and fair implementation of the policy.

Honourable Minister, with this in mind we wish to humbly bring to your attention an important issue which we believe threatens and poses a threat to the attainment of the National Sugar Master Plan (NSMP) and the sustainability of Nigeria's local sugar industry, of which our two Companies are the largest investors. Publicly available information suggests that BUA International, one of the players in the Sugar Industry, has commissioned a sugar refinery plant in Port-Harcourt, Rivers State. With the new refinery, the Country's refining capacity goes from 2.75 million metric tons to 3.4 million metric tons per annum, or from 170 percent over capacity over the last year's import quota to over 210 percent capacity.

The Honourable Minister will recall that we did warn about this development in 2019 and we were re-assured that in line with the Government's BIP, no new refinery will be allowed to operate in Nigeria.

Under the revised guidelines released by the NSDC, it makes it absolutely clear that the allocation of quotas henceforth, shall be based on quantitative and verifiable

improvements in the Backward Integration Programmes of players in the Industry. Key Performance Indicators for assessing and scoring performance have been clearly spelt out and communicated to all the players in the Industry.

The mid-term review conducted by the NSDC was clear in its conclusions -- BUA has failed to invest substantively in local production or comply with its undertakings under its BIP. Even before this surreptitious investment in additional refining capacity, Nigeria already has enough refining capacity to satisfy demand today and well into the future. So, the business logic behind this investment is clearly defective. BUA intend only on importing and refining raw sugar whilst claiming to be investing in developing sugar plantations in order to qualify for quotas to import raw sugar.

This investment in the Port Harcourt Refinery, was clearly done with the intention to undermine the NSMP. We are particularly surprised by the brazenness as we believe that the choice of location and the publicity campaign behind the investment has been deliberately engineered to provoke public sentiment and pit the Federal Government of Nigeria against its people.

Honourable Minister, the key to success of the BIP is a rigorous implementation by the Ministry. Unless the Ministry plays an effective policing role of the NSMP, Nigeria's dream of becoming self-sufficient and indeed a net exporter of sugar would remain a mirage. The impunity with which BUA has contravened the provisions of the NSMP, has placed the other players, who are abiding by the regulations, not only at a significant disadvantage, but has discouraged them from undertaking the huge investments that would deliver the desired objective of 100% local production of Sugar, unless of course, the Ministry wades in and addresses the situation.

Honourable Minister, we humbly request that the Government must remain unwavering in its commitment to the NSMP and the objective it has set out to achieve. We must resist all attempts to undermine the NSMP and send a clear message that any efforts to jeopardize the NSMP will not be tolerated.

OUR PRAYER

We seek a level playing field that provides for fair competition in the local sugar market in order that we stay on course to achieve the goals of the Sugar Master Plan. We humbly request that the Honourable Minister engage with the Controller General of the NCS and the Governor of the CBN to consider and implement the following recommendation;

- 1) That the provisions of the NSMP are enforced and no additional allocation of quota should be given for Raw, VHP or refined sugar for the Sugar Refinery in Port Harcourt for local market production.
- 2) That no allocations are issued, or applications considered for quota intended for re-export of Sugar as this would be difficult to monitor and may be open to abuse.



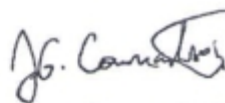
- 3) That the Nigeria Customs Service should be mandated to comply strictly with the authorized quota allocations in clearing cargoes and administering levy and duty.
- 4) That the Central Bank of Nigeria be requested to monitor the registration of "Form Ms" in line with the quota allocation.
- 5) An investigation should be conducted to determine the quantity of Raw sugar imported by the Refinery in Port-Harcourt and the appropriate penalty in terms of duty (60%) and level (10%) be levied on the company.

Please accept assurances of our highest respect.

Yours sincerely,



Alhaji Aliko Dangote
Chairman, Dangote Industries Limited



Mr. John Coumantaros
Chairman, Flour Mills of Nigeria Plc