Nigeria’s Oil and Gas Production and Niger Delta Militant: The Need of Oil Resource to Stop Oil Reliance for Sustainable Development

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Keywords: nigeria, oil and gas, sustainable development, militant and oil reliance.

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Keywords: nigeria, oil and gas, sustainable development, militant and oil reliance.

I. Introduction

Nigeria is known to be largest oil producer in the Sub-Saharan African States, with about 32% and 34.2% of Africa’s oil and gas reserves respectively. According to the Oil and Gas Journal (OGJ), Nigeria ranks among the top 10 nations in proven oil and natural gas reserves, worldwide. As of January 1, 2007, the Nigeria estimated crude oil and natural gas reserves are 36.2 billion barrels and 181.9 trillion cubic feet (TCF); the fifth largest exporting country in the Organisation of Petroleum Exporting Countries (OPEC) and fifth largest oil exporting Country to the US. Nigeria is known as the largest producer of sweet oil in the Organization of Petroleum Exporting Countries (OPEC). It becomes a member of Organization of Petroleum Exporting Countries (OPEC) since 1971 (Iledare, 2007). It has the largest natural gas reserve in Africa, has the second largest oil reserve in Africa and is the African continents primary oil producer. As of the late 80s, oil revenue provided 90% of Nigeria foreign exchange earnings and 85% of the government revenue (Odeyemi and Ogunseitan 1985), with estimated reserves extending beyond 20-30 years (NNPC, 1984). Shell D’Arcy, the pioneer oil company in Nigeria started commercial production of oil in 1958 with a production rate of 5100 barrels per day and a peak production of 2.44 million barrels per day over the next few years (Amu, 1982).

Nigeria’s proven natural gas reserves are estimated at about 200 trillion cubic feet (tfc), about 2.82 per cent of global reserves and three times as substantial as oil reserves. By 2010, it had become a major exporter of LNG to the EU and the US. Particularly coveted is the Bonny Island Liquefied Natural Gas (LNG) plant, which has an annual output capacity of 17 million tons; an annual output of 2.5 tons of liquefied petroleum gas (PLG) and a million tons per annum of condensates. New plants, such as Nigeria Liquefied Natural Gas (NLNG) Project, Escravos Gas-Gathering Project and Oso Natural Gas liquefied Project, are either currently operational or are in the pipeline (Ajayi, 2013). In 2011, while the NLNG exports to the US substantially declined its exports to Japan more than tripled (USEIAN). Nigeria is, by far, the GoG’s major oil and gas player with the Niger Delta as its epicenter, as already indicated. Between 2009 and 2011, the country earned $ 143.5 billion in equity crude sales, royalty, signature bonuses and taxes. During the same period it lost over 136 million barrels of oil estimated at $109 billion to oil theft, militancy and sabotage. 10 million barrels valued at $894 million were also lost as a result of pipeline vandalism in onshore operations (NEITI-EITI Core Audit Report of Oil and Gas, 2009-2011).

Nigeria has a coastal line of approximately 85km towards the Atlantic Ocean lying between latitude 4°15’ to 4°50’ and longitude 5°25’ to 7°37’ with a land mass of about 28000sq/km area within the coastal region. The surface area of the continental shelf is 46300sq/km. The coastal areas consist of fresh water swamp, mangrove swamp, beach ridges, sand bars, lagoons marshes and tidal channels. It has a total land mass of 923,768sq/km; 918,768sq/km being terrestrial...
land and 13000 sq/km being aquatic (CIA World Fact Book). The coastal area is humid with a mean average temperature of 24-32°C and coastal area has an average annual rainfall ranging between 1,500-4,000mm (Kuruk, 2004). Anifowose (2008) and Onuoha (2008) cited in their studies affirmed that the Delta region of Nigeria which made of coastal area has about 606 oil fields with 355 situated onshore; 251 situated offshore with 5,284 drilled oil wells and 7,000km of oil and gas pipelines. There are several rivers that channel into the Atlantic Ocean directly, all other flowing waters flow into the Chad basin or into the lower Niger to the sea eventually (Kuruk, 2004). Without gain saying, oil export in Nigeria Niger Delta coastal area remains the larger export of Nigeria economy.

As far as at late 70s, Nigeria has four oil refineries with an estimated total refining capacity of 445,000 barrels per day (Onuoha, 2008; Anifowose, 2008). The first and oldest being the Port Harcourt refinery, commissioned in 1965. It had an initial capacity of 35,000 barrels per day, which was later expanded to 60,000 barrels per day of light crude oil. The Port Harcourt refinery has a second refinery with a capacity of 150,000 barrels per day (Odeyemi and Ogunseitan 1985; Ukoli 2005). These refineries today have gone to state of doldrums which has made Nigeria to have continued exporting its crude to the foreign refinaries for many years. This process is found to have yielded more benefits to the political elite who are feeding fat under the politics of oil subsidy; however, it has been a bitter experience for Nigeria citizenry. Like many other oil producing countries, Nigeria has not been spared the agony over the years as a result of recurrent violent conflicts associated with exploration, production and the mis-appropriation of oil resource (Obi, 1997). By most accounts, Africa in general had been blessed with numbers of natural resources and Nigeria in particular, had supervulus witnessed an “unprecedented boom in oil production” (Southall, 2009). The extraction of oil by countries in Africa and other parts of the developing countries nevertheless have always leads to political repression, corruption and violence” (Klare and Volman, 2006: 625).

In Nigeria, for example, following the post independent, and early 1967 oil related disputes had motivated as insurrection by a major ethnic group in the Niger Delta Region, (the repository of almost of the nation’s oil and gas reserves) in Nigeria. Less than a year after, the nation experienced a civil war (the Biafran war of 1967-70) which was not unconnected with dissipagments over sharing of oil revenues. While the country has managed to maintain a fragile post-war peace, since middle of 90’s down to late 90’; there have been on going violence and uprising on oil resources with a renewal calls for self-determination and local control of oil resource by the agitators in the oil producing communities. Going by all these challenges, it is in no doubt that, Nigeria has been on struggling, and its manageable adaption to remain the biggest economy on the continent has nothing than thanks to its oil wealth surplus.

The failure to address the problems facing the oil resources in Nigeria is found previously strong and growth fall in line with the wider Sub-Saharan region resources problems. It is no secret that global oil price collapse in the recent times has been felt keenly across Nigeria, while the declining revenue has threatened to slow the economy momentum. This can be well also linked to unearth inefficiencies that have in the past years gone unchallenged by the governments. Oil and gas production holds 60 per cent participation in the industry (Ajayi, 2013). It has been plagued, over the years, by inefficiency, waste, capacity, vandalisation, oil theft and endemic corruption. It has built up a sordid reputation for under-reporting the country**s oil and gas sales and revenues. For example, between 2005 and 2010, Nigeria’s GDP at purchasing power parity more than doubled, yet its human capital and living standards leave much to be desired. As of 2010, the proportion of people living in absolute poverty rose to nearly 60 percent, up from 54.7 percent in 2004, according to the National Bureau of Statistics.

This, alongside World Bank estimates that 80 percent of energy revenues benefit just one percent of the population, has given observers real cause for concern. For example, starting from 2015, from global scene, the price of crude oil has continued to experience a downward trend. The price which stood at an average of $112 per barrel in June 2014 slipped to $35 per barrel in December, 2015, the price that was far below the budget benchmark of $53 per barrel for year 2015 (Chika, 2016). The Nigerian economy has been substantially unstable a consequence of the heavy dependence on oil revenue, and the volatility in the prices of oil. As at the mid 1970s, petroleum exploration and production had dominated the Nigerian economy, with this, Nigeria moved from an agricultural economy based on the export of palm oil, cocoa, and groundnuts to a petroleum economy based on crude oil extraction (Umoren, 1984). As the Nigerian government focused its attention on the petroleum industry, the agricultural industry was neglected. Under-investment, a steady drift away from the land to urban centers, increased consumer preference for imported foodstuffs (particularly rice, wine and wheat) and outdated farming techniques continued to keep the level of food production well behind the rate of population growth. The country of over 180 million people today is forced to import food at high Western prices to feed its people, even domestic staples such as rice and beans. However, at the same time the Western countries encouraged Nigeria, like other Third World countries, to sell to them at low prices their crude, leading to a further decline in the agricultural industry.
Not only has the agricultural sector in Nigeria been ignored over the years, but so has the industrial sector. Unlike many developing countries where the agricultural based economy is replaced by a labor intensive manufacturing industry, there were few industrial jobs to take the place of the disappearing agricultural development in Nigeria (Nwankwo, 1982). Even as at 1995, manufacturing only accounted for only 5% of the GDP (Van Buren). The contraction of agriculture and manufacturing with the military structural adjustment policy (SAP) has led to high unemployment and an increased sense of frustration. Unfortunately, while petroleum became the mainstay of the economy in terms of both export revenues and attracting foreign investments, it has never been influential in terms of employment for the Nigerian people (Wright, 1998). The oil boom had a crucial impact on domestic politics as revenues accrued to the federal government. The growth of oil revenues combined with and reinforced a trend towards the centralization of power by the military government. Because of the lack of other industries, state governments became dependent on the national government for funds, contributing heavily to the contraction of social services and inability of many states to pay their workers salary in the recent years.

The influx of wealth also contributed to rampant corruption, making Nigeria one of the most corrupt governments in the world. The country oil sector is regarded as one of the most transparent globally. In a 2010 survey of 44 National and International Energy Companies by the Revenue Watch Institution (RNI), the NNPC brought up the rear (Katsouris and Sayne, 2013). Corrupt officials have easy access to government funds and since the oil boom first began, millionaire generals have become common. There has been an estimated $176 billion of unaccounted oil revenues during the 1980-1992 periods (Wright, 1998). The worse situation was the series of reports on oil money logging into different accounts of politicians by the past administration of President Jonathan, and evidence are the recent discovery by the Economic and Financial Crime Commission (EFCC). The oil boom of the 1970s which has been a follow up till late 90’s led to the neglect of non oil tax revenues, expansion of the public sector, and deterioration in financial discipline and accountability.

Nigerian masses have become impoverished while handfuls of millionaires consume and spend (Nwankwo, 1982). The hardship suffered at the hand of their political leaders had speed up the groups of violently radicalized agitators especially from the oil bearing communities of Niger Delta; those who their activities have made a threat to Nigerian economy. In fact it was revealed that security fears, together with poor governance and rampant corruption has brough Nigeria’s oil and gas out put on the step side of decline. In turn, oil-dependence exposed Nigeria to oil price volatility which threw the country’s public finance into disarray. According to Sala–Martin and Subramanian (2003), Waste and Dutch disease manifesting in rapid capital accumulation and negative Total Factor Productivity (TFP) characterized Nigeria’s many years of political post-independence development experience. While capacity utilization averaged about 77 percent in 1975, it had declined to about 50 in 1983 and until very recently has languished at about 35 percent since the mid 1990s; the recent decline in the global oil prices coupled with emergence of insurgency has however done a great damage of irreversible.

Nigerian experience in oil and gas extraction and production has proved wrong the assertion by early 50, development economist especially, those who associated with the staple theory of growth; who have suggested that “natural resources abundance would help the backward states of Africa to overcome their capital pifalls and provide revenue for their government to provide public goods, better development and lifts their citizens out of doldrums of poverty”. In opposite, since late 90’s, a growing number of resources conflicts have established a link between resource abundance and a number of socio-economic problems. Consequently, natural resources abundance in Nigeria and other oil producing African countries has been associated with slow growth (Sachs and Warner, 1995), greater inequality and poverty for a larger majority of a country’s population (Gravin and Hausmann, 1998; Ross, 2004), corruption of political institutions (Lame and Tornell, 1999; Ross, 1999; 2000), with high disparity between the haves and have not.

Over the last years of her oil boom, Nigeria for example has received over $300 billion in oil revenues after deducting payments to the foreign companies (Gary and Karl, 2003; Sala-i-Martin and Subramanian, 2003). Yet the country is marred in poverty. In 1965, Nigeria’s oil revenue per capita was about US$33, per capita GDP was US $245. However, in 2000 when oil revenue grew to US $325 per capita, per capita GDP remained at the 1965 level, implying that oil revenue accumulated over the 35 year period between 1960 and 2000 did not add value to the standard of living of Nigerians (Sala-i-Martin and Subramanian, 2003). It is a common view in literature that mismanagement of oil boom of the early 1970s prepared the economic doom of the late 1980s and thereafter. A thoughtful primary school child according to Ezekwesili can figure out that the mathematics of oil revenue in a season of oil boom does not add up at all in Nigeria (Ezekwesili, 2013). Nigerias’s per capita GDP (in PPP terms) was US $1, 113 in 1970. It is estimated to have fallen to US $1, 084 in 2000, a figure which places the country among the fifteen poorest in the world.

Consequently, oil production in Nigeria has given rise to vertical conflicts among different groups across geographical boundaries, ethnic groups,
II. Security Threats and its Impacts in Nigeria’s Oil Production

More fundamental problems are increased risk of security in the oil-gas-producing communities of Delta region, Nigeria. This by the researchers had been established as a link between resources motivated conflict and economic collapse (Collier and others, 2003; Skaperdas, 1992; Deinger, 2003). Nigeria as oil economy dependent country, has remained largely underdeveloped and its citizens most especially, those in oil and gas bearing communities are impoverished with their socio-economic status very low. Soysa, (2011); Donner, (2009); and Weszkalnyrs (2009, 2011) for instance blamed crude oil for the underdevelopment of oil-rich African states and the common denominators of instability and violence in those countries. According to the trio, the paradox of plenty in Africa is that the continent is rich, its people are poor- and in many cases extremely poor. It has been observed that security fears; together with poor governance and rampant corruption from oil sector has push out Nigeria’s oil output in the recent times to the steep side of decline (Timms, 2016). The activities of militant groups and the recent activities of militancy in the oil-rich Niger Delta region after the 2015 presidential election, had inflicted untold levels of destruction on key oil sites and put a serious dent into the production of crude oil and gas. Given that the Niger Delta brings in around 90 percent of the country’s foreign exchange earnings and 80 percent of government revenues, any threat to it automatically become a threat to Nigeria’s economy as a whole.

Apart from the fact that Nigeria is extravagantly endowed with much coverted energy resources such as oil and gas, Nigeria is also blessed with huge deposit of other mineral resources (Kunle, 2013). In fact, research have revealed that Nigeria has a load of wealth of natural resources which houses over (thirty four) commercially viable mineral resources (Nigerian Vanguard, 2016). Managing natural resources wealth in Nigeria however, is fraught with difficulties – some economic policies and many political issues – which has adversely impact macroeconomic performance in the short and long runs”, according to an IMF report entitled Boom, Bust, or Prosperity? Managing Sub-Saharan Africa’s Natural Resource Wealth. “Data from the sub-region suggests that such a curse has been present to some degree, but has diminished since 2000, although the broad economic and social indicators point to continued weaknesses that could be attributed to poor natural resource management.” Africa, particularly Sub-Saharan Africa, and Nigeria in particular is making a good example of how abundant resources can stifle development and distracts governments from the central task of ensuring long-term prosperity. Infact, while other countries like Malaysia and Angola have

communities, class among others in Nigeria. Many factors have been identified as causes which are: the high global demand for energy resources notably, oil and gas which encourage foreign Trans National Corporations to exploits reasources. The internal weakness of internal resources governance in the oil producing states, and consequently, interfere in their domestic politics and lastly, the high rent that accure from the resources, which in diverse ways can be linked to corruption and greed on the part of political elites vis-à-vis local communities which had heightening the expectation of local populace of the oil producing communities (Obi, 2004). Pervasive sleaze and graft in the oil sector explains much, but not all, of so-called “resource curse“ (Amuwo, 2013). Alao in his work: national resources and conflict in Nigeria: the tragedy of endowment said that; resource conflict and politics remained indifferent to its national politics of most naturally endowed states. For example, corruption pervading the Nigeria politics applies not only to the sums of millions dollars that can be involved at federal level, but those that get into the hands of the local political elites in each of their communities.

The percentage of Nigerians living below the United Nations US$1 per day absolute poverty line has risen from 27 in 1980 to 66 in 1996, and 70 in 2000. At the same time, income distribution has deteriorated sharply with more and more people pushed towards poverty and towards extreme wealth. With a Gini index of 50.6 in 1996-97, Nigeria’s richest 10 percent controls 40.8 percent of the country’s wealth and the poorest ten percent only a negligible 1.6 percent (CIA Fact Book, Nigeria, 2005), whereas in 1970 the top 10 and bottom 17 percent of the population earned the same amount of income (Sala-i-Martin and Subramanian, 2003). Nigeria Sub-Sahara Africa’s largest oil producer has given a classical illustration of “national resources as development trap”. Rich in proven resources approximately 30 billion barrels of oil and gas having earned an estimated $340 billion over the past years, Nigeria oil exports rank only behind Saudi Arabia, Venezuela, Iran and United Emirates. Her oil dependence account 83% of export earning and approximately 40% of GDP cited by (Philips, 1997; Onosode, 2003 and Irombigbe, 2007) remained an old glory. Thus inspite of all these above mentioned reports Nigeria oil economy export as at today is largely decline and her citizenry especially those in oil and gas bearing communities are impoverished. Exploration of oil in Nigeria interfaces and further disrupts both the natural and the social life of the people. The disruption causes conflicts which need to be addressed and one of the ways to address it is through diversification economy, the restriction synergy for sustainable development, peace and security in oil producing communities, and for the better national stable economy.
made great deal of their oil legarses, Nigerian experience remained a sorry one.

Nigeria nation has made a name for itself as a rich nation in natural resources, also has been considered as one in which citizens are severely handicapped by a low-growth climate and endemic corruption; qualified as fantastically corrupt country. With little incentive to raise taxes or focus on other sectors, plentiful resources have been known to cripple once-fruitful economies and shrink government responsibility. Nigeria’s oil and gas resources have been found to have the highest risk of civil conflict this of course happened because of the large rents it offers and the shocks to which the government and the national economy are exposed (Collier and Hoeffer, 2005; Fearon and Lanton, 2005). These conflicts often attended by kidnapping of foreign workers for ransom (hostage taking), vandalization of oil pipelines, oil theft and some times blow up of oil and gas installations have taken on frightening dimensions over the years. While the annual value of oil stolen from Nigeria estimated at between $3 an $8 billion dollars palis into insignificance compared to $550 billion, the annual value of drug sold globally (Book, 2013; Katsouris and Syne, 2013), it is huge loss to Nigeria’s ailing mono cultural economy. However, the negative impact of local bunkary on the region’s political economy runs deeper than petrol dollara losses. The Nigeria state’s logictically and credibility are regularly called to question; human security is in constant jeopardy; and deepening uncertainty around safety of pipelines and other infrastructures instantly threatens system shutdown.

Some of the first armed activities that emerged from the oil-rich region of Nigeria, ranging from the Boro-led Niger Delta Volunteer Service (NDVS) in 1966, the Ken-Saro-Wiwa-led Movement for the Survival of Ogoni People (MOSOP) in 1992, the Aleibiri Demonstration (AD) in 1997, the Kaima Declaration (KD) in 1998, the Odi Massacre (OM) in 1999, the Asari Dokubo-led Niger Delta Peoples Volunteer Force (NDPVF) in 2004, Movement for the Emancipation of the Niger Delta (MEND) in 2005, Tom Ateke-led Niger Delta Vigilante (NDV) and several other militant groups (Eseduwo, 2007). The profiles and activities of selected militant groups in the Niger Delta since 2003; have proved deadly with kidnappings and taking over oil facilities in the volatile Niger Delta. The movements claim that their activities are to seek a redistribution of oil wealth and increased local control of their God given resources. These groups are notorious for kidnappings of oil workers (especially expatriates) for ransom with negative consequences on the Nigerian state since the deteriorating security has forced some oil services firms to leave the country (Badmus, 2010).

Obi (2004) when studies globalization, oil industry and local community politics showed that globalization, oil local politics nexus is characterised by conflict relations arising from the mode of production, its exploration and production consequences. According to him, the global oil giants, the state and local authorities, elites fractions seek to maximize oil extraction and optimize profit while on the other hand, the villagers who are disposed of their farmlands and fishing ground suffer the wide spread impact of oil pollution, environmental degredation and gas flaring seek to block or resist oil based accumulation. Eteng (1998) had arguably explained that the potential benefits of links to the oil and gas industry have thus exacerbated conflicts within and among the oil producing communities.

He further put thus:

Oil exploration and exploitation have instigated and intesfled bitter and bloody conflicts between emerging interest groups within and between competing claimants. Such conflict are range between elite groups, between competing claimants of communities traditional chieftancy stools between youths organization on one hand, and between them and community elders; between the urban resident elite and village community resident and even between village and emergent professional community.

It is interesting to note that the federal government had made some ameliorative attempts in addressing the conflicts erupting the exploration of oil in the oil producing communities like: (i) the setting up of the Niger Delta Development Board NNDB in 1962 (ii) The Presidential Task Force on Oil Mineral Producing Areas Development 1989 (iii) Oil Mineral Producing Area Development Commission OMPADEC, 1992. The Niger Delta Development Commission NDDC 2000. Of these efforts and others, Okpeh (2004), notes that, these measures have not been able to address the core demand and agitation of the people largely because of the insincerity of the Nigerian State and its ruling elites. This culture of neglect has breed hostilities and violent reaction from oil and gas bearing communities.

Thus while Nigeria can boasts of her abundant natural resources, yet her failure to crack down on endemic corruption and incessant conflicts has eroded its status to such an extent that as at May 2016, lost its title as the continent’s leading oil producer to Angola. This has occurred because of deteriorating political and security situations that posed much threat to Nigeria output in oil and gas production. Oil losses on account of militancy amounted to over $1 billion annually. The department of petroleum resources claims this figure represent 32% of the revenue the country generated that year (NNPC, 2009). In 2006, MEND claimed to have achieved a goal of cutting Nigerian output by 30% and has apparently succeeded (Watts, 2007). These destructions have reduced both export revenue amount going to the Federation Account. Furthermore, due to the Niger Delta crises, merchandise
trade for the second quarter of 2007 stood at 2.74 trillion ($19.8 billion), that is a decrease of N208.4 billion ($1.7 billion, 7.8 percent) from the year’s first quarter (Watts, 2007). Commenting on the beginning of the drop in oil production in Nigeria, Tanimu (2009) noted that immediately after election, violence in the Niger Delta region drop Nigeria’s crude oil output by nearly 1 million barrel per day, plunging production to its lowest level since early 2003. The Managing Director of NNPC Funsho Kupolokun disclosed that the country was losing 600,000 barrels of oil daily because of conflict and insecurity in the Niger Delta (Punch Newspaper, May, 2008). The Technical committee on Niger Delta reported that the average of 700,000 barrel of oil was lost per day (TCND Report, 2008). The committee highlighted that these losses were recorded each time the militants attacked oil installations.

In spite of the soaring price of oil in the international market, the value of oil exports for the second quarter of 2007 was N1.61 trillion ($12.9 billion) a decrease of 5.8 percent over the first quarter (PENGASSAN, 2009). Tracing the history downward, Onuoha (2016) asserted that in mid-2015, the insurgency resurfaced and has become a major security concern to Nigerians, the federal government, regional shipping companies, and international oil interests. Intensified attacks on oil infrastructure by new militant groups such as the Niger Delta Avengers (NDA) have reduced Nigeria’s output to a 22-year low. As a result, President Muhammadu Buhari has responded by directing the military to “crush” the NDA, resulting in a heightened military presence across the Delta region and has brought about growing concern that further escalation of violence could cripple oil production, with dire, cascading economic and security consequences for the country.

Militant activities in the Niger Delta region especially, the emergence of the new emerged group called, Niger Delta Avengers (NDA) had forced supply disruption of oil and gas and had made the country output fall by 800 million barrels per day to 1.4 milion barrels per day (Kackchukwu, 2016). Data cited by RBC capital markets’ showed by the commodities team revealed that Nigeria’s as oil production slipped to 1.69 million barrels as at first quarter of 2016. In the same vain, the National Petroleum Corporation, collaborated it in its monthly report said that crude oil production in Nigeria pluminated to 1.69 million since May 2016 attack, following the up stick in pipeline vandalization in the volatite Niger delta region by the Niger Delta Avengers.

Regardless of either assessment, this is still below the production level of Angola, which held steady in April, 2016, at 1.8 million barrels per day (UK business Insider, 2016). According to NNPC (1984) through OPEC in the recent production rates in the Niger Delta region, Nigeria has dropped to 1.5 million barrels per day from the activities of 10 international companies working 122 fields, containing over 970 oil wells. Niger Delta Avengers had attacked a Chevron platform, Nigeria oil rich company on May 11th 2016 causing economic sabotage (RBC Capital Market Report, 2016). As far as the Niger Delta is concerned, Royal Dutch Shell for example, was forced to shut its Forcados export terminal early 2016; its withdrawal costing the country 250,000 barrels a day. A Chevron closure not long after cost another 90,000 barrels following a security breach at one of its facilities. This experience on the part of the militants is clear; in a statement, they wrote: “This is what we promised the Nigeria government, since they refuse to listen to us.”
A Niger Delta fighter poses with a heavy machine-gun at his militia's creek camp.

The resurgent of militancy in the oil-rich Niger Delta region especially the destructive activities of Niger Delta Avengers undoubtedly had inflicted untold levels of destruction on key oil sites and put a serious dent in production. The attack on Focardo export line by militants in the Niger Delta have left a total of 79 million barrels of crude oil shut in February 2016, causing oil firms and the nation a huge loss of revenue (Punch Newspaper, 2016). Niger Delta Avengers has gone as far keeping their promise to hold the economy to stand still under their operation tagged “Red economy”. Their constant attacks on oil production facilities have worsened Nigeria’s economy woes and standard of living. The first of their niferous attacks was damage to Chevron’s main electricity feed pipeline at Escravos terminal cute (Punch Newspaper, 2016). According to Chevron, the said damage to the Okan platform had affected about 35,000 bpd of its not crude production or about 15% of its output in the country.

Data gathered from the Nigeria’s extractive Transparency Initiative- NEITI revealed that Nigeria has lost $15.9 billion as a result of crude oil theft, pipeline sabotage and deferred production in four years. The data concurring 2011-2014 showed that a total of volume of 38.6 million barrels of crude oil has lost in 2011, costing $4.4 billion. Year 2012 for example has the second highest loss with 23.8 million barrels of crude oil lost amounting to $2.7 billion. The NEITI figures also revealed that in 2013, the country witnessed the highest loss of 37.7 million barrels of crude oil, totaling $4.7 billion. As at 2014, Nigeria lost 40.2 million barrels of crude oil amounting to $4.1 billion. Total volume of crude oil lost was 140.3 million, amounting to $15.9 billion from 2011 to 2014. Country’s crude oil production however became declined by 12% in the third quarter of 2016 due mainly to militant attack in the Niger Delta. These documented cases of crude oil production decline also indicated revenue loss by the country, NEITI stated.

Niger Delta Avengers like other militants for example, have caused the country to lose at least N100.4bn earthys in 13days of their first attacked on May 20th, 2016. Niger Delta Avengers has earlier promised to sabotage the economy of Nigeria and their niferous activities which had given greater effect in the huge decline in crude oil production. According to their spokesman he said “we have a message to big oil when we warned that there should be no repairs pending negotiation/dialogue with Niger Delta people, it means there should be no repair.” Among the groups following the Avengers’ model is the Niger Delta Greenland Justice Mandate, which claimed an attack on a pipeline on Sunday to protest a meeting this week between President Muhammadu Buhari and regional leaders. The NNPC said the subsisting force of Majuere of Forcado’s terminal means that about 380,000 barrel per day shut in cargoes were deferred until repairs are completed. Official report by the minister of state for petroleum resources, Dr Ibe Kachikwu has earlier confirmed that, the nation’s oil output has dropped by 800,000 barrels per day to 1.4 million bpd since May 16th 2016; this he states, Nigeria has lose N100bn in 13 days (Punch Newspaper May 29th, 2016).

Also, the nation has lost over 1,500 mega watts to the damage of Forcados, which accounted for 40 percent to 50 percent of gas production. The corporation noted that force majeure was declared on May 2016 for repair work in Nembe Creek Trunk line and the resultant shut in of about 275,000 bpd, adding that other farfetch incidents included production shut in at Usam, Que Iboe and Brass terminals. This has been noted by the global credit rating that oil business in Nigeria had been hampered by security issues, leading
to prolong shutting down at the Forcados oil terminal, and the weak financial position of Nigeria Petroleum Development Company. It is important to reiterate the fact that the renewed attacks by militant groups not only undermine Nigeria’s economic stability, but also risk exacerbating maritime insecurity in the Gulf of Guinea (GoG).

Thus, owing to recent attacks on critical infrastructure, Nigeria’s oil production has plummeted from 2.2 million bpd to about 1.4 million bpd (AFP, 2016). Nigeria is already losing about N2.79 billion ($14 billion) daily to the closure of the ExxonMobil-operated Qua Iboe terminal, following the evacuation of Exxon-Mobil’s workers. This has compounded government revenue losses caused by the fall in global oil prices since mid-2014. In addition to crippling oil exports, the new wave of militancy in the Delta has also choked the supply of gas to local power plants, thus hobbling Nigeria’s power grid. Electricity generation in Nigeria has declined from about 4,800 megawatts in August 2015 to 1,000 megawatts in May 2016 (AFP, 2016), seriously undermining overall productivity and service delivery in the economy.

The renewed violence has also impacted maritime security in the Gulf of Guinea. Pirate attacks emanating from the Niger Delta remain a major threat to the oil industry in Nigeria and merchant shipping in the GoG. An estimated 70 percent of all piracy-related incidents in the GoG are directly related to Nigerian criminal gangs, mostly originating from the Niger Delta. In the first quarter of 2016, at least 12 attacks were recorded in the Gulf of Guinea, including nine in Nigeria, one in Côte d’Ivoire, and two within the territorial waters of the DR Congo (Zerihoun, 2016). Apart from worsening the economic woes of Nigeria and the standard of living, crippling almost everything from oil production, export operations and power; it has affected economic relations of Nigeria as neighbouring countries like Ghana are beginning to face certain challenges as a result of the attacks. Former Ghanaian president, John Mahama has Nigeria blamed for the fitful power cuts in his country; referred to Nigeria’s delay in the delivery of crude oil to his country’s power stations. Apparently, the renewed militancy and the sporadic attacks on oil infrastructures by NDA and attacks had resulted in massive shortage in electricity production both in Nigeria and Ghana.

III. NIGERIAN CRUDE OIL DECLINE: THE NEED FOR ECONOMY DIVERSIFICATION

Coincidentally, before this time, Nigeria crude was very refiners’ oil of choice. Most of refiners wanted to refine Nigerian light sweet oil in order to produce a substantial amount of middle distillates and gasoline, the profit making product for refiners. With the recent decline in the oil price, Nigerian crude has become overhang, glut, and over supply with high number of unsold barrels. Nigerian crude has lost its appeal and with the growing pace of technological advancement in refineries that can take a greater variety of crude grades, Nigeria crude is no longer the talk town (Oil Gram Report, 2016). In the past six years, Nigeria has lost its biggest customer, the U.S, which now buys only small amount of Nigeria crude oil due to dramatic rise in domestic scale production. Nigeria has not been able to adapt to this loss. Majority of Nigerian crude oil today travels to Europe, a region where oil demand is on decline, and this does not bode well for African the largest oil producer. For example, out of five biggest global oil importers- China, U.S, Japan, India and South Korea, it is only really India that buys a significant amount of Nigeria crude. Nigeria therefore needs to attract countries or region where crude oil demand is in the rise.

More importantly, while experiences of oil exporters across the globe shows that oil dependence is most often a perilous development path, it is also evident that the negative outcomes of oil and other resources can be avoided. For example, Norway has used the benefits from North Sea oil to earn the highest place on the UN human development rankings (Gary and Karl, 2003). Mexico and Malaysia have also fared well among developing oil exporters. Angola formally called the third biggest economy after South Africa and Nigeria has performed wonderfully well in the recent years with a GDP of over $104 billion in 2011. It has now being considered the fastest growing economies. This has been achieved as a result of FDI capital inflows into the country vast oil and gas industry (Amuwo, 2013). Steady investment in the energy infrastructure since the end of the devastating 27years of civil war (1975-2002) has gradually developed the sector. Taken as example, the official goal of the country’s current National Development Plan (NDP) 2013-2017, is to create a new Angola by giving priority to provide investment to diversify and create jobs. This is not the case in Nigeria, and apart from the fact that Nigeria several industries have developed around oil and gas; most of oil largeses are being misappropriated, and the huge amount from oil resources are spread across different private individual accounts outside Nigeria. According to the Director General (D-G) of the Chamber, Muda Yusuf the drastic decline oil crude oil consequently led to various fiscal and economic challenges such as the drop in foreign earnings, strained fiscal budget and huge financial bailout for some state governments, general cash flow issues in the economy and unstable business environment.

When analysing issues on oil and gas exploration and its production in Nigeria, Human activities and those of oil exploration and exploitation raise a number of issues such as depletion of biodiversity, coastal and riverbank erosion, flooding, oil
spillage, gas flaring, noise pollution, sewage and waste water pollution, land degradation and soil fertility loss and deforestation, which are all major environmental issues. Oil exploration and exploitation has been ongoing for several decades in the Niger Delta. It has had disastrous impacts on the environment in the region and has adversely affected people inhabiting that region. Odeyemi and Ogunsenitan (1985) wrote on the growth and development of the oil and petrochemical industry in Nigeria with emphasis to the notable cases of pollution disturbances during the 25 years of its existence, highlighting causes and effects on the social, economic, agricultural and ecological characteristic on human and other biotic occupants of the oil region.

Nevertheless, regarding the state of Nigeria’s economy, petroleum, especially oil, has been its main driver since the end of the civil war in 1970. These facts notwithstanding, the impact of Nigeria’s industrial sector (oil and gas sector inclusive) to the overall GDP remains abysmal. This contention is more so if one keeps in perspective the national government (HG) investments in upstream joint venture (JV) operations in Nigeria. It is estimated that HG spent about $19 billion for JV operations in Nigeria from 2002-2006 (Delano, 2007). With these large government investments in the upstream oil and gas sector, the potential to derive maximum wealth and a sustained economic growth from the oil and gas industry should be indubitable. So the questions to ask are what the future holds for oil and gas in Nigeria and how Nigeria can attain its economic aspirations using oil and gas industry as the prime mover of its economy diversification in the next five years.

The Nigerian Petroleum Industry Bill (PIB), described as “the first attempt to restructure the Nigerian oil industry to enforce sustainability, transparency and greater control over her natural resources” (Rasheed, 2011) is the country's boldest attempt since juridical independence in 1960 to make the industry truly serve national interest. But nearly ten years after it was first introduced in the National Assembly, it has yet to be passed into law and its contents have, by most accounts, been watered down. Among others, the Bill seeks to increase the royalties payable to the Nigerian state by the MNOCs and to determine the crude outputs at the points of production rather than at the points of export, the current practice. It also provides for the payment by oil majors of ten per cent of their oil earnings to the oil-bearing and producing communities.

A coalition of foreign and local interests which considers the Bill’s provisions too radical has sought to frustrate its passage to law. Both the presidency and the National Assembly have been under intense pressure to either wholly jettison the bill or pass a hallowed-out version that will be inconsistent with its original intention. The Bill has also pitched the Nigerian government and oil majors against each other with the latter appearing to have the upper hand with the active support of their home governments. They want the status quo to remain because it is extremely skewed in their favor, insisting that “a contract is a contract that must be respected by all parties” (Rasheed, 2011).

IV. Conclusion and Recommendations

Though Nigeria’s economic problem or global declining in oil price is not peculiar to us alone, other oil producing nations like Venezuela were also feeling a lot. Our negative attitude to agricultural product has given the much read of our present experience. This is clear because our oil which used to be source of many is no longer bringing in money, as a result we are positively responding to the reality. Our own become more pronounced because we lived life of falsehood in the past guided by our gross appetite for corruption, consumption of what we are not produced, and lack of productivity since there have been flowing money from crude oil. However, the contribution of neglected agricultural production in Nigeria to the GDP was negligible in the past especially in the first Republic when regional competitiveness on agricultural production were of main priority.

There is need to refertilize our policies for there is clear evidence that Nigerian government has not fully harnessed the opportunities of endowed natural resources available in our states and the potential of the oil and gas industry the reasons while I have raised the idea of using oil dependency policy of years for a better sustainable growth and development. It is well known that, after all years of oil exploration and campaign against gas flaring as a global order, gas flaring has still remain a bone of contention in Nigeria, bitter experience and; one of problem confronting oil and gas bearing communities. Companies in Nigeria still flare about 17.2 billion cubic meter of natural gas per year. This wasted gas could be converted for domestic use for the benefit of all Nigeria citizens while much of these could also be exported as national revenue.

At the same time, there is need for diversification of the country economy and stop over dependency on oil exploration considering the load of wealth of natural resources which houses over thirty four states of Nigeria with commercial viable mineral resources. Most of the states and their govenors can be compelled to take the bull by the horn and see to the proper harness of these available mineral resources in their different states. Infact economic integration among states would in no small help our small scale entrepreneurship. This will definitely boost their hard earning internally generated revenues which have become a burden for Nigeria citizens in their different states. It will at the same time boost food security in each state and also, it will reduce montly rush and
dependency on Abuja monthly allocation. Attaining success in the agricultural sector of which our lands could afford for instance, would reduce Nigeria food importation formula. Nigeria can take the lead in feeding Africa through food security scheme considering her population of about 200 million, and her land area of 98.3m and 74 million of which are said to be good for farming, but yet to be explored maximally.

If Ghana could reduce her poverty by half through cocoa farming towards meeting the Millennium Development Goals of 2015 year target. And Angola could manage her oil largesses for better industrial development with strong and improved gross domestic product; Nigeria should be able to do better and boost food security, production to feed her citizens with nutritious food and improve her economy via investment in agriculture and its related value chains. The new scheme of Agricultural Credit Guarantee Scheme under the control of Central Bank of Nigeria as one of Buhari agenda for diversification of economy should be seen as a good development. The ACGS according to CBN Governor is an development of the agricultural facilities to farmers at a single digit interest rate. This which is aimed to enhance natural food security by increasing food supply and affecting lower agricultural product prices is going to give a sure change. We should be aware that agriculture base production could serve as a major way of discouraging militancy especially when oil dependency economy is no more relevant to us. By this bold attempt, we can take our pejigant of militancy through a formidable agric economy, and this could as well use as opportunity to tell our people that most important resources most especially by the virtue of our blessed fertile land and enormous natural resources all around the state of Nigeria.

Nigeria needs to attract countries or regions where crude oil demand is on the rise. More importantly, there is need for creation of necessary linkage between oil and gas industry and other sectors of economy, delinking from petroleum investor’s access to information on oil revenue in budget and actual expenditure to empower citizens to hold government to account. Agriculture need to be avowed as new economic policy of sustainable development in Nigeria with youth engagement in mechanised farming, and information technology-controlled farming processes and agri-preneurship.

Lastly, there should be enforcement of fiscal responsibility and procurement laws at all level of oil revenues generated spending habit for transparency and accountability; this can be possible when all hands are put on deck for the support of anti corruption graft of the present administration. These crusade for change attitude of falsehood, extravagancy among others; including value for money audit, saving for a raining day thorough diversification and investment for the future generation will definitely bring back the old glory of Nigeria, a through giant of Africa not at the level of its population alone, but at the level of political, economy capacity and sustainability.

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