

CRUDE OIL EXPLORATION AND NIGERIA'S ECONOMIC DEVELOPMENT: A REVIEW OF SHELL PETROLEUM DEVELOPMENT COMPANY

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Nigeria undoubtedly has one of the largest global crude oil deposit especially in the Niger delta region. Oil is therefore the primary source of Nigeria's revenue and accounts for about 80% of the total revenue of the Federal and State Governments. There are several international oil companies operating in Nigeria, with major players such as Shell, Exxon/Mobil, Chevron/Texaco, Agip etc which accounts for over 99% of the total crude oil production (Asiodu, 1979).

Although crude oil has been the main financier of Nigeria's economy for decades, there are also other critical sectors that have contributed immensely to the Nigerian economy namely: Agriculture, mining, manufacturing etc. In spite of the seeming importance of oil, agriculture still accounts for great shares in Gross Domestic Product and employs a significant number of the labour force. In 1960 for instance, agriculture contributed over 60% to GDP and the sector remains the largest contributor to the Nigerian economy besides crude oil, accounting for over 38% of earnings from non-oil export and employing about 70% of the active labour force of the population. Although this sector has been neglected by the Federal Government since the discovery of oil in commercial quantity in 1958, but its importance and/or contributions to the Nigerian economy cannot be overemphasized.

Similarly, the Nigerian manufacturing industry has also contributed to the country's GDP with important manufacturing industries such as beverages, cement, textiles, food processing etc. For instance; manufacturing industry contributed 4.2% of total GDP in 2009 (Adeola and Olumuyiwa, 2010)

In the same vein, the Nigerian mining and minerals sector accounts for 0.3% of its GDP. Although it is a critical sector with gold, coal, iron ore and uranium deposits, it remains largely underdeveloped and the Federal Government reserves the right to grant titles to organizations to explore mine and sell mineral resources. The juxtaposition of the Nigerian oil sector with other sectors of the economy aforementioned is to help delineate the criticality and growing importance of the oil sector. Against this back drop, it suffices to say that; although, there are other sectors that contribute to the Nigerian economy, crude oil has remained the main stay of the Nigerian economy and accounts for about 80% of the revenue accruing to the federal government..

The exploration, refining and marketing of crude oil in Nigeria pre-dates 1960 when the British colonial government gave oil concessions to foreign oil corporations under very favorable terms. According to Soremekun and Obi (1993), this pattern of oil concession continued after independence because of the Federal Government's inclination towards attracting foreign investment and its limited knowledge in oil related matters.

The concession era however ended in 1971 with the enactment of the 1969 Petroleum Decree which gave the Federal Government increased regulation of the industry and cut down concession period from 30 years to 1 year (Soremekun, 1987). The post- concession era not only allowed for increased government regulation of the industry, but participation as it forged partnership with private foreign companies to maximize the gains from the oil industry. According to Soremekun and Obi (1993), new investment patterns emerged namely;

Production Sharing Contracts and Joint Venture Agreements. The increased government participation that followed underscored the new sense of national cohesion and the Federal Military Government's desire to optimize the gains of oil for national development and the revamping of critical sectors of the economy after the civil war (Asiodu, 1979).

With increased Federal Government control of oil business, there was a burning desire to transform its role from that of an ordinary collector of oil taxes and royalties to that of an active participant in the regulation of both the upstream and downstream oil sectors. Consequently, the Nigerian National Oil Corporation (NNOC) was set up in 1971 to regulate the industry and in 1977; it was merged with the Ministry of Petroleum Resources to form the Nigerian National Petroleum Corporation (NNPC). The NNPC as it were, not only regulated the oil industry but functioned in it like any other oil corporation in both the upstream and downstream oil sectors (Soremekun, 1984). The import of this is that the NNPC, representing government's interest, played the role of being the regulator, partner and competitor to foreign private investors in the Nigerian oil industry.

Consequently, government adopted series of measures to wrestle control of the oil industry from the multinational oil corporations (MNOCs) which manifested in changing patterns of investment. This was however to be an uphill task for the government as Soremekun and Obi (1993) rightly observed;

"...Nigeria's concrete dependence on the MNOCs who mine and produce the oil, and provide it with the bulk of national revenue, has seriously undermined the ability of the government to organize to control the oil industry (1993:7)."

Thus, while the government gave the MNOCS incentives to mine and produce more oil, it granted oil concession to wholly Nigerian owned companies (Soremekun, 1992). The structural adjustment programme and the national economic crisis that greeted the country in

the wake of the 1980s put the government under tremendous pressure to increase oil revenue in the face of declining global oil prices. This therefore, led to the government's promotion of all private, state and indigenous controlled investment (Soremekun, 1992).

Since 1970, when Nigeria began large-scale exportation of crude oil, it has witnessed regimes that have not been truly committed to the development of critical infrastructure especially in the oil and gas industry. This has placed the country on the list of the poorest countries in the world and left it with the second lowest per capita oil export earnings (Vanguard, 2004).

Regardless of the setbacks that envelop our oil industry architecture, Shell Petroleum Development Company has contributed to taxes, royalties, energy production and community development. For instance, Shell Petroleum Development Company of Nigeria Limited operated joint venture contributed over \$100 billion to the Nigerian government between 2010 - 2017. In 2016 Shell-operated ventures in Nigeria produced on the average, 974 barrels of oil per day and this accounts for about 25% of Nigeria's estimated total oil and gas production in that year. Similarly, SNGL (Shell Nigeria Gas Limited) supplied natural gas from Niger Delta fields to over 61 industrial centers in several states across the country. Shell Petroleum Development Company awarded over \$1.4 billion worth of contracts to several Nigerian companies in 2016 which consequently translated into economic fortunes for the country. They also indirectly created jobs with their patronage of local goods and services in their areas of operation. As at December 2016, SPDC and SNEPCo had over 6,000 direct staff in its employ across states in Nigeria. In 2015, the Afam integrated gas and power project contributed over 17% to the national power grid (SPDC, 2016).

Shell also spearheaded projects in the areas of research and development, skills acquisition and entrepreneurial projects. In addition to these, Shell also massively supports education and also invests in critical sectors such as health care and rural infrastructure. It contributed over

\$164 million in 2015 towards the resolution of social and economic challenges in the Niger Delta region (SPDC, 2016). Shell also partners with critical stakeholders such as the Niger Delta Development Commission in many areas of interest for the Federal Government.

RECOMMENDATIONS

1. Nigeria should adopt clearly defined Home-grown policy programmes that will aid the progression and opening up possibilities for our oil industry.
2. Promotion of local content should be a top priority for government to allow the permeation of technology and know-how into the local population. This will encourage indigenous technology development that will help catapult the oil industry operations to even greater heights.
3. In terms of the transformation of oil into a useful asset to become a catalyst for economic development, Lawal (2006) believes that good utilization of the nation's wealth will efficiently advance productivity to better the lot of the population citing the use of technology, mass literacy, a decent political system and the prudent management of resources. Government should as a matter of urgency resuscitate and revive the grounded refineries and also build "Green field" refineries to complement the existing ones.
4. Although there appear to be a conscious shift from the JOA to the PSC due to the allocation of land areas in shallow and deep offshores (Madaki, 2005). The federal government should ensure that all contractual arrangements under the current contractual models with the SPDC is properly implemented such that there is no default on contractual terms as is often the case.

5. The Petroleum Industry Governance Bill application will reduce bureaucracy, create an efficient/effective governing institution with clear cut roles, promote transparency in administration, create conducive business environment and a profit driven petroleum entity.

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