

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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Abstract

Nigeria is the largest oil producing in the Sub- Saharan Africa, with 32

Index terms— nigeria, oil and gas, sustainable development, militant and oil reliance.

1 I. Introduction

igeria 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 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

1 I. INTRODUCTION

45 is humid with a mean average temperature of 24-32°C and coastal area has an average annual rainfall ranging
46 between 1,500-4,000mm (Kuruk, 2004). Anifowose (2008) and Onuoha (2008) cited in their studies affirmed that
47 the Delta region of Nigeria which made of coastal area has about 606 oil fields with 355 situated onshore; 251
48 situated offshore with 5,284 drilled oil wells and 7,000km of oil and gas pipelines. There are several rivers that
49 channel into the Atlantic Ocean directly, all other flowing waters flow into the Chad basin or into the lower Niger
50 to the sea eventually (Kuruk, 2004). Without gain saying, oil export in Nigeria Niger Delta coastal area remains
51 the larger export of Nigeria economy.

52 As far as at late 70s, Nigeria has four oil refineries with an estimated total refining capacity of 445,000 barrels
53 per day (Onuoha, 2008; Anifowose, 2008). The first and oldest being the Port Harcourt refinery, commissioned
54 in 1965. It had an initial capacity of 35,000 barrels per day, which was later expanded to 60,000 barrels per day
55 of light crude oil. The Port Harcourt refinery has a second refinery with a capacity of 150,000 barrels per day
56 (Odeyemi and Ogunseitan 1985; Ukoli 2005). These refineries today have gone to state of doldrums which has
57 made Nigeria to have continued exporting its crude to the foreign refineries for many years. This process is found
58 to have yielded more benefits to the political elite who are feeding fat under the politics of oil subsidy; however, it
59 has been a bitter experience for Nigeria citizenry. Like many other oil producing countries, Nigeria has not been
60 spared the agony over the years as a result of recurrent violent conflicts associated with exploration, production
61 and the mis-appropriation of oil resource (Obi, 1997). By most accounts, Africa in general had been blessed
62 with numbers of natural resources and Nigeria in particular, had supervulously witnessed an "unprecedented boom
63 in oil production" (Southall, 2009). The extraction of oil by countries in Africa and other parts of the developing
64 countries nevertheless have always leads to political repression, corruption and violence" (Klare and Volman,
65 2006: 625). In Nigeria, for example, following the post independent, and early 1967 oil related disputes had
66 motivated as insurrection by a major ethnic group in the Niger Delta Region, (the repository of almost of the
67 nation's oil and gas reserves) in Nigeria. Less than a year after, the nation experienced a civil war (the Biafran
68 war of 1967-70) which was not unconnected with disagreements over sharing of oil revenues. While the country
69 has managed to maintain a fragile post-war peace, since middle of 90's down to late 90's; there have been on going
70 violence and uprising on oil resources with a renewal calls for self-determination and local control of oil resource
71 by the agitators in the oil producing communities. Going by all these challenges, it is in no doubt that, Nigeria
72 has been on struggling, and its manageable adaption to remain the biggest economy on the continent has nothing
73 than thanks to its oil wealth surplus.

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

84 This, alongside World Bank estimates that 80 percent of energy revenues benefit just one percent of the
85 population, has given observers real cause for concern. For example, starting from 2015, from global scene, the
86 price of crude oil has continued to experience a downward trend. The price which stood at an average of \$112
87 per barrel in June 2014 slipped to \$35 per barrel in December, 2015, the price that was far below the budget
88 benchmark of \$53 per barrel for year 2015 (Chika, 2016). The Nigerian economy has been substantially unstable
89 a consequence of the heavy dependence on oil revenue, and the volatility in the prices of oil. As at the mid 1970s,
90 petroleum exploration and production had dominated the Nigerian economy, with this, Nigeria moved from an
91 agricultural economy based on the export of palm oil, cocoa, and groundnuts to a petroleum economy based
92 on crude oil extraction (Umoren, 1984). As the Nigerian government focused its attention on the petroleum
93 industry, the agricultural industry was neglected. Under-investment, a steady drift away from the land to urban
94 centers, increased consumer preference for imported foodstuffs (particularly rice, wine and wheat) and outdated
95 farming techniques continued to keep the level of food production well behind the rate of population growth. The
96 country of over 180 million people today is forced to import food at high Western prices to feed its people, even
97 domestic staples such as rice and beans. However, at the same time the Western countries encouraged Nigeria,
98 like other Third World countries, to sell to them at low prices their crude, leading to a further decline in the
99 agricultural industry.

100 Not only has the agricultural sector in Nigeria been ignored over the years, but so has the industrial
101 sector. Unlike many developing countries where the agricultural based economy is replaced by a labor intensive
102 manufacturing industry, there were few industrial jobs to take the place of the disappearing agricultural
103 development in Nigeria (Nwankwo, 1982). Even as at 1995, manufacturing only accounted for only 5% of the
104 GDP (Van Buren). The contraction of agriculture and manufacturing with the military structural adjustment
105 policy (SAP) has led to high unemployment and an increased sense of frustration. Unfortunately, while petroleum
106 became the mainstay of the economy in terms of both export revenues and attracting foreign investments, it has
107 never been influential in terms of employment for the Nigerian people (Wright, 1998). The oil boom had a crucial

108 impact on domestic politics as revenues accrued to the federal government. The growth of oil revenues combined
109 with and reinforced a trend towards the centralization of power by the military government. Because of the
110 lack of other industries, state governments became dependent on the national government for funds, contributing
111 heavily to the contraction of social services and inability of many states to pay their workers salary in the recent
112 years.

113 The influx of wealth also contributed to rampant corruption, making Nigeria one of the most corrupt
114 governments in the world. The country oil sector is regarded as one of the least transparent globally. In a
115 2010 survey of 44 National and International Energy Companies by the Revenue Watch Institution (RNI), the
116 NNPC brought up the rear (Katsouris and Sayne, 2013). Corrupt officials have easy access to government funds
117 and since the oil boom first began, millionaire generals have become common. There has been an estimated \$176
118 billion of unaccounted oil revenues during the 1980-1992 periods (Wright, 1998). The worse situation was the
119 series of reports on oil money logging into different accounts of politicians by the past administration of President
120 Jonathan, and evidences are the recent discovery by the Economic and Financial Crime Commission (EFCC).
121 The oil boom of the 1970s which has been a follow up till late 90s led to the neglect of non oil tax revenues,
122 expansion of the public sector, and deterioration in financial discipline and accountability.

123 Nigerian masses have become impoverished while handfuls of millionaires consume and spend (Nwankwo,
124 1982). The hardship suffered at the hand of their political leaders had speed up the groups of violently radicalized
125 agitators especially from the oil bearing communities of Niger Delta; those who their activities have made a
126 threat to Nigerian economy. In fact it was revealed that security fears, together with poor governance and rampant
127 corruption has brought Nigeria's oil and gas output on the steep side of decline. In turn, oil-dependence exposed
128 Nigeria to oil price volatility which threw the country's public finance into disarray. According to Sala-i-Martin
129 and Subramanian (2003), Waste and Dutch disease manifesting in rapid capital accumulation and negative
130 Total Factor Productivity (TFP) characterized Nigeria's many years of political post-independence development
131 experience. While capacity utilization averaged about 77 percent in 1975, it had declined to about 50 in 1983
132 and until very recently has languished at about 35 percent since the mid 1990s; the recent decline in the global
133 oil prices coupled with emergence of insurgency has however done a great damage of irreversible.

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

144 Over the last years of her oil boom, Nigeria for example has received over \$300 billion in oil revenues after
145 deducting payments to the foreign companies (Gary and Karl, 2003; Sala-i-Martin and Subramanian, 2003). Yet
146 the country is marred in poverty. In 1965, Nigeria's oil revenue per capital was about US\$33, per capita GDP
147 was US \$245. However, in 2000 when oil revenue grew to US \$325 per capita, per capita GDP remained at the
148 1965 level, implying that oil revenue accumulated over the 35 year period between 1960 and 2000 did not add
149 value to the standard of living of Nigerians (Sala-i-Martin and Subramanian, 2003). It is a common view in
150 literature that mismanagement of oil boom of the early 1970s prepared the economic doom of the late 1980s and
151 thereafter. A thoughtful primary school child according to Ezekwesili can figure out that the mathematics of oil
152 revenue in a season of oil boom does not add up at all in Nigeria (Ezekwesili, 2013). Nigeria's per capita GDP
153 (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
154 the country among the fifteen poorest in the world.

155 Consequently, oil production in Nigeria has given rise to vertical conflicts among different groups across
156 geographical boundaries, ethnic groups, communities, class among others in Nigeria. Many factors have been
157 identified as causes which are: the high global demand for energy resources notably, oil and gas which encourage
158 foreign Trans National Corporations to exploit resources. The internal weakness of internal resources governance
159 in the oil producing states, and consequently, interfere in their domestic politics and lastly, the high rent that
160 accrue from the resources, which in diverse ways can be linked to corruption and greed on the part of political
161 elites vis-à-vis local communities which had heightening the expectation of local populace of the oil producing
162 communities (Obi, 2004). Pervasive sleaze and graft in the oil sector explains much, but not all, of so-called
163 "resource curse" (Amuwo, 2013). Alao in his work: national resources and conflict in Nigeria: the tragedy of
164 endowment said that; resource conflict and politics remained indifferent to its national politics of most naturally
165 endowed states. For example, corruption pervading the Nigeria politics applies not only to the sums of millions
166 dollars that can be involved at federal level, but those that get into the hands of the local political elites in each
167 of their communities.

168 The percentage of Nigerians living below the United Nations US\$1 per day absolute poverty line has risen
169 from 27 in 1980 to 66 in 1996, and 70 in 2000. At the same time, income distribution has deteriorated sharply
170 with more and more people pushed towards poverty and towards extreme wealth. With a Gini index of 50.6 in

2 II. SECURITY THREATS AND ITS IMPACTS IN NIGERIA'S OIL PRODUCTION

171 1996-97, Nigeria's richest 10 percent controls 40.8 percent of the country's wealth and the poorest ten percent
172 only a negligible 1.6 percent (CIA Fact Book, Nigeria, 2005), whereas in 1970 the top 10 and bottom 17 percent of
173 the population earned the same amount of income (Sala-i-Martin and Subramanian, 2003). Nigeria Sub-Sahara
174 Africa's largest oil producer has given a classical illustration of "national resources as development trap". Rich
175 in proven resources approximately 30 billion barrels of oil and gas having earned an estimated \$340 billion over
176 the past years, Nigeria oil exports rank only behind Saudi Arabia, Venezuela, Iran and United Emirates. Her oil
177 dependance account 83% of export earning and approximately 40% of GDP cited by (Philips, 1997; Onosode,
178 2003 and Imobigbe, 2007) remained an old glory. Thus inspite of all these above mentioned reports Nigeria oil
179 economy export as at today is largely decline and her citizenry especially those in oil and gas bearing communities
180 are impoverished. Exploration of oil in Nigeria interfaces and further disrupts both the natural and the social
181 life of the people. The disruption causes conflicts which need to be addressed and one of the ways to address it
182 is through diversification economy, the reconstruction synergy for sustainable development, peace and security in oil
183 producing communities, and for the better national stable economy.

184 2 II. Security Threats and its Impacts in Nigeria's Oil Produc- 185 tion

186 More fundamental problems are increased risk of security in the oil gas producing communities of Delta region,
187 Nigeria. This by the researchers had been established as a link between resources motivated conflict and economic
188 collapse ??Collier and others, 2003; ??kaperdas, 1992; ??einger, 2003). Nigeria as oil economy dependent country,
189 has remained largely underdeveloped and its citizens most especially, those in oil and gas bearing communities
190 are impoverished with their socio-economic status very low. Soysa, (2011); Donner, (2009); and ??eszkalynys
191 (2009Weszkalynys (, 2011)) for instance blamed crude oil for the underdevelopment of oil-rich African states
192 and the common denominators of instability and violence in those countries. According to the trio, the paradox
193 of plenty in Africa is that the continent is rich, its people are poor-and in many cases extremely poor. It has been
194 observed that security fears; together with poor governance and rampant corruption from oil sector has push out
195 Nigeria's oil output in the recent times to the steep side of decline (Timms, 2016). The activities of militant
196 groups and the recent activities of militancy in the oil-rich Niger Delta region after the 2015 presidential election,
197 had inflicted untold levels of destruction on key oil sites and put a serious dent into the production of crude oil
198 and gas. Given that the Niger Delta brings in around 90 percent of the country's foreign exchange earnings and
199 80 percent of government revenues, any threat to it automatically become a threat to Nigeria's economy as a
200 whole.

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

214 Nigeria nation has made a name for itself as a rich nation in natural resources, also has been considered as
215 one in which citizens are severely handicapped by a low-growth climate and endemic corruption; qualified as
216 fantastically corrupt country. With little incentive to raise taxes or focus on other sectors, plentiful resources
217 have been known to cripple once-fruitful economies and shrink government responsibility. Nigeria's oil and gas
218 resources have been found to have the highest risk of civil conflict this of course happened because of the large
219 rents it offers and the shocks to which the government and the national economy are exposed (Collier and
220 Hoeffler, 2005; Fearnon and Lanton, 2005). These conflicts often attended by kidnapping of foreign workers
221 for ransom (hostage taking), vandalization of oil pipelines, oil theft and some times blow up of oil and gas
222 installations have taken on frightening dimensions over the years. While the annual value of oil stolen from
223 Nigeria estimated at between \$3 an \$8 billion dollars palis into insignificance compared to \$550 billion, the
224 annual value of drug sold globally (Book, 2013; Katsouris and Syne, 2013), it is huge loss to Nigeria's ailing mono
225 cultural econmy. However, the negative impact of local bunkary on the region's political economy runs deeper
226 than petrol dollara losses. The Nigeria state's logitically and credibility are regularly called to question; human
227 security is in constant jeopardy; and deepening uncertainty around safety of pipelines and other infrastructures
228 instantly threatens system shutdown. Some of the first armed activities that emerged from the oil-rich region
229 of Nigeria, ranging from the Boro-led Niger Delta Volunteer Service (NDVS) in 1966, the Ken-Saro-Wiwa-led
230 Movement for the Survival of Ogoni People (MOSOP) in 1992, the Aleibiri Demonstration (AD) in 1997, the
231 Kaiama Declaration (KD) in 1998, the Odi Massacre (OM) in 1999, the Asari Dokubo-led Niger Delta Peoples

232 Volunteer Force (NDPVF) in 2004, Movement for the Emancipation of the Niger Delta (MEND) in 2005, Tom
233 Ateke-led Niger Delta Vigilante (NDV) and several other militant groups (Eseduwo, 2007). The profiles and
234 activities of selected militant groups in the Niger Delta since 2003; have proved deadly with kidnappings and
235 taking over oil facilities in the volatile Niger Delta. The movements claim that their activities are to seek a
236 redistribution of oil wealth and increased local control of their God given resources. These groups are notorious
237 for kidnappings of oil workers (especially expatriates) for ransom with negative consequences on the Nigerian
238 state since the deteriorating security has forced some oil services firms to leave the country (Badmus, 2010).
239 (Ibi (2004) when studies globalization, oil industry and local community politics showed that globalization, oil
240 local politics nexus is characterised by conflict relations arising from the mode of production, its exploration and
241 production consequences. According to him, the global oil giants, the state and local authorities, elites fractions
242 seek to maximize oil extraction and optimize profit while on the other hand, the villagers who are disposed of
243 their farmlands and fishing ground suffer the wide spread impact of oil pollution, environmental degradation
244 and gas flaring seek to block or resist oil based accumulation. (Teng (1998) had arguably explained that the
245 potential benefits of links to the oil and gas industry have thus exacerbated conflicts within and among the oil
246 producing communities. He further put thus:

247 **3 Oil exploration and exploitation have instigated and intensified**
248 **bitter and bloody conflicts between emerging interest groups**
249 **within and between competing claimants. Such conflict are**
250 **range between elite groups, between competing claimants of**
251 **communities traditional chieftancy stools between youths or-**
252 **ganization on one hand, and between them and community el-**
253 **ders; between the urban resident elite and village community**
254 **resident and even between village and emergent professional**
255 **community.**

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

264 Thus while Nigeria can boasts of her abundant natural resources, yet her failure to crack down on endemic
265 corruption and incessant conflicts has eroded its status to such an extent that as at May 2016, lost its title as
266 the continent's leading oil producer to Angola. This has occurred because of deteriorating political and security
267 situations that posed much threat to Nigeria output in oil and gas production. Oil losses on account of militancy
268 amounted to over \$1 billion annually. The department of petroleum resources claims this figure represent 32% of
269 the revenue the country generated that year (NNPC, 2009). In 2006, MEND claimed to have achieved a goal of
270 cutting Nigerian output by 30% and has apparently succeeded (Watts, 2007). These destructions have reduced
271 both export revenue amount going to the Federation Account. Furthermore, due to the Niger Delta crises,
272 merchandise trade for the second quarter of 2007 stood at 2.74 trillion (\$19.8 billion), that is a decrease of N208.4
273 billion (\$1.7 billion, 7.8 percent) from the year's first quarter (Watts, 2007). Commenting on the beginning
274 of the drop in oil production in Nigeria, Tanimu (2009) noted that immediately after election, violence in the
275 Niger Delta region drop Nigeria's crude oil output by nearly 1 million barrel per day, plunging production to its
276 lowest level since early 2003. The Managing Director of NNPC Funsho Kupolokun disclosed that the country was
277 losing 600,000 barrels of oil daily because of conflict and insecurity in the Niger Delta (Punch Newspaper, May,
278 2008). The Technical committee on Niger Delta reported that the average of 700,000 barrel of oil was lost per
279 day (TCND Report, 2008). The committee highlighted that these losses were recorded each time the militants
280 attacked oil installations.

281 In spite of the soaring price of oil in the international market, the value of oil exports for the second
282 quarter of 2007 was N1.61 trillion (\$12.9 billion) a decrease of 5.8 percent over the first quarter (PENGASSAN,
283 2009). Tracing the history downward, Onuoha (2016) asserted that in mid-2015, the insurgency resurfaced and
284 has become a major security concern to Nigerians, the federal government, regional shipping companies, and
285 international oil interests. Intensified attacks on oil infrastructure by new militant groups such as the Niger
286 Delta Avengers (NDA) have reduced Nigeria's output to a 22-year low. As a result, President Muhammadu
287 Buhari has responded by directing the military to "crush" the NDA, resulting in a heightened military presence

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

288 across the Delta region and has brought about growing concern that further escalation of violence could cripple
289 oil production, with dire, cascading economic and security consequences for the country.

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

297 4 Source: CNBC, 2016

298 Regardless of either assessment, this is still below the production level of Angola, which held steady in April, 2016,
299 at 1. Niger Delta Avengers like other militants for example, have caused the country to lose at least N100.4bn
300 earthys in 13days of their first attacked on May 20 th , 2016. Niger Delta Avengers has earlier promised to
301 sabotage the economy of Nigeria and their niferous activities which had given grater effect in the huge decline
302 in crude oil production. According to their spokeman he said "we have a message to big oil when we warned
303 that there should be no repairs pending negotiation/dialogue with Niger Deltal people, it means there should
304 be no repair." Among the groups following the Avengers' model is the Niger Delta Greenland Justice Mandate,
305 which claimed an attack on a pipeline on Sunday to protest a meeting this week between President Muhammadu
306 Buhari and regional leaders. The NNPC said the subsisting force of Majuere of Forcado's terminal means that
307 about 380,000 barrell per day shut in cargoes were deftered until repairs are completed. Official report by the
308 minister of state for petroleum resources, Dr Ibe Kachikwu has earlier confirmed that, the nation's oil output
309 has dropped by 800,000 barrels per day to 1.4 million bpd since May 16 th 2016; this he states, Nigeria has lose
310 N100bn in 13 days (Punch Newspaper May 29 th , 2016) .

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

319 Thus, owing to recent attacks on critical infrastructure, Nigeria's oil production has plummeted from 2.2
320 million bpd to about 1.4 million bpd (AFP, 2016). Nigeria is already losing about N2.79 billion (\$14 billion)
321 daily to the closure of the ExxonMobiloperated Qua Iboe terminal, following the evacuation of Exxon-Mobil's
322 workers. This has compounded government revenue losses caused by the fall in global oil prices since mid-2014.
323 In addition to crippling oil exports, the new wave of militancy in the Delta has also choked the supply of gas to
324 local power plants, thus hobbling Nigeria's power grid. Electricity generation in Nigeria has declined from about
325 4,800 megawatts in August 2015 to 1,000 megawatts in May 2016 (AFP, 2016), seriously undermining overall
326 productivity and service delivery in the economy.

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

339 5 III. Nigerian Crude oil Decline: The Need for Economy 340 Diversification

341 Coincedentally, before this time, Nigeria crude was very refiners' oil of choice. Most of refiners wanted to refine
342 Nigerian light sweet oil in order to produce a substantial amount of middle distillates and gasoline, the profit
343 making product for refines. With the recent deline in the oil price, Nigerian crude has become overhang, glut,
344 and over supply with high number of unsold barrels. Nigerian crude has lost its appeal and with the growing
345 pace of technological advancement in refineries that can take a greater variety of crude grades, Nigeria crude is
346 no longer the talk town (Oil Gram Report, 2016). In the past six years, Nigeria has lost its biggest customer, the
347 U.S, which now buys only small amount of Nigeria crude oil due to dramatic rise in domestic scale production.

348 Nigeria has not been able to adapt to this loss. Majority of Nigerian crude oil today travels to Europe, a region
349 where oil demand is on decline, and this does not bode well for African the largest oil producer. For example,
350 out of five biggest global oil importers-China, U.S, Japan, India and South Korea, it is only really India that
351 buys a significant amount of Nigeria crude. Nigeria therefore needs to attract countries or region where crude
352 oil demand is in the rise.

353 More importantly, while experiences of oil exporters across the globe shows that oil dependence is most often a
354 perilous development path, it is also evident that the negative outcomes of oil and other resources can be avoided.
355 For example, Norway has used the benefits from North Sea oil to earn the highest place on the UN human
356 development rankings ??Gary and Karl, 2003). Mexico and Malaysia have also fared well among developing
357 oil exporters. Angola formally called the third biggest economy after South Africa and Nigeria has performed
358 wonderfully well in the recent years with a GDP of over \$104 billion in 2011. It has now being considered the
359 fastest growing economies. This has been achieved as a result of FDI capital inflows into the country vast oil and
360 gas industry ??Amuwo, 2013). Steady investment in the energy infrastructure since the end of the devastating
361 27years of civil war has gradually developed the sector. Taken as example, the official goal of the country's current
362 National Development Plan (NDP) 2013-2017, is to create a new Angola by giving priority to provide investment
363 to diversify and create jobs. This is not the case in Nigeria, and apart from the fact that Nigeria several industries
364 have developed around oil and gas; most of oil largeses are being misappropriated, and the huge amount from
365 oil resouces are spread across different private individual accounts outside Nigeria. According to the Director
366 General (D-G) of the Chamber, Muda Yusuf the drastic decline oil crude oil consequently led to various fiscal
367 and economic challenges such as the drop in foreign earnings, strained fiscal budget and huge financial bailout
368 for some state governments, general cash flow issues in the economy and unstable business environment.

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

378 Nevertheless, regarding the state of Nigeria's economy, petroleum, especially oil, has been its main driver
379 since the end of the civil war in 1970. These facts not withstanding, the impact of Nigeria's industrial sector
380 (oil and gas sector inclusive) to the overall GDP remains abysmal. This contention is more so if one keeps in
381 perspective the national government (HG) investments in upstream joint venture (JV) operations in Nigeria. It
382 is estimated that HG spent about \$19 billion for JV operations in Nigeria from 2002-2006 (Delano, 2007). With
383 these large government investments in the upstream oil and gas sector, the potential to derive maximum wealth
384 and a sustained economic growth from the oil and gas industry should be indubitable. So the questions to ask
385 are what the future holds for oil and gas in Nigeria and how Nigeria can attain its economic aspirations using oil
386 and gas industry as the prime mover of its economy diversification in the next five years

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

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

402 6 IV. Conclusion and Recommendations

403 Though Nigeria's economic problem or global declining in oil price is not peculiar to us alone, other oil producing
404 nations like Venezula were also feeling a lot. Our negative attitude to agricultural product has given the much
405 read of our present experience. This is clear because our oil which used to be source of many is no longer
406 bringing in money, as a result we are positively responding to the reality. Our own become more pronounced
407 because we lived life of falsehood in the past guided by our gross appetite for corruption, consumption of what
408 we are not produced, and lack of productivity since there have been flowing money from crude oil. However, the

6 IV. CONCLUSION AND RECOMMENDATIONS

409 contribution of neglected agricultural production in Nigeria to the GDP was negligible in the past especially in
410 the first Republic when regional competition on agricultural production were of main priority.

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

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

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

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

449 Lastly, there should be enforcement of fiscal responsibility and procurement laws at all level of oil revenues
450 generated spending habit for transparency and accountability; this can be possible when all hands are put on
451 deck for the support of anti corruption graft of the present administration. These crusade for change attitude
452 of falsehood, extravagancy among others; including value for money audit, saving for a raining day thorough
453 diversification and investment for the future generation will definitely bring back the old glory of Nigeria, a
454 through giant of Africa not at the level of its population alone, but at the level of political, economy capacity
455 and sustainability.¹

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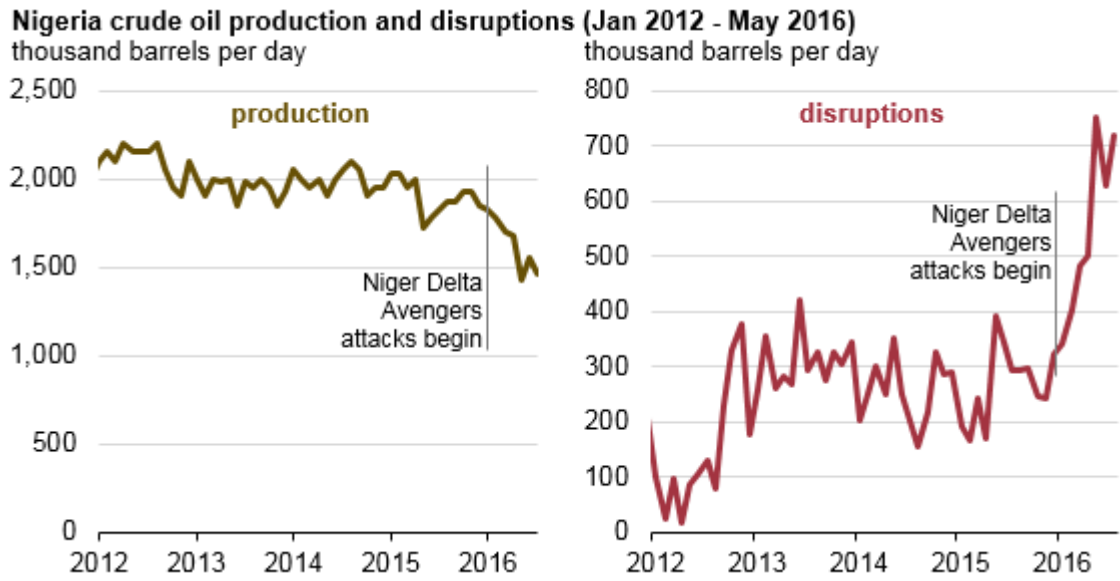


Figure 1:



Figure 2:

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