

The Role of Nigerian National Petroleum Corporation in Economic Development and Security Challenges in Nigeria

Enwemeka Stanley¹, Ogbette, Afamefuna Samuel^{2*}, Okoh, Joel Ogechukwu³

^{1,2,3}Department of Public Administration and Local Government University of Nigeria, Nsukka, Enugu State, Nigeria

**Corresponding Author:* Ogbette, Afamefuna Samuel, Department of Public Administration and Local Government University of Nigeria, Enugu State, Nigeria, Email: ogbetteafamefuna@ymail.com

ABSTRACT

The study examined the Nigerian National Petroleum Corporation role in economic development and security challenges in Nigeria. From the study, we realized that NNPC which is federal government oil corporation through which the federal government regulate and monitor the oil and gas industry has achieved some reasonable feet in the sector, but at the same time, marred with some challenges such as assets integrity issues, crude oil and product theft; sub-commercial contracts; low capacity utilization of refineries; issues of subsidy management and inefficient business model. On the side of security, it has continued to be reoccurring problem over the years mostly in the Niger-Delta region and North-East Nigeria where militants and terrorists reside respectively and as a result of that, it has always affected the performance of NNPC towards contributing meaningfully to the economic development of the country over time. The following recommendations were made: there is need for the federal government and other stakeholders in the industry to always re-orient the public and at the same time engage the youths massively and in area of intelligence gathering. There is need for the NNPC to implement audit report recommendations by Price Water House Coopers (PWC) (January 2012- July 2013) and Nigeria Extractive Industries Transparency Initiative (NEITI) audit report (2013) released 2016 for improvement of NNPC economic activities.

Keywords: NNPC, Economic, Development, Security and Nigeria

INTRODUCTION

There is no doubt that the spate of insecurity in the country is alarming. There are several security challenges which cut across the nooks and crannies of the country. The most common one is the terrorists' attacks in major parts of the Northern region. This has made national security a threat, and become a major issue for the government and has prompted huge allocation of the national budget to security (Achumba, Ighomereho & Akpor-Robaro, 2013). The rate of violent crimes such as terrorism, kidnapping, armed robbery and banditry, suicide bombing, religious killing, ethnic clashes, farmers-herders crisis, militancy, politically-motivated killing and other forms of criminal activities in the country are becoming increasingly regular and have an occurrence that characterized life in the country. Nigeria has consistently ranked low in the Global Peace Index (GPI, 2012), signifying a worsened state of insecurity in the country (Achumba, et al in Adegoke 2014). In the same vein, the challenges of insecurity has assumed formidable

dimensions forcing the country's political and economic managers and indeed the entire nation to the rue, the loss of their loved ones, investment and absence of safety in most parts of the country (Onifade, Imhonopi and Urim, 2013). However, Nigerian National Petroleum Corporation (NNPC) which is the Oil Corporation through which the federal government of Nigeria regulates and participates in the country's petroleum industry has been faced with security challenges. Over the years, crude oil and product theft has been major security challenge for NNPC.

Oil theft in Nigeria is considered to be illegal appropriation of crude or refined oil products from the pipelines of multinational oil companies. Oil theft in Nigeria is facilitated by the extensive corruption between security forces, militia organizations, the local population, and oil company employees who use a variety of methods to steal oil from the multinational oil corporations that are stationed within the country. Currently, Exxon Mobil, Chevron, Statoil, Shell and Agip are the five largest

multinational oil companies present in Nigeria and due to the lack of federal oversight and a large network of corruption, oil theft is primarily cellular rather than hierarchical and requires frequent collaboration between a variety of random players depending on the level of oil theft being committed. This crime is done through the following methods such as hot-tapping (this is an illegal secondary pipeline belonging to oil theft criminals that is attached to a high-pressure primary pipeline belonging to a multinational corporation. After this breach is successful, oil is diverted from the primary pipeline into mobile oil bunkering facilities that are attached to the secondary pipeline), cold-tapping (it is a process where a portion of a pipeline is blown up and a secondary pipeline is attached to the shut-down primary pipeline) and transportation method to perform oil bunkering and steal thousands of barrels of oil per day from established oil pipelines (Forbes, 2019). Furthermore, NNPC was established on 1 April 1977 as a merger of the Nigerian National Oil Corporation and the Federal Ministry of Mines and Steel. NNPC by law manages the joint venture between the Nigerian federal government and a number of foreign multinational corporations, which include Royal Dutch Shell, Agip, ExxonMobil, Total, Chevron, and Texaco (now merged with Chevron).

Through collaboration with these companies, the Nigerian government conducts petroleum exploration and production. In 2007, the head of the Nigerian wing of transparency international said salaries for NNPC workers were too low to prevent graft (Wikipedia, n.d). Thus, this paper was embarked on to examine the role of NNPC on economic development and security challenges in Nigeria

ECONOMIC DEVELOPMENT

Economic development is the process in which a nation is being improved in the sector of the economic, political, and social well-being of its people. The University of Iowa's center for International Finance and Development states that: "the term has been used frequently by economists, politicians, and others in the 20th and 21st centuries. The concept, however, has been in existence in the West for centuries. Modernization, westernization and especially industrialization are other terms often used while discussing economic development. Economic development has a direct relationship with the environment and environmental

issues". Economic development is very often confused with industrial development, even in some academic sources. Whereas economic development is a policy intervention endeavor with aims of improving the economic and social well-being of the people, economic growth is a phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out "*economic growth is one aspect of the process of economic development*".

NNPC Significant Achievements in Nigerian's Economic Development

- NNPC oversaw the country's first equity stake in oil production with the Agip Oil Company in the mid-60s to better exploit resources for national development.
- It spearheaded oil exploration to confirm Nigeria's position as the top crude exporter in Africa in the 1970s, boosting oil revenue from N200 million to N10 billion through the decade.
- In 2004, the NNPC unveiled plans to launch the ambitious West African Gas Pipeline to supply Nigerian natural gas to several neighboring countries.
- Nigeria emerged as an important exporter of natural gas with the establishment of the liquefied natural gas plant in Bonny in 2005 as part of efforts to end gas flaring by the end of this year.
- NNPC entered into a \$ 1 billion dollars joint-venture in the offshore Agbami fields to increase national crude production capacity by a further 250,000 barrels per day.
- Through its recent Okapi Power Plant, the NNPC will generate the first carbon credit in compliance with the Kyoto Protocol and related UN resolutions (Building C, n.d).

Under the reviewed period, NNPC worked aggressively in revamping the oil and gas industry into an engine for job creation, poverty alleviation and rapid national growth which were and still some of the fundamental objectives/roles of the NNPC. Such objectives/roles are as follows:

- Enhancing access to capital and technology and promoting independent control of joint-venture investments.
- Multiplying gas production and improving transmission to both domestic and regional gas markets.

The Role of Nigerian National Petroleum Corporation in Economic Development and Security Challenges in Nigeria

- Achieving production efficiency and selective growth to improve capacity in joint-venture operations.
- Establishing strategic partnerships with global gas companies to secure presence in international markets.
- Rationalizing the NNPC portfolio to ensure focus on high-growth potential assets.
- Implementing further reforms in the oil and gas sector to improve transparency and boost investor confidence.
- Reducing operational constraints and production suspensions resulting out of vandalism and violence.
- Extending refineries and gas-based industries to help turn Nigeria into a regional hub for petroleum products (Building C, n.d).

CHALLENGES OF NNPC TOWARDS ECONOMIC DEVELOPMENT

Economic development is the process by which a nation improves the economic, politics, and social well-being of its human. The term has been used frequently by economists, politicians and others in the 20th and 21st centuries. The concept, however, has been in existence in the West for centuries (Wikipedia, n.d).

In the study, the Nigerian National Petroleum Corporation (NNPC) listed the challenges confronting the corporation towards economic development to include assets integrity issues, crude oil and product theft; sub-commercial contracts; low capacity utilization of refineries; issues of subsidy management and inefficient business model (Roseline, 2015). Specifically, the corporation lost N345.7 billion to pipeline repairs and associated costs; crude oil and product theft/losses and unrealized subsidy claims in 2015 alone. The corporation said in its January to August report of the country's petroleum sector obtained by The Guardian on Monday that incessant pipelines breakages nationwide have led to massive leakages and huge accounting losses to NNPC (Roseline, 2015). It disclosed that pipeline repairs and other associated cost accounted for about N69.4 billion in 2015 alone. It noted that about N45.8 billion was recorded as crude oil and product theft and losses for 2015 resulting from vandalized pipelines. "About 1,824 pipeline breaks recorded by Petroleum Product Marketing Company (PPMC) in 2015 so far.

NNPC said that poorly negotiated legacy contracts have contributed adversely to the profitability of the corporation. It added that low capacity utilization of refineries was largely due to refinery asset integrity issues and lack of crude oil feed due to vandalized pipelines.

Finally, NNPC added that unrealized subsidy claims of about N231 billion for 2015 alone was responsible for over 61 per cent of the deficit recorded by the corporation (Roseline, 2015)

THE PROBLEM WITH NNPC

NNPC which is Federal Government oil Corporation have the following major problems below:

- NNPC fails to always remit in full to the Federal Government account as demanded by Section 162 (1) of the Constitution.
- NNPC don't render full disclosure of their financial activities for public perusal even when accountability and transparency is part of their conduct.
- Adamant on implementation of forensic audit reports made by Price Water House Coopers (pwc) (January 2012- July 2013) and Nigeria Extractive Industries Transparency Initiative (NEITI) audit report (2013) released 2016

NNPC AND SECURITY CHALLENGES

The Nigerian National Petroleum Corporation (NNPC) has outlined plans to establish a security advisory council aimed at bringing a lasting solution to the perennial problem of pipeline vandalism and sundry security challenges bedeviling the oil and gas industry. Speaking during a visit to NNPC by the management of Media Trust Limited, the Group Managing Director of NNPC, Dr. Maikanti Baru, said there was need to evolve new measures to bring an end to pipeline vandalism which is a major threat to the nation's economy.

Dr Baru said the security advisory council would involve critical stakeholders which security agencies, Niger Delta leaders, International Oil Companies which would address all security and host community agitations. We want to passionately appeal to those behind indiscriminate acts of infrastructure vandalism to put an end forthwith to these despicable acts which are a great threat to the economy, the eco-system and energy security of the country (NNPC, 2017). Again, the Nigerian National Petroleum Corporation has attributed

The Role of Nigerian National Petroleum Corporation in Economic Development and Security Challenges in Nigeria

security challenges to be the stumbling block in the exploration of oil in the Chad Basin. This was even as he said there are oil prospects in the basin General Manager, Frontier Exploration Services; DrMazaduBako stated this during the 50th-anniversary celebration of Geology Department, Ahmadu Bello University (ABU), Zaria on Tuesday (30th January).

Bako in his keynote address stated that plans are at the advanced state to begin the oil exploration, but security is a major challenge around the Chad Basin and the North-East in general. He stated categorically that, “if the security situation was not the way it is by today, our locations for drilling would have been ongoing in construction” (NNPC, 2018).

RECOMMENDATIONS

From the study, the following recommendations were made:

- There is need for the federal government to do aggressive re-orientation to the public and at the same time engage the youths massively and in area of intelligence gathering.
- There is need for the NNPC to implement audit report recommendations by Price Water House Coopers (PWC) (January 2012- July 2013) and Nigeria Extractive Industries Transparency Initiative (NEITI) audit report (2013) released 2016.
- There is need for all the stakeholders to be adequately engaged most especially in area of cutting off saboteurs from the affairs of running the corporation.
- The federal government should ensure that every contract/financial transactions made by NNPC should be made public and spirit of transparency and accountability should be encouraged to the fullest.
- Experts with wealth of knowledge should be sorted for at least for proper subsidy management and well-articulated business model that will take into cognizance of our environmental factors for good of the corporation and the economy.

CONCLUSION

This study is a very interesting area of coverage. If NNPC and its subsidiaries can adhere to the above recommendations, most of the challenges will fizzle out for the good interest of the country and the economy.

The economy of the country cannot grow as expected if large chunk of the youths are not properly enlightened and engaged.

REFERENCES

- [1] Achumba, I.C., Ighomereho, O.S. and Akpor-Robaro, M.O.M. (2013). Security challenges in Nigeria and implications for business activities and sustainable development. *Journal of Economics and Sustainable Development*, Vol. 4, No2,pp 79-99
- [2] Adegoke, N. (2014). The Nigeria police and the challenges of security in Nigeria. *Review of Public Administration and Management* Vol. 3, No. 6, pp 21-35, ISSN:2315-7844
- [3] Amartya, S. (1983).Development: Which way now? *Economic Journal*.93(372): 745-762, DOI: 10.2307/2232744
- [4] Building Construction Directory of Nigeria (n.d).NNPC: Achievements and contributions to the Nigerian economy. Retrieved 16 January 2019, from www.buildingconstructiondirectory.com.ng/nnpc-achievements-and-contributions-to-the-nigerian-economy Access Date: 16-1-2019
- [5] Forbes (2019).The murky underworld of oil theft and diversion. Retrieved 11-06-2019 from https://en.m.wikipedia.org/wiki/Oil_theft_in_Nigeria
- [6] Global Peace Index (GPI, 2012) Global Peace Ranking, Institute for Economics and Peace, Retrieved 17th May, 2019 from: Wikipedia, the free encyclopedia.
- [7] NNPC (2017).NNPC to set up security advisory council to tackle pipeline vandalism. Retrieved 16 January 2019, from [www.nnpcgroup.com/PublicRelations/ NNPC in the news /tabid /92/article Type/Article View/ article id/700/ NNPC-to-Set-Up-Security-Advisory-Council-to-Tackle-Pipeline-Vandalism.aspx](http://www.nnpcgroup.com/PublicRelations/NNPC%20in%20the%20news/tabid/92/articleType/ArticleView/articleid/700/NNPC-to-Set-Up-Security-Advisory-Council-to-Tackle-Pipeline-Vandalism.aspx)
- [8] NNPC (2018, January 30). Why oil exploration yet to start in Chad Basin. *Nigerian Tribune*. Retrieved from <https://www.tribuneonline.ng.com/129390>
- [9] Onifade, C., Imhonopi D. and Urim, U. M. (2013).Addressing the insecurity challenges in Nigeria; the imperative of moral values and virtue ethics. *Global Journal of Human Science and Political Science*. Vol 13, Issue 2, pp 53-63
- [10] Rose line, O. (2015, October 21). NNPC lists petroleum industry’s challenges. *The Guardian*. Retrieved from <https://www.google.com/amp/s/guardian.ng/energy/nnpc-lists-petroleum-industries-challenges/amp>
- [11] University of Iowa Center for International Finance and Development (n.d). How the concept of development got started. [E-Book]

The Role of Nigerian National Petroleum Corporation in Economic Development and Security Challenges in Nigeria

[12] Wikipedia. (2019). Economic development. Retrieved 16 January 2019, from https://en.m.wikipedia.org/wiki/Economic_development

[13] Wikipedia.(n.d). NNPC. Retrieved 16 January 2019, from [https:// en.m.wikipedia.org /wiki/ Nigerian_ National_ Petroleum Corporation](https://en.m.wikipedia.org/wiki/Nigerian_National_Petroleum_Corporation)

Citation: *Enwemeka Stanley, Ogbette, Afamefuna Samuel, Okoh, Joel Ogechukwu, "The Role of Nigerian National Petroleum Corporation in Economic Development and Security Challenges in Nigeria", Open Journal of Economics and Commerce, 2(3), 2019, pp.1-5.*

Copyright: © 2019 Ogbette, Afamefuna Samuel. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.