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The state-backed oil company in Nigeria's petroleum economy: Evolution, dilemmas and paradoxes

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Abstract

The emergence of OPEC was evidential of the Petroleum Exporting Countries' dissatisfaction with an industry dominated by international oil companies, and arguably skewed financial arrangements and agreements. This paper discusses the nature and analysis of the implicit and explicit context of the evolution of the Nigerian National Petroleum Company (NNPC) with a view to identify its limited developmental outcome. I argue that the territorial embeddedness of the extractive industry notwithstanding, NNPC is yet to accomplish OPEC's Resolution XIV Article 90, and is not likely in the context and dynamics of present day Nigeria. Stepping down from the wider debate, I argue that, NNPC has been inundated by armed conflict arising from poor governance, socio-political instability and issues relating to oil-led environmental degradation. The latter has become a twenty-first century global challenge, such as the consequences on population and ecology. Following on from this, this paper concludes by suggesting that a more radical framework of NNPC's strategic fit is compelling because of the need to take a fuller and comprehensive operational role in Nigeria's energy regime, which is dominated by fossil fuels, and hence shift emphasis from fossil-based energy system to a more sustainable energy production and use.

Keywords: State-backed oil company; Oil producing; Exporting countries; Environmental damage; Renewable energy technologies

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1. Introduction

This paper lays down the foundation of the extractive industry of Nigeria, specifically focusing on the all-important oil industry in Africa's leading energy producer and the second largest economy on the continent (Rowell et al., 2005; Financial Times, 2010). To this extent, the paper seeks to examine the evolution and growing challenges of Nigeria's strategic minerals, with a view to interrogate the roles of and relationship between oil companies and the Nigerian government. The latter is represented by the Nigerian National Petroleum Company (NNPC) - the State-backed oil company –, a common phenomenon in many African countries with the presence and dependence on natural resources.

Historically, the first commercial discovery of petroleum oil in Nigeria in 1958 was in the village of Oloibiri in Bayelsa State (Alagoa, 1999). Since then the Ijaw state in the particular and Niger Delta in general have contributed to the oil economy of Nigeria from the exploration and production operations that take place in the communities and around the continental shelf and the adjacent waters of the Gulf of Guinea (see: Figure 1(a). The latter, arguably, has the fastest rate of discovery of new oil reserves and currently attracts notice to itself because of the contribution it is poise to make in the global oil supply equation in the coming decades (Traub-Merz and Yates, 2003).

That said, the geomorphology of the Niger Delta region of Nigeria is evident that the soils are swampy and heavily leached. Nevertheless, its communities supported a variety of tree and food crops, which added to the relatively impressive rural agricultural economy in many Nigerian communities in the first decade of Nigeria's independence decade. This was made possible by favourable policies at the time and climatic conditions, like abundant rainfall, a critical variable that determined agricultural production and types in different parts of the country (Egwu, 1998). It is also not surprising that Niger Delta's geographic conditions endowed it with substantial hydrocarbon deposits.

In the context of these potentials, the Niger Delta region of Nigeria draws significant attention to itself not only because of the well documented state and non-state violence but, also for its onshore oil-bearing resources, which are an advantage in economic and technological terms for government and oil companies alike. Characteristically in this light, 65% of the gravity of Nigeria's oil is between 21.API and 45.API, non-waxy and either sulphur free or the content is as low as 0.3%, which cultivates the interest of pollution-conscious consumers (Frynas, 2000). Furthermore, though Angola's and Sudan's oil production primarily occurs offshore and onshore respectively, Nigeria's oil resources are exploited onshore and offshore. Thus Petroleum oil in the region is found in the upper strata of the earth's surface, which enhances the profitability of onshore production compared to offshore operations, and contributes also to the reputation of Nigeria for its high quality oil. See next section for a more detailed analysis.

2. Development of the oil industry: Role of government and oil companies

The evolution and development of oil in Nigeria is certainly connected with the territory that became known as Niger Delta dating back to 1908 - about fifty years before its first commercial export began in 1958 in the

Oloibiri community. Initial exploration activity across the region was by both the German Bitumen Company and Shell D'arcy in 1907 with the active support of the British colonial government (Soremekun, 1995). On this note, scholars had argued that the invitation of the Germans by the British into oil exploration in Nigeria before 1914 was not in tandem with the dominant 'exclusive practice' of colonial thinking at the time but, that this accommodation was necessary at the time because exploitation activity hinged largely on speculation (Frynas, 2000; Schatz, 1968; Pearson, 1970; Soremekun and Obi, 1993).

Nonetheless, minimal geological, geochemical, geophysical knowledge, and evident seepages from Niger Delta landscape confirmed the abundance of oil in the territory, and hence speculation for oil in this part of Nigeria was at best a secondary factor. This introductory analysis and background also shed light on the historical interconnectedness of Shell D'arcy and Shell Petroleum Development Company (SPDC) Nigeria and its apparent dominance in the country's oil industry, a former colony of Great Britain.

In a more analytical sense, five sedimentary basins were identified initially to harbour crude oil deposits in Nigeria, namely: Anambra, Benue trough, Chad and the territory that became known as South-South Geo-Political Zone of which 'core' Niger Delta is a significant part. Nonetheless, it was the latter that commanded attraction most because of the degree of exploration risks and estimated quantity or level of commercial finds. It was therefore not surprising when commercial production of oil began in earnest in December, 1957 at Oloibiri in Bayelsa State by a consortium of Royal Dutch Shell and British Petroleum (Ikein and Briggs-Anigboh, 1998).

The first commercial find motivated subsequent discoveries, which were made in other communities like, Afam, Bomu, Ebudu and Ugheli in Bayelsa, Delta and Rivers State basins, which became one of the major onshore producing wells drilled in the Niger Delta. Thus the earliest and subsequent commercial discoveries in Niger Delta defined the region as a critical axis of oil in Nigeria. According to a 1992 NNPC report on Onshore oil production distribution by states was Rivers (including Bayelsa) 42 per cent, Delta 32 per cent, and Akwa Ibom 17 per cent (Alagoa, 1999). Others, (Edo and Cross River) share 8.5 per cent. These figures have since changed but, what remains relatively the same has been Niger Delta's crude oil production capacity and pre-eminent contribution to national production quota. In this region, the Ijaw state (created on October 1, 1996 out of 'old' Rivers State) has the largest crude oil resources in Nigeria, producing about 40% of the country's onshore crude oil and vast quantities of associated gas (Bayelsa State Government Report, 2006). However, caution is necessary on current status because of the lack of transparency that envelopes a plethora of oil and natural gas company operations and industry practice in Nigeria. Though the Niger Delta region also has large reserves of clay, sand and gravel, which are important in the industrial sector, petroleum issues command significant interests in the local and national arena (Soremekun, 1995).

Table 2 (a) shows estimated crude oil production and revenue in Nigeria leading to the Fourth Republic in 1999. Based on the information in this paragraph and the advantage of geography oil and gas are Nigeria's strategic minerals, and on the international level, Nigeria is among the world's top 10 oil exporters (Economist Intelligence Unit, 2007). According to official government estimates the oil sector accounts for 70-80 per cent of the Federal Government's revenue (depending on the oil price), around 90 per cent of export earnings, and about 25 per cent of GDP measured at constant basic prices (U.S Energy Information Administration, 1997).

The petroleum law of Nigeria defines petroleum as comprising oil and gas. The latter has become an important element of the oil economy of Nigeria, for the revenue it generates and the potential of degrading the environment when flaring is rampant. Natural gas adds to the oil economy of Nigeria and of huge significance in Niger Delta, and of the estimated 104.7 trillion cubic feet (tcf) of proven natural gas reserves in the region, 75% of the gas is a by-product of oil extraction but is largely burnt off (Vanguard Newspaper, [Lagos] 12 August 2003; and http://www.shell.com/home/framework?siteId=nigeria, accessed 19 May 2007]. Recent statistics (see: Figure 2a) in the gas sector and glimpses in future trends are discernible at the time of research. These figures and changing dynamics illuminate great potential in this sector, perhaps equal to oil or even more given its numerous economic and social advantages. For example, gas is expected to generate as much revenue as oil, with export volume expected to grow beyond 8,000 mmcfd by 2010 (Shell Petroleum Development Company of Nigeria, 1999). It is obvious from the foregoing analysis that oil and gas resources play a dominant role in the local and national economy and, key to this is the role of oil companies, NNPC and transnational companies, alike.

2.1. Oil companies in Nigeria

Different groups of oil companies operate in Nigeria, a mix of local and trans-nationals. The latter (see: Table 2.1 (a) are important, if not the most important in respect of their huge resources and possible contribution to the case for environmental degradation arising from oil operation. However, it is important to draw attention to the changing face of the Table 2.1(a), which captures a variety of oil companies, some of them do not necessarily have their main oil activities (or any more) in Nigeria. In this context, and at the time of this paper's research major oil companies operating in the Niger Delta region include: Shell along with Nigerian National Petroleum Corporation (NNPC), Agip, ELF, and ChevronTexaco.

Petroleum oil production process by nature involves a range of complex activities, some of which the individual oil company may not have the comparative competence in a certain area, and are compelled to engage 'sister' companies in the spirit of interdependence (Sampson, 1983, p.23). Thus for example, Shell Petroleum Development Company of Nigeria (SPDC) controls about 50% of onshore oil operations in Nigeria, which means it has concessions across Niger Delta, but some of the company activities in the region are occasionally contracted out strategically to non-Shell companies. In this sense, among the oil companies in Niger Delta are the oil majors or their representatives, like Shell, which have undergone internal changes over the years from when oil was first struck in Oloibiri in 1958. Thus the oil companies have since then transformed themselves in response to market forces, dictates of profit, and social pressures. Some of the existing ones doing business in different degrees and communities include: Agip, ChevronTexaco, ConocoPhillips, Eni SpA, Esso, ExxonMobil, Nexen Inc, Shell Petroleum and Development Company, TotalFinaElf and TransAtlantic (http://allafrica.com/stories/200401130630.html, [accessed on 15 January 2007). Many of the 'phoney' indigenous participation were recently engaged in 'farm-out agreements'. This was considered as some measure of achievements from the agents of 'oil resources control' agitations.

2.1.1. Independent oil companies

In addition to the operations of oil majors are Nigerian Association of Indigenous Petroleum Exploration Companies (NAIPEC), also called 'Independent oil companies' (Khan, 1994). Many of them are mostly indigenous companies that operate with foreign technical partners in response to the Federal Government of Nigeria's efforts since 1994, to boost local participation in the upstream sector of the oil industry formerly dominated by foreign oil companies. Instructively, some of them are partly owned by Niger Delta interests or indigenes of Nigeria namely, Dan Etete, Graham Douglas, and Melford Okilo, and include: Addax, Allied Energy Resources, Amni International Petroleum Development Company, Atlas Petroleum International Limited, Consolidated Oil Limited, and Forte Oil PLC. Others are African Petroleum, Conoil, Continental, Dubri Oil Company Limited, Eterna Oil, Express Petroleum & Gas Company Limited, Famfa Oil Limited, Honeywell, Montcrief, Oando Nigeria PLC, Peak and Summit, and Yinka Folawiyo Petroleum Company. These companies are active in the current signing-up of 'farm-out agreements' with Nigerian National Petroleum Corporation (the state oil company), which will enable them to exploit the nation's marginal fields owned by oil majors. This gesture is intended to give support to the indigenous companies to have a 'niche' in the oil industry's operating environment in the country, and like the oil majors are held equally to blame over environmental degradation arising from oil operations.

2.1.2. Service and supply companies

Lastly, the service and supply companies, which include: Baroid, BJ Hughes, Cameron, Halliburton, M-I Drilling Fluids, Schlumberger, and Western Atlas. These companies, like the oil majors, are largely foreign-based with a viable research and development, and skilled manpower, which they provide as services to the oil industry - foreign and local companies alike - on the ground. The knowledge-based activities of the service and supply companies make them distinct from either the oil majors or indigenous companies.

Characteristically, since industry operations require interdependence in the field as stated earlier, it has become relatively less easy to discern the difference that exists between oil companies. This is further complicated when in recent times, hitherto distinct oil companies have become 'combines', often without the consent of the government of Nigeria as dictated by the government's company legislative environment (Gary and Karl, 2003). Some examples and their 'new' names are ChevronTexaco, ConocoPhillips and ExxonMobil. In this context, this scenario showed the internal weaknesses of local and national governments' positions partly because they wholly depend on the oil companies for most of government revenue in the 'rentier' relationship (Swanson, 2002).

Unlike government, oil company revenue is made possible because they have considerable technological know-how, operate internationally, and have enormous wealth, which in part is due to their ownership of large reserves of oil and gas. Moreover, oil companies have near-monopoly in refining and petrochemicals. This accounts for their advantage in the power relations evident in their operations in the oil communities, where government – local and national - and indigenous entrepreneurs are not active in the production processes (Pearson, 1970). Interestingly, however, the central government through the Nigerian National Petroleum Corporation (NNPC) participates in oil operations, which impels analysis of the role of government and oil in Nigeria, the crux of this paper's analysis, especially since such attempts at effective participation have not yielded the desired results (see next section).

3. State-backed national oil company and its relationship with transnational oil companies in developing economies

Based on OPEC's Resolution XIV Article 90 of June 1968, early 'minimalist' regulations by governments were the 'Oil in Pipeline Act, chapter 145 of 1965 and the 'Oil in Navigable Waters Decree of 1968 (Khan, 1994), which this paper argues have produced peripheral outcomes. Nonetheless, the end of the Nigerian Civil War in 1970 presented a renewed opportunity and a watershed for the oil industry in Nigeria from government's standpoint. First, the profile of the petroleum economy changed for the better in post-1970, and became of significant interest rather than one of studied indifference from the indigenous policy community. This era coincided with the *Yom kipur* War of 1973/74 and its implication for oil exports and attendant revenue, which the Nigerian government responded to equally with the formation of the national company by Decree 18. See Section 3.1 for a more detail analysis of the formation of NNPC (Khan, 1994). The Arab-Israeli war of that year witnessed Arab oil embargo, which earned the Nigerian government at the time so much windfall from oil revenue.

Second, the oil 'windfall' during the *Yom Kipur* War galvanized national thinking into envisaging that the oil industry could provide and accelerate the dream of industrialization and national development, which did energize but is yet to be realized. Third and lastly, Nigeria joined OPEC in 1971, an already existing international oil organization formed by older petroleum exporting countries, largely from the Middle East. Consequently, it absorbed the organization's ethos, whereby member countries must participate in the oil sector and therefore placed at the nation's disposal, the much desired knowledge from the older members, and as dictated by OPEC's Resolution XVI Article 90 (Attiga, 1981; Amu, 1982). The resolution encouraged its members to partake actively in the various streams of the oil sector – a participation that constrains a market-driven economy.

3.1. Nigerian National Petroleum Company (NNPC)

Arguably, the policy of state participation was reinforced by prevailing philosophy of state control of the 'commanding heights' of the nation's economy at the time, which culminated in the formation of the Nigerian National Petroleum Company in 1977 (http://www.nnpc-nigeria.com [accessed 25 June 2007]. They are partners in all the major upstream ventures and enjoy a monopoly in refining and petrochemicals. The national body became a by-product of the merger of some of the existing departments of the Ministry of Petroleum Resources and Nigerian National Oil Corporation, and this organization's responsibilities include, removing bottlenecks and encouraging investments in the oil and gas industry with a view to consolidate national control of the industry and help spur job creations.

The NNPC, on behalf of government became a vehicle for partnership with foreign oil companies; and government participation increased to 60% in oil exploration and production activities by 1978. The Federal Government's participation via NNPC was therefore expected to transform the country's stake in the oil industry from one of regulation to investment. Though other OPEC countries have direct control of the industry policy, the NNPC shared the function with multinational companies through operational agreements (Forrest, 1995). In this context, in principle, the NNPC was charged with the sole responsibility of upstream and downstream vertical oil developments, which involved such activities as oil exploration, production, and pipeline maintenance. Others are building of storage terminals and marketing of oil, gas and refined products and petrochemicals. These industry activities have been streamlined by government's current policy of privatization since the beginning of the Fourth Republic in May 1999 and encased in the Petroleum Industry Bill (2012) (Frynas, 2000; The PIB 2012). Arguably, current policy planks have eroded the initial concept of state control and participation in the oil industry witnessed in the 1970s at the formation of the NNPC.

In the sphere of industry legislation, the NNPC is charged with regulating and supervising the oil industry on behalf of the Nigerian Government. At the inception of the industry well before the formation of NNPC, two agreements namely, Concession and Service Contracts were in vogue between the colonial regime and investor partners, usually oil majors, which were inherited at independence. These contract agreements gave total ownership and control to the oil companies during the colonial administration. The Mineral Ordinance legislation regime at the time was of benefit to Shell D'Archy, and this hold was however, minimized at independence, which saw the entry of other oil companies like, Agip, and Mobil (Khan, 1994). Furthermore, the benefit of Nigeria's independence in 1960 also phased out the Concessions and Service contracts by the introduction of two new agreements - Joint Venture Operations (JVO) and Production Sharing Contracts (PSC). The latter is relatively new and intends to meet the challenge of offshore oil that became popular since the 1990s.

In a more analytic sense, the new agreements were qualitatively better in their recognition of host government as a major shareholder and specified its stakes in the oil industry ((Butler et al, 2003). For example, the JVO was shaped according to the principles of partnership, which stipulated the participatory interests, both of government represented by NNPC and oil companies, and often varied from company to company. At the operational level, the agreement involved budget and supervision, and crude oil lifting and sale in proportion to equity funding by government and oil company(ies) (Ameh, 2005).

The terms of this technical assistance contract as the JVO is sometimes called implies that risks and costs are shared between government and oil companies. However, the short-comings of the JVO agreement became more glaring with new dynamics in the oil industry, such as offshore operations, which inspired the shift to PSC. The challenges of the JVO included: first, government's lack of financial capacity and dwindling resources to keep its contractual obligation in the 1980s in the face of plummeting social and economic fortunes. Second, mutual suspicion of gold plaiting or genuine operational costs between government and oil companies on the one hand and, on the other oil community demands on oil companies or operators in the field. Third and lastly, the increasing shift from onshore to offshore oil operations was compelling in response to growing conflict, and the potential benefits and suitability of PSC to JVO in terms of freeing of government's scarce resources for investment elsewhere.

In the context of this analysis, the PSC is distinct from JVO not only because it originated in Indonesia but, requires sharing output of oil and gas operations in agreed proportions between the oil company, as a contractor to the government and NNPC, the government's representative (Ameh, 2005). In this case the contractor agrees to spend a defined amount of money on exploratory drilling over an agreed period of time, and if oil is discovered government promises oil to meet cost incurred by the oil company. Hence, oil was used to offset exploration and production expenses and also 'share oil' for its profits.

Instructively, the PSC financial transaction does not affect the payment of royalties and income taxes to government. The relative flexibility in management of the operations, and the ease it provides from financial burden on government are also considerably reduced by the risk or loss on companies especially when commercial finds are not made. However, the PSC form of agreement also exacerbated the notion of corrupt practices, which could be easily perpetuated by companies, since they draw up and execute their respective programmes as they deem fit. Nonetheless, the mechanisms - JVO or PSC – were encouraged by OPEC member countries like Nigeria to actively exercise reasonable measure of control in oil and gas, and over the years they showcased the relationship between host government and oil companies.

Arguably, it is important to note that, unlike recorded achievements in some national oil companies, such as Brazil's Petrobas, Norway's Statoil, and Saudi Aramco, state-backed NNPC's operational relationships and control of the country's reserves have been a qualified success. On the positive side, for instance, through the agreements the oil industry is better developed now than it was at independence, with proven reserves and Nigeria's potential place in the global oil market attest to years of investments in the industry. On the downside, policy research in the oil sector in Nigeria indicates that the agreements did not and still do not effectively translate to any significant NNPC involvement in the production processes in the oil industry. Furthermore, legislation governing the oil economy of Nigeria and agreements with third-parties are outdated and do not reflect current economic realities. In this light, the government – oil company relationship in the extractive industry till date is primarily parasitic. This has been the case for the federal government, the states and local governments are no better, since mineral legislation, control, and management remains the central government's exclusive affair via NNPC.

The NNPC, which represents the federal government's interests in the industry, for instance, remains a parastatal of government, lacks technical competence to operate efficiently, and depends more on government for funding and regulation. Thus NNPC's limited access to international capital markets, unlike oil majors, constrained its effective participation in JVOs in particular, and weakened its potential weight in the industry's operating space despite enhanced revenue from participation and from soaring global oil prices. Important for this analysis, government participation through the agreements implied that the federal government's representative (NNPC) was seen as complicit in damage caused by oil industry operations on the environment, and targets of violent attacks in oil communities with dire consequences (Horsfall, 2002; Ibeanu, 2000).

The oil resource-related socio-political instability in Nigeria, associated with youth organizations has reduced oil production in Nigeria by as much as 15-20% (HRW, 1999). Government has established a number of committees to address the regular phenomenon of violence in Niger Delta since the 1990s. For example, the Abacha regime (1993 -1998) set up the Ministerial Fact-Finding Team in 1993 to furnish him with details on the protracted social conflict in the Niger Delta (The Ministerial Fact-Finding Team (MFFT) (1994). Other initiatives since the emergence of the Fourth Republic in 1999 include: President Olusegun Obasanjo established a Special Security Report on Oil Producing Areas to address the violent situation in the oil producing areas (Report of the Special Committee on Oil Producing Areas (2002).

Also the Late President Umaru Musa Yar'Adua, in recognition of the spate of violence in the region established the Mitee-led Niger Delta Technical Committee in 2008 to revisit the oil region's unending violence (This Day Newspaper, Lagos: 2 December 2008). The state interventions are necessary because the wider Niger Delta region has been described as the most vulnerable of Nigeria's oil economy (Africa Confidential, 2009; IRIN, 2006). Thus the disruption of oil production in the region and its national and global effects is a common feature, as well as NNPC's inability to deal with the region's violence.

Nigeria's current crude oil reserves are said to be about 32 billion, and daily production capacity is about 2.8 million, and by 2020 the country envisions reserves of 40 billion and daily production of 4 million (http://www.guardiannewsngr.com/news/article09/ [accessed 9 June 2008]; and http://www.nnpc-nigeria.com [Accessed on 18 December 2008]). However, the progressive growth of Nigeria's oil industry is facing increasing disruptions that affects a third of its daily capacity (HRW, 2002). The violence has also created a favourable environment for international network of oil bunkering in the region, which is taking a serious toll on daily oil production capacity in the region. For instance, a Central Bank Report noted that, oil production in the country has fallen short of the country's OPEC quota, patenting danger for an oil dependent economy and the resulting budget deficits, which worsens when international price is not favourable (The Guardian [Lagos], 7 August 2003). Interestingly, oil companies operating in the region allude to profit from illegal bunkering as exceeding revenues in the formal oil sector more than the formal non-oil sector, which endangers the NNPC's aspirations for investment in the oil and gas industry of Nigeria.

In the context of this analysis, the 2009 Amnesty by the Federal Government to the Niger Delta militants, for example, was intended to address local level violence. The programme was remarkably different from the previous two, and many more militants surrendered and gave up their arms (The Guardian Newspaper, [Lagos] 18 June 2009). Though the government is poised to tackle issues such as infrastructure development and more oil revenue allocation directly to the villages (bypassing state structures), it must muster the will and principles of good governance to drive its current strategy to reach perceived marginalized, and thereby achieve the necessary turning-point in the Niger Delta insurgency (WAC, 2003; Hills, 2008).

Instructively, NNPC has not done enough to craft appropriate forms of governance in the extractive industry of Nigeria. According to the Petroleum Revenue Special Task Force (PRSTF) a litany of fraud and other infractions are present in Nigeria's oil and gas industry (The Guardian Newspaper, [Lagos], 31 October 2012). For example, the NNPC does not have a single point of accountability for the income and expenditure streams of upstream petroleum operations. To this extent, this paper posits that good governance is required and has to be inclusive, comprehensive, and designed to burrow transparency and accountability, and hence impact on growing corruption in the oil industry and the wider Nigerian political system, and thereby limiting threats to the country's energy security.

4. Conclusion

This paper's analysis about the development of Nigeria's extractive industry and the roles and relationships of government-backed oil company (NNPC) and private oil companies illustrates that the federal government of Nigeria has exclusive ownership of mineral resources in the country. The central government's ownership – via NNPC - was spelled out in Sections 40 (3) and 44 (3) of the 1979, 1989, and 1999 Constitutions (The Constitution of the Federal Republic of Nigeria 1979, 1989, and 1999). The latter ushered in the current Fourth Republic in Nigeria.

Arguably, the State-backed oil company either lacks the will to craft effective rules and regulations or those attempts at industry regulatory framework are weak and open to flagrant abuse (Subaru, 2001). For instance, the 1985 Associated Gas Re-injection (Amendment) Decree (1985) confers power on the Minister of petroleum Resources to exempt oil companies from harnessing associated gas if in his opinion, such gases cannot be put to productive use or technically exploitable. However, Sagay asserts that 'penalty is the liability of the operating company', and NNPC, which theoretically holds controlling shares in the oil companies, will not contribute (Sagay, 2001). In this context, oil companies admit that oil exploration and production have contributed negatively in terms of environmental pollution in Nigeria, which may have displaced populations from their sources of livelihood as well as generate other known consequences. This subject and its impact in the Niger Delta region are part of the wider dilemmas and paradoxes of the extractive industry of Nigeria that relates to the nature of oil-led environmental damage, a theme often fraught with technical details, and easily raised to orthodoxy as a conflict issue in itself and by itself.

Finally, paper concludes that NNPC's limited nationalization programmes and policies inspired by a flexible version of OPEC's Resolution XVI Article 90 of June 1968 are yet to bring about envisaged benefits (Fubara, 1986); nor is the private-public partnership-inspired PIB significantly poise to address the challenges of NNPC in the twenty-first century. This is for reasons which this paper's analysis suggests include their lack of industrial capability, capacity to engage or sustain the commitment of transnational oil companies toward such objectives and policy towards making renewable technologies a larger share of the country's energy mix. As a matter of fact, NNPC still lacks the technology, capital, management skills, and governance and best international business practice to accomplish the goals spelled out in the PIB Bill that could guarantee the success of a State-backed oil company, such as Statoil and Petrobas. Also lacking is adequate research support into gas to provide the bridge between fossil fuel and renewable energy technologies.

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