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COMPREHENSIVE ANALYSIS OF NIGERIA'S OIL AND GAS POLICY EVOLUTION: FROM PRE-COLONIAL ERA TO 2020

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DECLARATION

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Executive Summary

Nigeria's oil and gas policy has undergone seven distinct evolutionary phases from pre-colonial resource sovereignty through colonial extraction frameworks, post-independence nationalization, structural adjustment, democratic reform attempts, and institutional restructuring. The trajectory reveals a persistent tension between state control and market efficiency, between centralized federal authority and regional/resource area claims, and between resource nationalism and foreign investment requirements. By 2020, Nigeria remained trapped in a policy paralysis characterized by the failed Petroleum Industry Bill (PIB) process, despite having established Africa's most comprehensive local content regime and committing to gas flare elimination.

Key Findings:

- Nigeria generated \$583 billion in oil revenue since independence, yet ranked 164 of 193 countries on the Human Development Index (2020)
- State equity reached 60-80% in joint ventures by 1979, but operational control remained with international oil companies
- The Petroleum Industry Bill (PIB) remained stalled for two decades (2000-2020)
- Despite four refineries with 445,000 bpd capacity, Nigeria maintained near-total dependence on imported refined products
- The NOGICD Act of 2010 established Africa's most comprehensive local content framework

CHAPTER ONE

INTRODUCTION AND PRE-COLONIAL FOUNDATIONS

1.1 Introduction

Nigeria's oil and gas sector represents one of the most significant examples of resource governance in the developing world. Since the first commercial discovery at Oloibiri in 1956, petroleum has dominated the nation's economy, politics, and international relations. However, the foundations of Nigeria's petroleum governance were established long before the colonial era, rooted in indigenous systems of resource management that were systematically dismantled and replaced by external control mechanisms.

This report provides a comprehensive analysis of Nigeria's oil and gas policy evolution from the pre-colonial era through 2020, examining how historical legacies, colonial impositions, post-independence nationalism, and contemporary globalization pressures have shaped the sector's development. The analysis reveals that Nigeria's petroleum governance has been characterized by a persistent tension between state ownership and operational dependence on foreign capital, between centralized federal control and regional claims, and between resource nationalism and market liberalization.

1.2 Research Objectives and Scope

The primary objectives of this report are to:

1. Trace the historical evolution of Nigeria's oil and gas policy from pre-colonial resource governance through 2020
2. Analyze the structural factors that have shaped policy outcomes and sector performance
3. Evaluate the effectiveness of major policy interventions and institutional reforms
4. Identify persistent challenges and contradictions in the policy framework
5. Provide evidence-based recommendations for future policy development

1.3 Pre-Colonial Era: Indigenous Resource Sovereignty

1.3.1 Governance Structure and Resource Ownership

Prior to British penetration, the Niger Delta region operated sophisticated, decentralized resource governance systems. Communities exercised full ownership and control over palm oil and bitumen deposits, with trade integrated into regional West African commercial networks extending to the Gulf of Guinea and beyond. The distinction between surface and subsurface rights that would later characterize colonial and post-colonial law did not exist in indigenous systems.

Resource governance was embedded within traditional political structures, with chiefs and elders managing access and distribution. Palm oil served not only as a primary export commodity but also as a currency in some transactions, demonstrating the deep integration of natural resources into the pre-colonial economy. The bitumen deposits of southwestern Nigeria, particularly in the present-day Ondo State, were exploited for local use and limited trade long before European interest.

1.3.2 Economic Characteristics of the Pre-Colonial Period

The pre-colonial Niger Delta economy exhibited several characteristics relevant to understanding subsequent petroleum governance:

Key Features of Pre-Colonial Resource Governance:

- Communal Ownership: Resources were held collectively by communities rather than by individuals or the state
- Localized Revenue Retention: Trade proceeds remained within chiefdoms and clan structures
- Labor-Intensive Extraction: Small-scale operations using indigenous technologies
- Regional Integration: Active participation in trans-regional West African trade networks
- Traditional Management: Resource access controlled by traditional authorities

1.3.3 British Disruption and the Royal Niger Company

The arrival of British commercial interests in the late 19th century fundamentally disrupted these indigenous systems. The Royal Niger Company (RNC), operating under Royal Charter from 1886, systematically severed regional trade ties, monopolizing coastal trade and redirecting resource flows toward British industrial markets. This represented the first external appropriation of resource rents from Nigerian territories, establishing a pattern of extraction that would intensify under colonial rule.

The RNC's methods combined commercial penetration with military coercion, using armed expeditions to destroy competing trade networks and establish monopoly control. By 1900, when the British government assumed direct control from the RNC, the foundations had been laid for a colonial resource governance system that would exclude indigenous participation and centralize control in British hands.

1.4 Theoretical Framework

This analysis employs a historical institutionalize framework, recognizing that policy choices at critical junctures create path dependencies that constrain subsequent options. The colonial imposition of Crown ownership, the post-independence decision to maintain state control, and the failure to achieve operational independence despite majority equity participation all represent critical junctures that have shaped Nigeria's petroleum governance trajectory.

The concept of the "resource curse" provides additional analytical leverage, helping to explain how abundant petroleum revenues have correlated with poor developmental outcomes, governance failures, and social conflict. However, this report emphasizes that the resource curse is not inevitable but results from specific policy choices and institutional arrangements that can be reformed.

CHAPTER TWO

THE COLONIAL ERA (1900-1960): FROM BRITISH MONOPOLY TO COMMERCIAL PRODUCTION

2.1 The Colonial Transformation

The colonial period fundamentally transformed Nigeria's resource governance, replacing indigenous communal ownership with Crown sovereignty and establishing patterns of external control that would persist long after independence. This chapter examines the evolution of petroleum policy from the 1900 transfer of authority from the Royal Niger Company to the British Crown through the achievement of commercial production in 1958 and independence in 1960.

2.2 Early Colonial Period (1900-1914): Experimental Extraction

2.2.1 The 1907 Southern Nigeria Mining Regulation (Oil Ordinance)

The first oil-specific legislation in Nigeria, the Southern Nigeria Mining Regulation of 1907, established the template for colonial resource governance. The Ordinance granted the Governor power to negotiate mineral rights with traditional rulers without requiring rental payments, creating immediate friction among the Lagos educated elite who viewed these terms as exploitative.

The 1907 Ordinance reflected British assumptions about resource ownership that contradicted indigenous norms. While traditional systems recognized communal ownership and required negotiation with community authorities, the Ordinance treated mineral rights as transferable through agreements with individual chiefs, often without community consent or adequate compensation.

2.2.2 The Nigeria Bitumen Corporation (1908-1912)

In 1908, John Simon Bergheim secured exclusive exploration rights for southwestern Nigeria, marking the first foreign commercial oil exploration attempt. Bergheim's operations drilled approximately 15 wells and expended £143,000 but ended with his death in 1912. Governor Lugard terminated the project in 1913, redirecting British oil interests to Persia where commercial prospects appeared more favorable.

Colonial Resource Extraction Pattern: The Bergheim episode established a pattern that would characterize Nigerian petroleum development: foreign companies receiving exclusive rights, substantial capital investment without commercial success, and ultimate abandonment when returns failed to meet expectations. This pattern would repeat until the 1956 Oloibiri discovery.

2.2.3 The 1914 Amalgamation and Unified Mineral Policy

The creation of the Colony and Protectorate of Nigeria in 1914 unified mineral policy under Crown administration, establishing the precedent of southern resource revenues cross-subsidizing the financially unproductive North. This structural imbalance, created for administrative convenience, would generate political tensions throughout Nigeria's history and contribute to the regional conflicts that characterized post-independence politics.

2.3 British Monopoly Consolidation (1914-1937)

2.3.1 The Mineral Ordinance of 1914: Radicalized Access

The Mineral Ordinance of 1914 institutionalized British monopoly over Nigerian petroleum through explicitly racialized provisions:

- All leases and licenses restricted to British subjects or British-registered companies
- Required British chairmanship, managing directorship, and majority board composition
- Explicit exclusion of Nigerian and non-British companies from petroleum sector participation
- Comprehensive British monopoly over exploration, extraction, and marketing

2.3.2 The Mineral Ordinance of 1916: Crown Sovereignty

The Mineral Ordinance of 1916 established the foundational principle of Crown ownership that would persist until 1969:

Key Provision: Section 3, Mineral Ordinance 1916 "The entire property in and control of minerals, and mineral oils, in, under, or upon any lands in Nigeria, and of all rivers, streams, and watercourses throughout Nigeria, is and shall be vested in the Crown." This provision, which required only compensation for surface damage rather than for mineral extraction, represented a radical departure from indigenous concepts of resource ownership. The Crown ownership doctrine would be carried forward into post-independence legislation through the Petroleum Act of 1969, fundamentally shaping Nigerian petroleum governance.

2.3.3 Failed Exploration Attempts (1920s)

In 1921, exploration rights were granted to D'Arcy Exploration Company and Whitehall Petroleum Company for the Niger Delta. Both returned licenses in 1923 without commercial discovery, having encountered technical challenges and discouraging geological assessments. These failures reinforced British skepticism about Nigerian petroleum prospects and delayed serious investment until the 1930s

2.4 The Shell D'Arcy Monopoly (1937-1960)

2.4.1 The 1937 Exclusive Concession

The 1937 grant of exclusive exploration rights to Shell D'Arcy (a consortium of Royal Dutch Shell and Anglo-Iranian Oil Company, later BP) covering approximately 350,000 square miles represented a watershed in Nigerian petroleum history. This concession gave Shell D'Arcy control over the entire territory of Nigeria, establishing a monopoly that would last until forced relinquishment in 1959.

The 1937 concession required complex regulatory navigation. The 1914 British control clause initially barred Dutch-controlled Shell from direct operation. The Colonial Office advised delaying application until 1938 regulatory changes permitted foreign company participation. However, the British control clause remained in the Mineral Oil Ordinance, forcing Shell to restructure its directorate composition to comply, creating a template for future foreign operator Nigerianization requirements.

2.4.2 Exploration Timeline and Technical Challenges

Year	Milestone	Significance
1937	Exclusive license issued; geological surveys commence	Establishment of systematic exploration infrastructure
1938	Core drilling begins near Uge Emme	First modern drilling operations; £70,000 expended
1941	Operations suspended due to WWII	Resource diversion to war effort
1947	Exploration resumes; first test well near Owerri	Post-war recommencement with improved technology
1951	Shell's license reduced from national to 1/8 coverage	First concession restructuring; focus on southern acreage
1956	Commercial discovery at Oloibiri (January)	Birth of commercial Nigerian petroleum industry
1958	Production commences; first export (February 17)	Nigeria enters global oil market; 5,100 bpd initial

2.4.3 The Oloibiri Discovery and Its Significance

The January 1956 discovery at Oloibiri in the Eastern Region transformed Nigeria's economic and political trajectory. The discovery well, drilled by Shell-BP (as the company had been renamed following the 1954 BP merger), proved the existence of commercial quantities of petroleum in the Niger Delta. This discovery occurred in a region that, under the 1954 Lyttleton Constitution, had been granted exclusive rights to control its resources.

2.5 Late Colonial Policy Adjustments (1954-1960)

2.5.1 The 1954 Lyttleton Constitution and Regional Resource Rights

The 1954 Lyttleton Constitution established federalism with three self-governing regions (Eastern, Western, Northern) and critically granted regions exclusive rights to own and control their resources:

- Western Region: Cocoa production
- Northern Region: Groundnut production
- Eastern Region: Palm produce (and, after 1956, petroleum)

This provision, intended to accommodate regional economic interests, would generate intense conflict when oil was discovered in the Eastern Region shortly thereafter. The constitutional guarantee of regional resource ownership clashed with federal government needs for revenue and development financing, creating tensions that would contribute to the 1967-1970 civil war.

2.5.2 The 1958 Raisman Commission and Revenue Centralization

The 1958 Raisman Commission recommended revenue sharing through a Distributable Pools Account:

Raisman Formula (1958):

- 50% to host region
- 20% to federal government
- 30% to other regions

This formula marked the beginning of central government dilution of regional resource control, a trend that would accelerate dramatically post-independence. The Raisman Commission recognized that the combination of oil discovery in the Eastern Region and anticipated northern political dominance created risks of national disintegration.

2.5.3 Pre-Independence Market Opening (1959-1960)

Under pressure from the United States and international oil companies, the colonial administration forced Shell-BP to relinquish 50% of its Niger Delta concession in 1959.

This opening allowed:

- Tenneco (US) granted concession in 1960
- Mobil, Gulf, Agip, and Satrap secured licenses for early 1960s operations
- End of Shell-BP monopoly and introduction of competition

2.6 Colonial Legacies and Post-Independence Challenges

The colonial period bequeathed to independent Nigeria a petroleum sector characterized by:

Colonial Legacies:

- Crown Ownership Doctrine: State (later federal) ownership of subsurface resources, carried forward into the Petroleum Act of 1969
- Foreign Operational Dominance: Shell-BP controlled 97% of production at independence; technical capacity concentrated in foreign hands
- Centralized Revenue Control: Federal government control of oil revenues despite constitutional regional guarantees
- Geographic Concentration: Exploration focused exclusively on southern Niger Delta, reinforcing regional economic disparities
- Exclusion of Indigenous Capital: Early British monopoly provisions prevented development of domestic petroleum industry capacity

These structural features, established during the colonial period, would shape Nigerian petroleum governance for decades after independence. The contradiction between constitutional regional resource rights and federal government control of oil revenues would become a central source of political tension, contributing to regional conflicts and ultimately the 1967-1970 civil war.

CHAPTER THREE

POST-INDEPENDENCE NATIONALIZATION AND THE OPEC ERA (1960-1979)

3.1 Introduction: Independence and Resource Control

Nigeria achieved independence on October 1, 1960, inheriting a petroleum sector characterized by Crown ownership of subsurface resources, foreign operator dominance, and constitutional tensions over resource control. The first two decades of independence witnessed the most dramatic transformation of Nigeria's petroleum governance, as the new nation asserted sovereignty over its resources through OPEC membership, creation of state oil companies, and progressive nationalization of foreign operations.

3.2 The Civil War and Resource Centralization (1966-1970)

3.2.1 The Biafran War as Resource Conflict

The Nigerian Civil War (1967-1970) was fundamentally a resource conflict masquerading as ethnic secession. The discovery of commercial oil in the Eastern Region in 1956, combined with the 1954 constitutional guarantee of regional resource ownership, created irreducible tensions when the federal military government sought to centralize control. Federal control of oil revenues became essential to financing military operations; Biafran secession threatened both this revenue source and the geopolitical integrity of the Nigerian state.

The war demonstrated the strategic centrality of petroleum to Nigerian statehood. Federal forces prioritized capture of oil installations, while Biafran forces attempted to disrupt production and export. The international dimension of the war was heavily influenced by oil interests, with major powers calculating their support based partly on petroleum access considerations.

3.2.2 Post-War Centralization Imperative

The federal military government under General Yakubu Gowon (1966-1975) emerged from the war with the firm conviction that permanent federal control over petroleum resources was essential to prevent future secessionist movements. This

conviction drove the aggressive nationalization policies of the 1970s and shaped the constitutional arrangements that would concentrate resource control in the federal government.

3.3 The OPEC Era and Oil Boom (1970-1979)

3.3.1 OPEC Membership and Global Context

Nigeria's membership in OPEC in 1971 coincided with unprecedented global oil price increases. The Yom Kippur War (1973) triggered the "first oil shock," with prices quadrupling from \$3 to \$12 per barrel. Nigeria did not join the Arab oil embargo against Western nations, becoming the second-largest oil supplier to the United States and acquiring critical geopolitical significance.

The oil boom transformed Nigeria's economic position and policy options. Government revenues increased exponentially, creating opportunities for ambitious development programs but also generating the "Dutch Disease" effects of currency appreciation, manufacturing decline, and import dependence that would characterize subsequent decades.

3.3.2 Institutional Development: From NNOC to NNPC

Year	Development	Significance
1971	Nigerian National Oil Corporation (NNOC) established by Decree No. 18	First state equity participation vehicle; response to OPEC 1968 resolution on state ownership
1972	Declaration mandating no new wholly foreign concessions	Beginning of forced indigenization; unallocated/abandoned acreage to become state property
1974	NNOC participation increased to 55% in oil-producing companies	Accelerated state equity acquisition through forced divestment
1976	NNOC drilled first exploratory well offshore; commercial discovery	Demonstration of technical acquisition intent; beginning of indigenous exploration capability

1977	NNPC established by Decree No. 33 (April 1)	Merger of NNOC and Ministry of Petroleum; comprehensive state control over production, transportation, refining, marketing, and regulation
1979	Government participation reached 60% (80% in former Shell-BP)	Peak state equity participation; BP nationalized in retaliation for British support for apartheid South Africa

3.3.3 The NNPC: Structure and Mandate

The Nigerian National Petroleum Corporation (NNPC), established in 1977, represented the apex of state involvement in the petroleum sector. The Corporation was vested with:

- Exclusive responsibility for petroleum industry planning and policy implementation
- Regulatory authority over all petroleum operations
- Commercial participation through joint ventures and production sharing
- Responsibility for refining, petrochemicals, and product distribution
- Strategic petroleum storage and security

The NNPC's creation merged regulatory and commercial functions, creating potential conflicts of interest that would plague the sector for decades. The Corporation's dual role as both player and referee in the petroleum sector undermined effective regulation and facilitated corruption.

3.4 Production Growth and Economic Impact

3.4.1 Production Expansion

Under the Gowon and Murtala/Obasanjo administrations, production expanded dramatically:

Production Growth (1966-1979):

- 1966: Approximately 400,000 barrels per day
- 1970: 1.08 million barrels per day (post-war recovery)
- 1974: Over 2 million barrels per day
- 1979: 2.3 million barrels per day

By 1974, oil accounted for over 80% of government revenues and 90% of foreign exchange earnings, establishing the fiscal dependence that would constrain policy options in subsequent decades.

3.4.2 The Third National Development Plan (1975-1980)

The Third National Development Plan, capitalized at over ₦30 billion, represented the largest development program in sub-Saharan African history. The Plan embodied the optimism of the oil boom era, with ambitious targets for industrialization, infrastructure development, and social services.

However, weak institutional capacity, inflated contracts, and political interference led to massive waste. President Shagari (1979-1983) famously stated that "Nigeria's problem is not money but how to spend it" epitomizing the profligacy that characterized the era. The Third Plan's failures demonstrated that revenue abundance without institutional capacity produces poor developmental outcomes.

3.5 Corruption and Governance Challenges

3.5.1 The "Missing Billions" Scandal

Reports emerged in 1979 that ₦2.8 billion was missing from crude oil sales between 1976 and 1979—equivalent to approximately one year's crude oil sales at the time. The Irikefe Commission (1980), established to investigate these allegations, dismissed them as "the greatest hoax of all time," but public skepticism persisted.

As late as 1988, allegations continued regarding transfers from NNPC's UK accounts to avoid British government seizure following Nigeria's nationalization of BP interests. These scandals established patterns of opacity and suspicion that would characterize NNPC operations for decades.

3.5.2 Structural Weaknesses

The nationalization era, despite achieving formal state control, left critical structural weaknesses:

Unfinished Nationalization:

- Operational Dependence: Despite 60-80% equity, foreign operators retained managerial and technical control
- Capacity Constraints: NNPC lacked technical capability for independent exploration and production
- Regulatory Capture: Close relationships between NNPC officials and IOC executives undermined oversight
- Revenue Opacity: Complex joint venture accounting obscured true revenue flows
- Refining Failure: Despite building four refineries, Nigeria remained dependent on imported products

3.6 The 1979 Associated Gas Re-injection Act

The Associated Gas Re-injection Act of 1979 represented early recognition of environmental concerns in petroleum operations. The Act required companies to submit schemes for utilizing associated gas and prohibited flaring without ministerial consent. However, enforcement was weak, and flaring continued with minimal penalties, establishing a pattern of environmental regulation without effective implementation that would persist for four decades.

3.7 Assessment of the Nationalization Era

The 1970-1979 period achieved significant formal advances in state control over petroleum resources but failed to establish genuine operational independence. The contradiction between majority state equity and continued foreign operational control would remain unresolved, creating a hybrid system that combined the inefficiencies of state ownership with the dependencies of foreign control.

The oil boom's revenue abundance masked governance failures and institutional weaknesses. When oil prices collapsed in the 1980s, Nigeria would face a fiscal crisis that exposed the fragility of its petroleum-dependent development model.

CHAPTER FOUR

STRUCTURAL ADJUSTMENT AND DEMOCRATIC REFORM ATTEMPTS (1980-2020)

4.1 Introduction: Crisis and Reform

The period from 1980 to 2020 witnessed Nigeria's most prolonged and contested efforts at petroleum sector reform. Beginning with the economic crisis of the early 1980s and the subsequent Structural Adjustment Program (SAP), through the return to democratic rule in 1999, to the prolonged paralysis over the Petroleum Industry Bill (PIB), this era was characterized by repeated reform attempts that achieved limited success while perpetuating fundamental structural problems.

4.2 The Structural Adjustment Era (1980-1999)

4.2.1 Economic Crisis and SAP Implementation

The collapse of oil prices in the early 1980s, combined with massive external debt accumulation, forced Nigeria into the IMF/World Bank Structural Adjustment Program (SAP) in 1986. The petroleum sector faced acute financial constraints as government revenues plummeted and external debt service consumed increasing portions of the budget.

SAP represented a radical departure from previous policies, emphasizing market forces, deregulation, and private sector-led development. Key petroleum-related measures included exchange rate devaluation, trade liberalization, and the rationalization of public expenditure. However, the reform of public finances with a view to reducing reliance on oil revenue never took place, with fiscal policy remaining driven by oil price volatility.

4.2.2 Policy Responses by Administration

Period	Administration	Key Policy Developments
1983-1985	Buhari (military)	Counter-trade dealings: 175,000 b/d exchanged for goods; \$1.75 billion in goods exchanged at significant discounts

1985-1993	Babangida (military)	1986 Memorandum of Understanding (MOU) providing fiscal incentives; 1988 NNPC restructuring; 1992-1993 Production Sharing Contracts for deep-water
1993-1998	Abacha (military)	Isolationist foreign policy; continued SAP; partial divestment of state equity due to financial constraints

4.2.3 The 1986 Memorandum of Understanding (MOU)

The 1986 MOU represented a critical shift in petroleum fiscal policy, providing incentives for investment during a period of low oil prices and economic crisis. The MOU adjusted the petroleum profits tax and introduced more favorable terms for operators, though it maintained the basic structure of joint venture arrangements. The MOU system would remain in place, with periodic revisions, for decades. However, it created a dual-track system where onshore operations (under MOU terms) suffered from NNPC funding shortfalls while deep-water operations (under Production Sharing Contracts) attracted investment but generated lower government revenues per barrel.

4.2.4 Production Sharing Contracts (PSCs) and Deep-Water Development

Introduced in 1992-1993 for deep-water acreages, PSCs allowed International Oil Companies (IOCs) to bear exploration risks in exchange for production shares. This reduced NNPC's immediate capital requirements while maintaining state ownership of reserves. The PSC regime facilitated Nigeria's deep-water boom but created long-term fiscal challenges as production shifted to arrangements with lower government take.

By the early 1990s, Nigeria began shifting focus from onshore (dominated by Shell) to offshore/deep-water acreages, driven by Niger Delta security tensions, technical availability of deep-water drilling, and more favorable fiscal terms for frontier exploration.

4.3 The Democratic Era and the PIB Paralysis (1999-2020)

4.3.1 The Return to Civilian Rule

The return to civilian rule in 1999 under President Olusegun Obasanjo created expectations of comprehensive petroleum sector reform. Instead, the period became characterized by the prolonged failure to pass comprehensive petroleum legislation. The Fourth Republic inherited a sector marked by:

- NNPC opacity and governance concerns
- Declining infrastructure and refining capacity
- Continued gas flaring despite regulatory prohibitions
- Community conflicts in the Niger Delta
- Fiscal dependence on oil despite price volatility

4.3.2 The PIB Process: Two Decades of Legislative Failure

The Petroleum Industry Bill (PIB) process represents one of the most protracted legislative failures in Nigerian history. Beginning in 2000 with the establishment of the Oil and Gas Reform Committee (OGRC), the bill underwent multiple iterations, revisions, and failures before eventual passage in 2021.

Year	Development	Outcome
2000	Oil and Gas Reform Committee (OGRC) established by Obasanjo	Comprehensive review initiated
2004	Oil and Gas Implementation Committee (OGIC) recommendations	National oil and gas policy developed
2008	First PIB draft presented to 6th National Assembly by Yar'Adua administration	Stalled over profit-sharing disagreements
2012	President Jonathan presented new PIB version to National Assembly	Passed second reading but failed final passage
2017	Senate passed Petroleum Industry Governance Bill (PIGB)	President withheld assent
2020	Revised PIB submitted to National Assembly	Pending passage (eventually passed August 2021)

4.3.3 Why the PIB Failed (2000-2020)

The PIB became a battleground for competing interests that prevented consensus:

Competing Interests in the PIB Process:

- Government: Sought discretionary power and increased government take
- IOCs (via Oil Producers Trade Section): Resisted fiscal increases and regulatory uncertainty
- Local companies: Demanded protection and preferential treatment
- Host communities: Insisted on development provisions and environmental safeguards
- National Assembly: Fragmented along regional and political lines

4.4 Key Achievements despite Legislative Failure

· The Nigeria Extractive Industries Transparency Initiative (NEITI) 2003

Established in 2003, NEITI represented a global transparency commitment, requiring audit and disclosure of oil revenues. While implementation faced challenges, NEITI established precedents for revenue transparency and provided civil society with tools to hold government accountable.

· The NOGICD Act 2010: Africa's Most Comprehensive Local Content Framework

The Nigerian Oil and Gas Industry Content Development (NOGICD) Act of 2010 established the most comprehensive local content legislation in Africa. The Act created the Nigerian Content Development and Monitoring Board (NCDMB) with extensive powers to enforce local content requirements.

NOGICD Act Key Provisions:

- Minimum Nigerian content percentages for all project categories
- Nigerian Content Plans required for projects exceeding \$1 million
- Exclusive consideration for Nigerian indigenous service companies
- Maximum 5% expatriate management positions
- Mandatory R&D expenditure and technology transfer programs
- Target of 70% local content by 2020

• The Nigerian Gas Flare Commercialization Programme (NGFCP) 2016

Launched in December 2016, the NGFCP represented a market-based approach to eliminating gas flaring. The program targeted 2020 for routine flare elimination and established a competitive bidding process for third-party investors to commercialize flare gas. However, the 2020 target was not met, and flaring continued despite decades of regulatory prohibition.

4.5 Economic Performance (1999-2020)

Indicator	1999/2000	2010	2020
Oil Production	~2.0 million bpd	2.45 million bpd (peak)	~1.8 million bpd
Oil Revenue as % of Govt Revenue	~75%	75.8% average	~50%
External Debt	~\$28 billion	\$0 (post-debt relief)	\$85.9 billion
Excess Crude Account	N/A	\$20 billion	\$72 million
Refining Capacity Utilization	<20%	<20%	<10%

4.6 Assessment of the 1980-2020 Period

The period from 1980 to 2020 demonstrated both the resilience and the limitations of Nigeria's petroleum governance framework. Despite multiple reform attempts, fundamental structural problems persisted:

- Continued dependence on oil revenues despite price volatility
- Failure to develop domestic refining capacity
- Inability to eliminate routine gas flaring
- Legislative paralysis on comprehensive petroleum reform
- Persistent Niger Delta conflicts over resource distribution
- Corruption and opacity in NNPC operations

The failure to pass the PIB during this period represented a critical missed opportunity. During the era of high oil prices (2000-2014), Nigeria could have renegotiated Production Sharing Contracts, restructured NNPC, and implemented institutional reforms from a position of strength. Instead, the window of opportunity closed without significant structural change.

CHAPTER FIVE

ANALYSIS, CONCLUSIONS AND POLICY RECOMMENDATIONS

5.1 Synthesis: Seven Decades of Policy Evolution

Nigeria's oil and gas policy has undergone seven distinct evolutionary phases from pre-colonial resource sovereignty to the legislative paralysis of 2020. Each phase has left enduring legacies that continue to shape the sector's governance and performance.

5.2 The Ownership-Control Paradox

Perhaps the most persistent structural dilemma in Nigerian petroleum governance is the contradiction between formal state ownership and operational dependence on foreign capital. By 1979, Nigeria had achieved 60-80% state equity in joint ventures, yet foreign operators retained managerial and technical control. This hybrid system combined the inefficiencies of state ownership with the dependencies of foreign control, producing the worst features of both models.

The failure to achieve operational independence despite majority equity participation reflects several factors:

- **Technical Capacity Constraints:** NNPC and Nigerian personnel lacked the technical expertise for independent exploration and production
- **Capital Limitations:** State equity participation did not translate into sufficient capital for independent operations
- **Regulatory Capture:** Close relationships between NNPC officials and IOC executives undermined effective oversight
- **Institutional Weakness:** NNPC's dual role as regulator and commercial operator created conflicts of interest

5.3 The Resource Curse Manifestation

Nigeria exemplifies the "resource curse" - the paradox that countries with abundant natural resources often experience poor economic development and governance outcomes. Despite generating \$583 billion in oil revenue since independence, Nigeria ranked 164 of 193 countries on the Human Development Index (2020), with over 40% of the population living on less than \$3 per day.

Resource Curse Indicators in Nigeria (2020):

- Cumulative oil revenue: \$583 billion since independence
- HDI ranking: 164 of 193 countries
- Poverty rate: Over 40% living on less than \$3/day
- Infrastructure deficit: Despite massive oil revenues
- Manufacturing decline: Dutch Disease effects from oil dependence
- Corruption: Persistent opacity in oil revenue management

5.4 The Legislative Failure: PIB 2000-2020

The failure to pass comprehensive petroleum legislation for two decades represents a governance failure of historic proportions. The PIB process became a battleground for competing interests, with each stakeholder group possessing veto power over provisions they opposed. The result was legislative paralysis that perpetuated an outdated governance framework.

The costs of this failure were substantial:

- Missed opportunity to renegotiate Production Sharing Contracts during high oil prices
- Continued NNPC opacity and governance concerns
- Inability to attract investment due to regulatory uncertainty
- Perpetuation of subsidy regimes due to absence of pricing reform
- Failure to address host community grievances through legislative means

5.5 Policy Recommendations

Institutional Reform: Recommendations for NNPC Reform:

1. Unbundle NNPC: Separate regulatory and commercial functions into distinct entities
2. Commercialize operations: Transform NNPC into a commercially driven national oil company with clear performance metrics
3. Enhance transparency: Implement comprehensive public disclosure of revenues, costs, and operations
4. Strengthen governance: Establish independent board with professional management insulated from political interference
5. Develop technical capacity: Invest in training and technology acquisition to reduce operational dependence on IOCs

Fiscal Reform

1. Renegotiate PSCs: Adjust production sharing contracts to increase government take while maintaining investment attractiveness
2. Diversify revenue base: Reduce dependence on oil through aggressive development of non-oil sectors
3. Reform subsidy regime: Implement targeted subsidies rather than universal price controls
4. Stabilization fund: Establish effective sovereign wealth fund to manage oil price volatility

Local Content and Industrial Development

1. Enforce NOGICD Act: Strengthen NCDMB capacity to monitor and enforce local content requirements
2. Develop supply chain: Invest in domestic manufacturing and service capabilities
3. Technology transfer: Mandate meaningful technology transfer as condition for IOC operations
4. Indigenous operators: Support development of capable Nigerian oil companies

Environmental and Community Issues

1. Gas flare elimination: Enforce existing regulations with meaningful penalties for non-compliance
2. Host community development: Establish effective mechanisms for community participation and benefit-sharing
3. Environmental remediation: Fund cleanup of Niger Delta pollution
4. Alternative livelihoods: Develop economic alternatives for oil-producing communities

5.6 Conclusion

Nigeria's oil and gas policy evolution from pre-colonial times through 2020 demonstrates both the potential and the pitfalls of resource governance in developing countries. The trajectory reveals that legislative frameworks and institutional structures matter profoundly for development outcomes. The colonial imposition of Crown ownership, carried forward as state ownership, created a governance model that centralized control without achieving operational capacity. The failure to pass the PIB for two decades, despite multiple attempts, illustrates how competing interests can paralyze governance in resource-rich contexts. Each stakeholder group, government, IOCs, local companies, host communities, and regional political interests possessed sufficient leverage to block provisions they opposed, but insufficient power to advance their preferred solutions.

By 2020, Nigeria remained trapped in a policy framework that combined the inefficiencies of state control with the dependencies of foreign operational dominance. The Petroleum Industry Act of 2021, passed after this report's cutoff, represents an attempt to break this paralysis. Whether it succeeds in addressing the structural dilemmas identified in this analysis remains to be seen.

The fundamental challenge for Nigerian petroleum governance is moving from a model of state ownership with foreign operation to genuine indigenous capacity and control. This transition requires not merely legislative reform but sustained investment in human capital, institutional development, and technical capability. Without such investment, Nigeria risks perpetuating the patterns of the past—formal sovereignty

without substantive control, revenue abundance without developmental transformation, and policy ambition without implementation capacity

Key Conclusions:

- Nigeria's petroleum governance has been shaped by colonial legacies that centralized control without developing operational capacity
- The 1970s nationalization achieved formal state control but perpetuated foreign operational dependence
- The 2000-2020 PIB paralysis represents a failure of governance that perpetuated outdated frameworks
- The resource curse is not inevitable but results from specific policy choices that can be reformed
- Future reform must address the ownership-control paradox through genuine capacity building
- Effective petroleum governance requires balancing state interests, investor requirements, community needs, and environmental protection
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