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NIGERIA PETRO-BUSINESS: A FOCUS ON NNPC SINCE 1970s

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ABSTRACT:

The discovery of crude oil of large commercial quantity in the Oloibiri community of Ijawland by 1956 precipitated the eventual establishment of Nigeria National Oil Corporation (NNOC) in 1971. This was meant to ensure judicious management of the oil sector, particularly when oil already became very lucrative business in the world market. This current research therefore, examines the operations, activities, and compliance of Nigeria National Petroleum Company (NNPC) to the legislations and policies which established the corporation since 1970s. It argue that the mismanagement of oil revenue by the NNPC has continuously hampered the economic growth and development expected of a nation blessed with abundant crude oil. For proper historical analyses, collection and interpretation of facts, it employed secondary source method for data. This study found that, the absence of government direct control and monitoring of the company's operations, particularly on the issuance of oil licences to prospective private oil companies in Nigeria, to a large extent, hindered vibrant development of the country. It is expected that the huge revenue accrued from the sale of crude oil and royalties collected from those oil operators would enhanced rapid socio-economic development of the country, particularly the oil producing communities of Niger Delta. It conclude that, there is urgent need for the federal government to re-direct its policy and management strategy over NNPC, only then, would the expectations of Nigerians, in terms of development in infrastructure, manufacturing, production, alleviation of poverty, access to education and high living standard, peace and security would be achieved.

Keywords: Oil, NNPC, Licences, Mismanagement, Development.

INTRODUCTION

The entry of *Shell D'Arcy Exploration Company* into the search for oil across the entire Nigeria colony in 1937 marked a watershed in the history of oil and gas resources in the Niger Delta region. The exploration eventually resulted in a large commercial oil discovery in the Niger Delta area. The exploration activities of *Shell D'Arcy* were more concentrated in the eastern part of Nigeria, especially the coast of the Eastern Delta. After shifting its exploratory focus to the tertiary area of the Delta, *Shell-BP* struck oil of commercial quantity in January 1956, at Oloibiri in the Ogbia District of Ijaw area, at a depth of 12,008 feet (Pearson, 1970). It should be noted that after the Second War World in 1947, Shell D'Arcy resumed its exploration under a new name as the Shell-British Petroleum Company (*Shell BP*). This site was located about 72 kilometres (kms) west of Port-Harcourt in the Niger Delta.(Jekins, 1987)' *Shell-BP*'s exploration activities led to more oil discoveries at Afam, 40kms east of Port-Harcourt, and the Bomu and Ebubu (Ogoni) areas of the Niger Delta(Augustine, 2006). The discovery was a great success for both the company and colonial government. More importantly, it encouraged the development of a petroleum sector, especially by foreign multinational companies that would become major role players in the upstream oil sector (Korvenoja, 2000).

Review of Literature

Historical studies has been carried out on the role of NNPC towards Nigeria economic performances, particularly how the company had serves as the engine room for both internal and external revenue generation to the country. In fact, the revenue accruing from the sale of oil between 1960 and 2000 was estimated to the tune of 360 billion US dollars. This study has therefore selected some relevant literature as follows:

On the decision of the Federal government to established the first indigenous institution directly in charge of the production, marketing and distribution of crude and petroleum product, the work of Khan entitled, '*Nigeria: The Political Economy of Oil*, provides useful information on that. Khan opined that as a result of the direct involvement of the oil multinational companies which was not in the interest of the federal government. He contends that the NNOC was established in May 1971 by Decree No. 18 before it became full-fledged member of OPEC in July 1971. Another reason was that after the end of Nigerian civil war in 1970s, the federal government felt that it should secure her interest and control over its petroleum industry (Khan, Ahmad, 1994). Shell-BP and other oil multinational had operated in Nigeria with little or few guidelines and constraints. His work has therefore provides useful information in writing this paper.

To Pearson, (1970) the exploration and production of crude oil in Nigeria has greatly impact on the socio-economic policy over foreign participation. In his work, he opine that companies like Shell-BP has enjoyed certain concessionary rights during the colonial rule, particularly with a vast oil well discovered in the Niger Delta by 1956. Indigenous firm were restricted until the post-colonial rule when the federal government in order to monitored and control their excesses granted oil concessionary licences to those companies. His work has therefore cast light on the role of indigenous oil companies towards the development of petroleum sector in Nigeria.

The paper entitled, '*Oil and Nigeria's Economic Development*' by Madujibeya (1976), cast light on the performances of Nigerian petroleum industry. He opined that fifteen years after the discovery of oil, the Nigerian petroleum industry has grown by leaps and bounds. Both production and exports have increased enormously since commercial production began in 1958. For example, crude oil output increased from a mere 257,000 tonnes in 1958 to 112-8 million tonnes in 1974; while exports rose from 230,000 tonnes to 110 million tonnes during the same period. At the same time crude oil reserves have increased significantly from a mere 17 million tonnes in 1958 to 4,800 million tonnes in 1974; while proved and probable reserves in fields already discovered are now about 7,000 million tonnes. Besides crude oil huge reserves of natural gas, both associated and non-associated, have been discovered in Nigeria and these were estimated at about 45,000 billion cubic feet at the end of 1974. He affirmed that NNOC played a vital role in the success recorded in the oil sector.

Michael in his work asserts that in furtherance of its policy of participation the Nigerian Government in July 1971 set up the Nigerian National Oil Corporation (NNOC) under the provisions of the 1969 Petroleum Decree. From its formation the Corporation was empowered to engage in all phases of the oil business-exploration, production, transportation and marketing. It holds the government's 55 per cent participation interest in the private oil companies operating in the country. However, the NNPC assumed more responsibilities in 1977 when it was established. NNPC represented the government interest in the sharing of oil revenue based on percentage. Hence, the NNPC had more money accruing to it from those concessions, though the government failed to use such huge fund toward the socio-economic development of the country, particularly the oil producing communities of Niger Delta.

Abejide in his work entitled *'Shell D'Arcy Exploration and the discovery of oil in Ijawland (Niger Delta) as important source of foreign exchange earnings for Nigeria, C. 1940s-1970*, asserts that despite the venture between the NNPC and the foreign oil multinationals, the expectations of Nigerians for rapid socio-economic development is yet to be achieved. The government was expected to re-distribute the oil proceeds evenly among the states and ensure that other sectors of the economy are well developed. His work cast light on the failure of the government through its joint venture by NNPC to transform the country.

On the distribution and marketing of crude oil and gas within the country, the work by Korvenoja, explained the challenges faced by the government venture with the oil multinational. It has affected the ability of the government and NNPC to devised policy to enhance adequate sharing of investment cost in such join venture contracts, and more importantly, have made it very difficult for the country to grant more concessions to beneficial joint-venture terms. In essence, the joint venture between the NNPC and the oil multinational has both positive and negative benefits. His work provides useful information in writing this current paper.

Nelsom Takon, in his work entitled, *'The State-backed Oil Company in Nigeria's Petroleum Economy: Evolution, Dilemmas and Paradoxes,'* opined that 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. His work discussed the nature and analysis of the implicit and explicit context of the evolution of the Nigerian National Petroleum Company (NNPC) and identified its limited developmental outcome over the years. It has thus provides useful information in writing this paper.

Immediate Responses of the Government to Oil Discovery

In order to enhance production of oil, the federal government had also undertaken practical steps to maximise the oil wealth, adopting an open-door economy policy that permitted oil companies both local and international an equal access to exploration and production rights in the Ijaw area (Segun, 1990). By doing this, the government had laid a strong foundation for the development of petro-business in the country, and for maximum profits (NNPC Act, CAP 320). Consequently, indigenous oil companies were registered and obtained licenses for oil drilling from the petroleum ministry, particularly *Henry Stephen Delta Oil*, *Niger Oil Resources*, and the *Niger Petroleum Company*, which became significant oil business ventures in the country.

It is noted that participation in the oil sector is only one of the government's broad strategies for raising the proportion of indigenous ownership of industrial investment in Nigeria and for generally achieving effective local control of the economy. The overall objectives of government policy ensured that the economic destiny of Nigeria was determined by Nigerians. Conscious of the fact that political independence without economic independence was but an empty shell; that the interests of foreign private investors in the Nigerian economy cannot be expected to coincide at all times and in every respect with national aspirations; and that a truly independent nation cannot allow its objectives and priorities to be distorted or frustrated by the manipulations of powerful foreign investors' the government took the decisive decision to embark upon a policy whose objective was to acquire and to control on behalf of the Nigerian society, the greater proportion of the productive assets of the country. This was to be done through the acquisition, by law if necessary, equity participation in a number of strategic industries. Among the strategic industries in which it was specified the government would hold at least 55 per cent equity interest were iron and steel, petrochemical complexes, fertilizer production, and the production and distribution of petroleum products (Madujibeya, 1976).

Granting of Oil Licenses

The establishment of the 1963 Oil Pipeline Act to effectively monitor the extraction and production of petroleum by all oil companies in Nigeria. The main reason for the promulgation of the Act was to make provision for licenses to be granted for the establishment and maintenance of pipelines incidental and supplementary to oilfields and oil extraction, and for purposes ancillary to such pipelines. The Act at the time was not meant to prevent environmental pollution of other natural resources in Nigeria, but to lay down in law that these pipelines were legal and should not be violated by others.

Section 5(1) of the Oil Pipeline Act (1956) had granted the oil license holder the right to enter and survey the land without interference from the third parties. This section inter-alia states that:

> A permit to survey shall entitled the holder… to enter together with his officers, agents workmen and other servants and with any necessary equipment or vehicles, on any land

upon the route specifies in the permit of reasonably close to such route for the…purposes to survey and take levels of land, to dig and bore into the soil and subsoil…"

The above provision implies that *Shell-BP* and *Chevron Nigeria* were mandated to undertake a proper survey of the route for the pipelines to determine suitability of the land before installation and provide for their adequate maintenance in the oil-producing communities of Niger Delta. This explained the penalty for any unlawful breach of the Act, especially by a local owner.

As a result of the discovery and production of crude oil in Nigeria, the federal government was desired to ensure that Nigerians used the profit realized for the socio-economic acceleration and development of the country. However, in order to achieve that, the government embarked on nationalization of oil and some other chemical industries in Nigeria. It was aimed toward increasing government participation and revenue from oil production, particularly the have a lion share in the multinational oil corporations. In that situation, Nigerianization came to mean little more than a public relations exercise, for in the sharing of company secrets and in the taking of vital decisions Nigerian executives of the foreign companies continued generally to be treated as outsiders. Recognizing that Nigerianization alone would not achieve the desired result the government began to direct its efforts towards effective local involvement in oil operations. This led it to give full support to OPEC's demand for state participation in both new and existing concessions. It is noted that the demand has since been realized. In furtherance of its policy of participation, the Nigerian Government in July 1971 set up the Nigerian National Oil Corporation (NNOC) under the provisions of the 1969 Petroleum Decree. From its formation the Corporation was empowered to engage in all phases of the oil business-exploration, production, transportation and marketing. It holds the government's 55 per cent participation interest in the private oil companies operating in the country. In 1972 the government announced that no further concessions would be granted to any private company in Nigeria. Areas not covered by existing licences, and areas to be relinquished in the future, were designated ‘national reserves’ to be allocated to the NNOC at appropriate times. But the Corporation was free to select foreign or indigenous minority partners if and when it so desires (Michael, 1970).

The government's entry into petroleum marketing began early in 1975 when a new company-the National Oil Marketing Company (NOMC), which was a subsidiary of the Nigerian National Oil Corporation-was formed with Shell-BP to take over the assets of the Shell Marketing Company, the largest petrol marketing in the country. It was planned that NOMC, in which the government has 60 per cent equity interest, would take over one or two other marketing companies in the country, the aim being that it would eventually become the dominant force in the marketing of petroleum products throughout Nigeria (Mwalimu. 2009). It was also planned that NOMC would have a tanker subsidiary with a tanker fleet composed of tankers of between 80,000 and 250,000 tons each. The formation of the Nigerian National Oil Corporation was very much a step in the right direction given the dominant position which petroleum now occupies in the Nigerian economy. It was right and proper that Nigerians had effective part in its development and managerial control. Experience in other oil producing countries, for instance, Venezuela and Iran-showed that such a national oil company has a number of advantages. In the first place, it provides a mechanism through which local people has effectively exposed to their mode of operations (Michael, 1970).

At the end of the civil war, the Nigerian government awakened to the importance of the crude oil resource and shifted away from concessions to put in place a legally binding Petroleum Act 1969. In a bid to wield more control over the oil industry, the government created a national oil company NNOC in 1971, supposedly to protect the interest of the Nigerian people. Five other laws were put in place before the end of the 1970s including the Offshore Oil Revenue Decree No.9 of 1971, the creation of the NNPC by Decree 33 as a major player in upstream and downstream sectors, Petroleum Production and Distribution (Anti Sabotage) Act 1975, the Exclusive Economic Zone Act 1978, and the Land Use Act 1979.

It is noted that when Nigeria gained independence in 1960, oil production had been established in the country and it was exporting over 170,000 barrels per day. It was Gulf oil company that struck off shore oil on the Okan structure of the then Bendel state (now, Edo state) in 1964. The licenses that were granted these companies were both offshore and onshore. With these commercial discoveries in petroleum products, the socio-economic and political development of Nigeria began to crystallize as well as its internal dynamics ethnicity. All crude oil produced before the mid-sixties were exported because of no-availability of local refineries, while domestic demand of petroleum products was met by imports (This has continued unabated even till 2023). However, the need to conserve foreign exchange creates job opportunities to some extent and other benefits derivable from setting up refineries locally prompted the government of Nigeria to establish and commission a refinery in Port-Harcourt in 1965. The refinery has processing capacity of 35,000 barrels per day to meet the increasing domestic demand while excess fuel oil was exported.

Nigeria has 4 Refineries located at Port Harcourt, Kaduna and Warri. These Refineries form part of the Subsidiaries of Nigerian National Petroleum Corporation (NNPC). The Kaduna Refining and Petroleum Company (KPRC) was made up of local and foreign crude refining plants and a petrochemical plant. It has total installed capacity of 110,000 barrels per stream day (BPSD). The Port Harcourt Refining Company (PHRC) is made up of the old and new plants which installed capacity of 60,000 and 150,000 BPSD respectively. Warri Refining and Petrochemical Company

(WRPC) was made up of local crude reefing and Petrochemical plants, and has a total installed capacity of 125,000 BPSD. These Refineries had been operated at about 80-90% capacity utilization until the late 1990s when it dropped to about 30-40% due to the non-implementation of Turn Around Maintenance (TAM). These refineries were built by the Federal Government to provide Petroleum Products like Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK), Automotive Gas Oil (AGO) and other Petroleum Products to the Nigerian market. In the 1980's and the early 90's, these Refineries were able to meet up with the national demand for these products, which was estimated to about 20million litters per day. Nigeria's daily PMS consumption is estimated to about 40 million liters. Experience has shown that this demand will continue to increase over time due to the population surge, low power generation and inadequate mass transport systems in the country. In order to meet up with the daily supply gap occasioned by low capacity utilization of the four refineries, NNPC adopted some strategies of direct import by NNPC and major marketers, Offshore Processing Agreements (OPA) and the swap of crude oil-for-products arrangement.

EMERGENCE OF NNPC IN 1977

The Nigeria National Petroleum Corporation (NNPC) was established on April 1, 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, Exxon-Mobil, Chevron, and Texaco (now merged with Chevron). Through collaboration with these companies, the Nigerian government conducts petroleum exploration and production. The NNPC Towers in Abuja is the headquarters of NNPC comprises four identical towers. NNPC also has zonal offices in Lagos, Kaduna, Port Harcourt and Warri. It has an international office located in London, United

Kingdom. In addition to its exploration activities, the Corporation was given powers and operational interests in refining, petrochemicals and products transportation as well as marketing. Between 1978 and 1989, NNPC constructed refineries in Warri, Kaduna and Port Harcourt and took over the 35,000-barrel Shell Refinery established in Port Harcourt in 1965.

In 1988, the NNPC was commercialized into 12 strategic business units, covering the entire spectrum of oil industry operations: exploration and production, gas development, refining, distribution, petrochemicals, engineering, and commercial investments. Currently, the subsidiary companies include: National Petroleum Investment Management Services (NAPIMS); Nigerian Petroleum Development Company (NPDC); The Nigerian Gas Company (NGC); The Products and Pipelines Marketing Company (PPMC); Integrated Data Services Limited (IDSL); Nigerian LNG limited (NLNG); National Engineering and Technical Company Limited (NETCO); Hydrocarbon Services Nigeria Limited(HYSON); Warri Refinery and Petrochemical Co. Limited (WRPC); Kaduna Refinery and Petrochemical Co. Limited(KRPC); Port Harcourt Refining Co. Limited (PHRC). In addition to these subsidiaries, the industry is also regulated by the Department of Petroleum Resources (DPR), a department within the Ministry of Petroleum Resources. The DPR ensures compliance with industry regulations; processes applications for licenses, leases and permits, establishes and enforces environmental regulations. The DPR, and NAPIMS, played a very crucial role in the day to day activities in the operations of the oil industry.

Statutory Obligations of NNPC

The NNPC has been the Federal Government representative in charge of petroleum resources. It was empowered to enter on behalf of the government into any contract with the oil companies in Nigeria (NNPC Act, Section 4& 5(1), 1977). 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). It is noted that 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.

Operations and Roles of NNPC in Nigeria Oil Sector

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). It should be noted 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 entrenched in the Petroleum Industry Bill (2012) (Frynas, 2000). Arguably, current policy plans have eroded the initial concept of state control and participation in the oil industry witnessed in the 1970s at the formation of the NNPC (Soremekun, 1995). Clearly, 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.

Performances of NNPC and Nigeria Economy

NNPC between 1977 and 2023 has been responsible for significant achievements in Nigeria'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 neighbouring 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.
- NNPC entered into a $1 billion 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 would generate the first carbon credit in compliance with the Kyoto Protocol and related UN resolutions (Nelson, 2014).

Some loop-holes recorded in NNPC:

NNPC as a central cog in the nationwide machinery of oil patronage, it has contributed significantly to the climate of tension and self-interest that has fueled the Niger Delta conflict. In addition to its direct human cost, the conflict has resulted in significant losses of production, which have dramatically impacted the Nigerian federation's revenue gains from oil (Smith, 2007).

The enormous costs that NNPC bureaucracy imposes on oil operations caused the total rents available to the government to be much less than they could be. In a highly capital-intensive business like oil, approval times of over a year for even relatively minor contracts push up costs dramatically, significantly cutting into net government revenue. These costs end up being built in to the cash calls paid out by the government to JVs or the cost oil allocated to PSC operators. Also, the delays and insufficiencies in cash calls executed through NNPC actively delayed hydrocarbon developments, deferring government revenue from these projects. This problem was caused more by government funding limitations and the use of the JV arrangement than by anything NNPC has been established (Mark, e-taal, 2010).

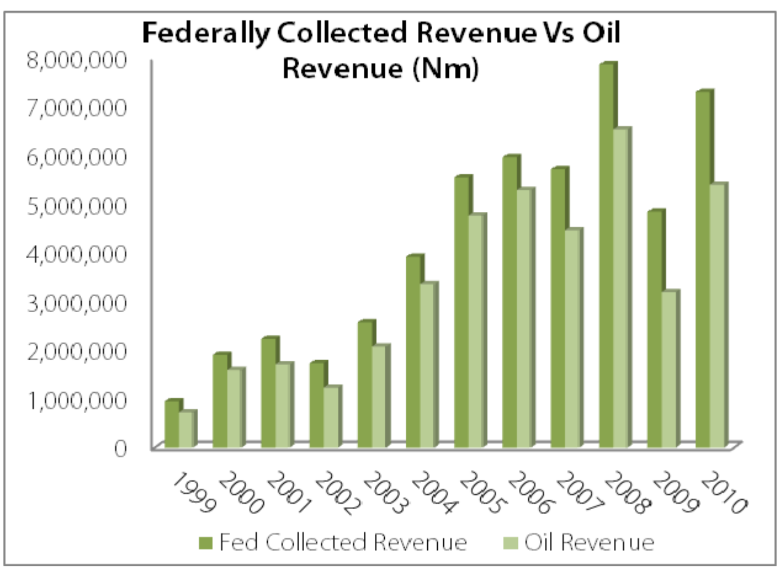

Figure 1: *Source: CBN, Federal Ministry of Finance, NNPC*

The above figure shows a significant increase in the revenue that accrued to the federal government through the activities of NNPC betwen1999 and 2010.

Challenges of NNPC on Government Annual Budgeting

Since inception, the NNPC had certain set goals to achieve as landmarks in the years ahead. Its performance faces tremendous pressures from both within and without. The company's future hinges on its ability to identify and capitalise on new opportunities that are in line with Nigeria's plans for accelerated development. Its sphere of influence on almost every aspects of growth bestows on its critical significance in the context of Nigeria's goals for universal basic human rights. Although much government effort in recent years has been devoted to reversing the country's traditional dependence on non-renewables, the oil and gas industry was predicted to grow exponentially over the next few years. With oil accounting for 81% of present government revenue, the NNPC has a major role to play in reversing decades of economic stagnation and driving massive entrepreneurial growth. It is noted that, oil revenue funds Nigerian government initiatives to diversify the economy and achieve rapid enterprise revolution across non-oil sectors. With NNPC confident of improving known crude reserves from 36 billion barrels to 50 billion barrels by 2015, the sector assumes all the more importance (Ibeanu, 2000).

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. Hence, 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 in the Niger Delta with dire consequences.

Another challenge to the operation of NNPC was the way that money flows between NNPC and the rest of the Nigerian government. It has been a major determinant of how the corporation was organized and functions. In the cash call payments, NNPC really only serves as an administrative pass-through from the government to the IOCs. The transactions that most fundamentally shaped what NNPC revolved around sales of crude oil abroad and refined products domestically. As shown in Figure 1 above, crude oil sales supply the majority of government revenue from the petroleum sector, with royalties and Petroleum Profits Tax (PPT) which make up the balance.

It is noted that NNPC sold the majority of the crude oil it received from the Joint Ventures (JVCs) to marketers for export, remitted the proceeds directly to the Federation of Nigeria's account in the Central Bank of Nigeria. At the same time, the corporation was allowed to purchase from the government a portion of crude oil at a below-market rate—which is known as the "domestic crude allocation" and was intended to be processed by the refineries to supply the domestic market. In practice, the refineries meet at best about 15% of domestic demand, so NNPC sold the majority of the domestic crude allocation for export and used the proceeds to cover the cost of importing refined products at international prices. However, NNPC must then sell refined products to domestic marketers for resale at highly subsidized official pump prices, which were set at ₦65 (around $0.43) per liter as of early 2010 (Horsefall, 2002). The loss NNPC incurred on the refined products far outweighs its profits on the original sales of crude. The government was supposed to pay back NNPC to fill the yawning gap, but as of February 2010 NNPC claimed it was still owed ₦1.1 trillion (US$7 billion) by the Federal Government and thus could not make good on the ₦450 billion (US$3 billion) in crude oil proceeds, it in turn was owed the Federation Account. It could be said that the nature of the financial flows between the government and NNPC means that NNPC has no financial autonomy from the government and thus no genuine ability to act as a business venture.

Conclusion and Remark

This paper has examined the Nigeria economy potentials, with a focus on NNPC since inception. It evaluates the roles and relationships of government-backed oil company (NNPC) and private oil companies. It illustrates that the federal government of Nigeria has exclusive ownership of mineral resources in the country. It is noted that Nigeria has been a major crude oil producer and importance of this commodity has been highly manifested in the nation's economy. Starting from the early 70's, the petroleum industry has become the dominant industry in the economy, particularly when palm oil trade was no longer in high demand in the international market. In fact, crude oil has dictated the pace of economic, political, social and cultural progress in the country. It has equally explains that the central government's ownership-via NNPC- was spelled out in Sections 40 (3) and 44 (3) of the 1979, 1989, and 1999 Constitutions. NNPC however, lacked the technology, capital, management skills, and governance and best international business practice to accomplish the goals spelled out in the PIB (Petroleum Industry Bill) Bill that could guarantee the success of a State-backed oil company, such as Statoil and Petrobase. NNPC also lacked adequate research support into gas to provide the bridge between fossil fuel and renewable energy technologies. This study has revealed that NNPC was rightly set up as an operating company not a regulator. But over time, it has taken on the responsibility of regulating some aspect of the industry in which it also operate. This abnormal has gone on for too long to make NNPC believed that what was wrong was right because, it functions as a judge and jury. The Job of regulating the entire operations in the oil industry, including local content implementation, is rightly that of Department of Petroleum Resources. Thus, the Ministry of Petroleum Resources was right to have insisted that local content was a matter of policy which implementation should not be the responsibility of NNPC as an operator.

It concludes that NNPC has contributed largely to the sustainability of social, economic, political agricultural development of the country since 1977 and 2023. It suggests that in order to enhance better performance of NNPC, there is need for government to ensure that this institution have 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 NNPC portfolio should be reform to ensure focus on high-growth potential assets. Also, its operational constraints and production suspensions resulting out of vandalism and violence must be maximally reduced to enhance the acceleration of Nigeria economy development in the 21st millennium.

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