THE NIGERIAN NATIONAL PETROLEUM CORPORATION AND THE DEVELOPMENT OF THE NIGERIAN OIL AND GAS INDUSTRY: HISTORY, STRATEGIES, AND CURRENT DIRECTION

G. Ugo Nwokeji, Ph.D.
Assistant Professor of African & African Diaspora Studies
Department of African American Studies
University of California Berkeley
NNPC OVERVIEW

- NNPC oversees Federation’s interest & is central to Nigerian economy
- Responsibilities: E&P, marketing, engineering, data support services, training, refining, & pipelines construction & maintenance
- An integrated oil & gas company, wholly owned by the Federation
- Holding company with 11 wholly-owned & two partially-owned subsidiaries or CBUs
- A growing number of corporate divisions or CSUs
- Staff strength shrunk from 17,000 in 2003 to about 9,000 in the first quarter of 2007
- NNPC Power Structure
HISTORICAL PROBLEMS

The Problem of Focus

Figure 1. Industry Triad

Figure 2. Ideal Structure
Figure 3. Nigerian NOC

Figure 4. Present Nigerian Structure
The Subsidiaries

• Most functional subsidiaries work upstream -- NPDC & NETCO
• Generally failed to live up to autonomy & financial self-sufficiency
• The 4 subsidiary refineries epitomize the inefficiency of the corporation
REPOSITIONING AND RESTRUCTURING

• General Objective
• Elements
  • “rightsizing”
  • Privatization
  • Gas
  • renewable energy
  • Transparency & Anticorruption
  • Local content
  • Upstream
## Diversification of International Partnership

*Table 2. International Corruption Ranking of Nigeria’s Major New Partners*

<table>
<thead>
<tr>
<th>Country</th>
<th>Ranking</th>
<th>CPI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>40</td>
<td>5.0</td>
</tr>
<tr>
<td>South Korea</td>
<td>42</td>
<td>5.1</td>
</tr>
<tr>
<td>Brazil, China, and India</td>
<td>70</td>
<td>3.3</td>
</tr>
<tr>
<td>Iran</td>
<td>105</td>
<td>2.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>130</td>
<td>2.4</td>
</tr>
<tr>
<td>Venezuela</td>
<td>138</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: [www.infoplease.com/ipa/A0781359.html](http://www.infoplease.com/ipa/A0781359.html)
OBSTACLES TO REFORM

- Targets seem overambitious
- Eroded by charlatans outside NNPC
- Duplication depletes pool of technical personnel needed for core responsibilities
- Management of SBUs & CSUs change too frequently
- Regime murkiness
- Centralization of industry on President Obasanjo
- Presidential control limits NNPC chiefs’ ability to initiate & implement programs
- NNPC seems to undermine privatization
- Perennial fuel scarcity
- Paucity of transparency remains a problem in NNPC
- Corporate Culture
- Continuing corruption in NNPC reflects wider, systemic challenges
- Significant opposition to reforms from certain key stakeholders
- Niger Delta crisis perhaps the most dangerous obstacle
CONCLUSIONS

• 1st time in its history NNPC seems to have correctly identified problem areas
• & set about with greater zeal in improving its operations
• Nobody can fault NNPC’s ambition but the strategy will be watched closely
• The corporation is in dire need of rescue from political interference
• The structures for reform must be robust enough