

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

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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

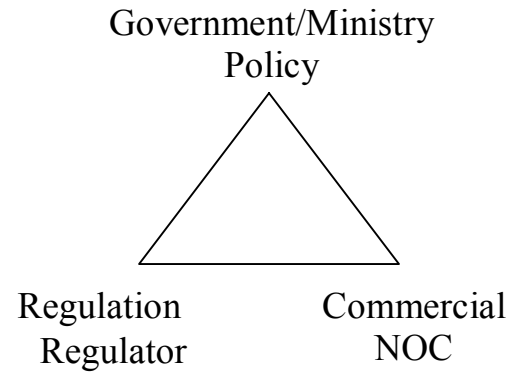


Figure 2. Ideal Structure

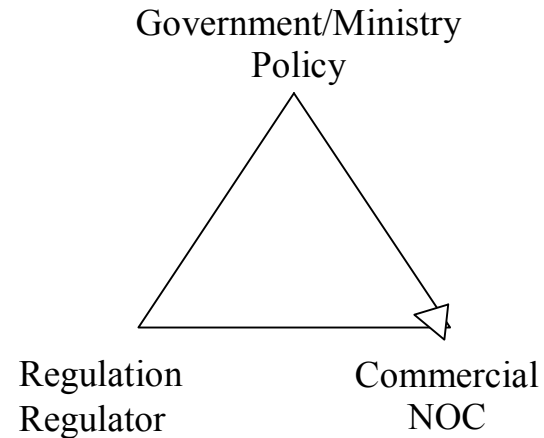


Figure 3. Nigerian NOC

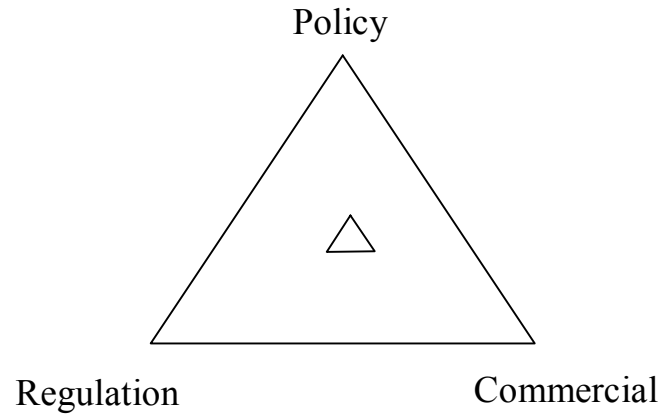
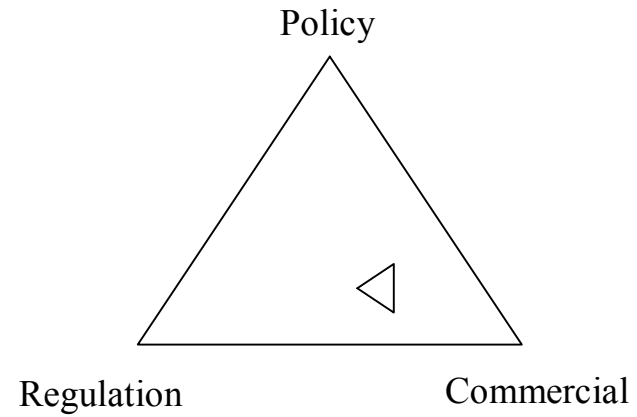


Figure 4. Present Nigerian Structure



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

Country	Ranking	CPI Score
Malaysia	40	5.0
South Korea	42	5.1
Brazil, China, and India	70	3.3
Iran	105	2.7
Indonesia	130	2.4
Venezuela	138	2.3

Source: 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**