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POLITICS OF PETROLEUM PRODUCTS IMPORTATION AND DEVELOPMENT OF MODULAR REFINERIES IN NIGERIA

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Abstract

This paper examines the impact of petroleum product importation policies on the development of modular refineries in Nigeria between 2012 and 2023. It investigates the relationship between import license allocation, crude oil for fuel swap deals, and investors in modular refineries. The research questions whether unaccountable subsidisation of petroleum products imports undermines investment in modular refinery development and human capital development in Nigeria's downstream petroleum industry. The findings suggest that the nonchalant attitude of not fixing state-owned refineries and undermining modular refinery development through reprehensible policies is deliberate due to primitive accumulation through subsidies.
Keywords: Petroleum products, importation, modular refineries, development

Introduction

Before and after independence, agriculture was the mainstay of Nigeria's economy. However, with the discovery of oil in the Niger Delta region, few years before independence, agriculture has been abandoned and oil becomes the main stay of Nigeria external earning. The commercial crude oil production in the Niger-Delta region has proven to be a significant source of revenue and the mainstay of the Nigerian economy. Nigeria is a key crude oil exporter and a member of the Organisation of Petroleum Exporting Countries (OPEC) (Salau, 2011). However, since the discovery of oil in the country, Multinational Oil Corporations (MNCs) have dominated the upstream sector of the industry while the downstream has been the exclusive domain of Nigeria's national oil company, Nigeria National Petroleum Corporation (NNPC). Coincidentally, the midstream and downstream sectors, which involve the refinement of crude oil into premium motor spirit (PMS), cooking gas, diesel, kerosene and other products for domestic consumption, have performed quite poorly in comparison to the upstream sector, which has functioned at maximum capacity.

It was for this reason that the Federal Government, through NNPC in the past, had established four refineries: Port-Harcourt Refinery; Eleme Petrochemical refinery; Warri refinery, and the Kaduna refinery, in the North West. These refineries, which were constructed between 1965 and 1989, have a combined daily refining capacity of 445,000 barrels when fully operational (Ogele & Egobueze, 2020). At their peak, the four refineries produced between 57 per cent and 89 per cent of the total domestic consumption of petroleum products within the country. During the early 1990s, Nigeria's refineries produced enough refined petroleum products to satisfy consumers' demand (FGN, 2013).

However, due to cumulative neglect and poor maintenance, these refineries performed sub-optimally for several years before completely breaking down altogether. As a result of this, the NNPC has turned to importing all of the country's refined petroleum requirements, which is a record among OPEC members and even non-OPEC petroleum exporting countries. Perhaps nothing more clearly exposes the country's precarious economic situation than this paradox of being a crude oil exporter and importer of refined products. The importation has itself been riddled with a mind-blowingly complicated and corrupt process. A one-time Nigerian Minister of State for Petroleum, Timipre Sylva, has described it as “a criminal enterprise” (Olawoyin, 2022).

Nigeria state has progressively been unable to operate its four oil refineries but has instead relied almost entirely on importation to meet its domestic petroleum products consumption needs. Fuel subsidies became institutionalised in 1977, following the promulgation of the Price Control Act, which made it illegal for some products, including petrol, to be sold above the regulated price. The law was introduced by the General Olusegun Obasanjo military administration to cushion the effects of the global “Great Inflation” era of the 1970s, caused by a worldwide increase in energy prices. The subsidy has, however, been subjected to the worst forms of abuses running into billions of dollars over the past decades. Between 2006 and 2018, Nigeria spent about N10 trillion (US$24.5 billion) on petroleum subsidies. The country spent roughly N13.9 trillion on petroleum subsidies between 2015 and 2022. According to the Nigerian Extractive Industries Transparency Initiative (NEITI), the amount paid in subsidies in 2015, 2016, and 2017 was N316 billion, N99 billion and N141.63 billion, respectively. It means that Nigeria has spent over $30 billion on fuel subsidies over the past 16 years or so. In 2018, it spent 722 billion. (Guardian, June 8th, 2023, p.27).

Few individuals with political clout profit from subsidies by exaggerating figures for oil imports and over-invoicing the government for the cost of imports. These players in the oil industry have used their political connections and influence to scuttle attempts to remove the subsidies. This has led to strident calls that the scam called subsidy should be removed so that this country could make progress (Ekpenyong, 2022). This call for subsidy removal has,

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however, been opposed by the same elements that oppose and covertly fight the development of modular refineries and formalisation of artisanal refineries in the Niger-Delta.

Before the operation of Dangote refinery, Nigeria depended 100 per cent on imported petroleum products for its domestic use (Aturu, 2010), and consumes about 65 million litres per day and which is being imported by NNPC through the major oil marketers and independent oil marketers (SDN, 2022). One of the challenges facing the downstream petroleum sector in Nigeria is the issue of petroleum products importation as a result of dependence on foreign refineries, non-functional conventional refineries, non-formalisation of artisanal refineries, and under-development of modular refineries.

Against this background of the government's reliance on foreign refineries for domestic demands, this paper examines the effect of petroleum products importation and the development of modular refineries between 2012 and 2022. The periodisation covered the securing of the first set of modular refineries licenses in 2012 during the President Goodluck Jonathan administration, and also under development of modular refineries in the Muhammadu Buhari administration.

Generally speaking, the Nigerian oil industry is divided into three sectors: upstream, midstream, and downstream. The downstream petroleum sector is in despair due to government-operated operations and the lack of efficiency in the importation, distribution, marketing, and availability of petroleum products. The country has failed to benefit from high global oil prices due to non-functional conventional refineries, low crude oil production, and underdevelopment of modular refineries. Efforts to attract investors to build conventional and modular refineries have been thwarted by bureaucratic bottlenecks and unscrupulous NNPC officials. The downstream oil sector investment conditions is hostile and unfriendly, with no motivational conditions from highly placed government officials. Many oil importers collaborate with unscrupulous government officials to ensure that existing refineries do not function and modular refineries do not exist.

Licensing procedures for building modular refineries in Nigeria are also concerning, with three distinct stages of application: establishing, authority to construct, and license to operate. These stages are not open-ended, with time frames and fees to be paid for each stage. The pattern of governance, including voting huge sums of money for oil subsidies, has turned the downstream petroleum sector into one of the nation's hotbeds of corruption. To ensure a market-driven downstream oil sector, political will, commitment, judicious application of funds, a transparent, fair, and dependable regulatory framework, and continued involvement of the private sector are needed. This paper, therefore, seeks to examine if unaccountable subsidisation of petroleum products imports undermines investment in the development of modular refineries in Nigeria. And or if the dominance of petroleum products importation by multinational corporations undermines human capital development in the downstream sector of the Nigerian petroleum industry?

This paper adopts the secondary method of data collection, which is analysed contextually. The paper applies the public choice theory by Knut Wicksell (1896). It was later propagated by James Buchanan and Gordon Tullock (1962). This theory is based on the explication of the subtle, subterranean decision-making of self-interested individuals in government using government agencies to obtain their personal interests.

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Petroleum products import and the development of modular refineries.
A modular refinery is a simplified refinery requiring significantly less capital investment than conventional full-scale refineries. They are crude oil processing facilities with capacities ranging from 1,000 to 30,000 barrels per day (DPR, 2017; Nnodim, 2022). It is engineered and constructed in largely skid-mounted structures, and each skid contains a section of the entire process plant, and through interconnecting piping, the component skids are linked together to form an integrated operable process plant (Ezenwafor, 2022; Olaniyi, 2022). Modular refineries have been viewed as a palliative and remedy to the artisanal refining industry, which has left behind serious health and environmental deterioration challenges to oil-bearing communities of the Niger-Delta (Vanguard, July 11, 2022).

Amid identifying modular refineries as a shelf solution, modular refineries are part of a transformational programme to exit the country from over-dependence on imported petroleum products and to become self-sufficient and ultimately a net exporter of refined products. But currently, Nigeria has only five completed modular refineries located in Rivers, Delta, Edo and Imo States operating sub-optimally and with a barrage of importation of refined petroleum products by NNPC.

Examining the bazaar of allocation of import licenses by NNPC and oil patronage system, Chigozie (2018) contends that NNPC operates as an instrument of oil patronage to the governing class and their social networks. They argued that the oil-based patronage ecosystem affects its organisation and functioning of the flourishing of import oil licenses. Indeed, the organisation's role as distributor of licenses for export of crude oil and import of products also helps make it a locus for patronage activities. Furthermore, they observe that the gap between selling prices and subsidised official prices creates huge profit for the licensees. NNPC unscrupulous officials, in connivance with corrupt politicians, allocate these licenses both for personal benefit and to buy the support of these politicians, mostly in the legislature.

Nigeria's quest to bolster its local refining through modular refineries has run into a hitch due to the scoundrel activities of these government officials, which is the establishment of modular refineries in Nigeria's law. Out of forty-three (43) firms issued licenses to establish modular refineries in 2018, only five have established and are operating, but at a sub-optimal level. With President Muhammad Buhari's directive to NNPC and other relevant agencies to provide all necessary support in securing crude oil, there are indications that the modular refineries will be a success story, but with what is happening, the reverse is the case. Nigeria remains under the shackles of unending importation of petroleum products, concomitant scarcity and cold-blooded importers and economic marauders who rip off the country billions of Naira in the form of oil subsidy (Obioma, 2021).

Contributing to the debate, Ngwu (2014) noted that the failure of many licensed investors to establish private refineries in the country has been attributed to a lack of crude oil. These investors were not satisfied with the federal government's position that they would buy the crude oil at the international market price, as this would not guarantee good returns on investment since they would sell the refined products at a stipulated official price.

Articulating reasons for abysmal investment in modular refineries, Ogbuigwe (2018) noted that initial licenses awarded to private refineries could not yield fruit as the scope and large financial outlay required for the project precluded the awardees from breaking ground. On the other hand, high entry barriers in terms of cost to build and purchase relevant equipment all contributed to complicating the task. In addition, the perception from foreign counterparts that Nigeria carries additional risk involving currency fluctuations, local content requirements, corruption, political, civil, and economic instability contributed to difficulties in fostering partnership with local investors.

Relatedly, Chuba-Nwachukwu (2022) averred that NNPC, through the regulatory authority (NMDPRA), should promote a competitive market by ensuring crude oil supply for domestic refineries. The supply of crude oil and condensates for the domestic market shall be on a willing buyers and willing suppliers' basis, and crude oil may be sold to holders of crude oil refining licenses, whose refineries are in operation. However, after signing all the necessary documents for the take-off of the plants, some operational modular refineries operate sub-optimally due to a shortage of feedstocks. Going further, he argued that NNPC needs to sell crude oil to all modular refineries at a subsidised rate not lower than the current annual budget oil benchmark. This incentive should be offered to the investors because the internalised subsidy shall eventually level up under the backward integration strategy, which nullifies the pains of import substitution deficit and that of notorious fuel subsidy policy.
the
In a similar vein, the indigenous oil refiners under the aegis of Oil Refiners Association of Nigeria (CORAN), have appealed to NNPC to consider selling crude oil to the modular refinery owners in Naira according to the prevailing market price with guarantee that all refined products will be sold in Naira in line with the market price in the country (Uzoho, 2022). There is enough incentive to invest and build modular refineries in Nigeria. The growing demand for refined petroleum products, which is fed by imports from foreign refineries and the local availability of crude oil to supply the domestic refineries, provides evidence of this fact. However, government policies towards the realisation of the objective have been inconsistent and ineffective (Wapner, 2017).

There are many hurdles the modular refineries face, such as corruption in the industry and unscrupulous government officials, which make it difficult to trust the government. For instance, if a modular refinery receives oil allocation from the government on certain terms, what is the guarantee that future administrations will continue to honour the terms of the agreement? Again, fixing the price of petroleum products, especially fuel, makes it difficult for modular refineries to profit from any investment in the Nigerian environment (Ogbuigwe, 2018).

Discussing the crisis in the energy sector, Owo (2022) states that Nigeria's per capita refining is 0.002 barrels daily, imports petroleum products worth $28 billion annually, and is the third largest importer of refined products in Africa. The downstream oil refining sector had been tainted with uncertainty due to the adverse effects of the regulator, allocation of import licenses, subsidy scam, policy inconsistencies, poor supply of feed stocks, vandalism, and piracy. In the same vein, Akinbode (2021) notes that the scandalous prices paid by the government for imported petroleum products, as importers take advantage of massive corruption loopholes engage in falsifying the dates of bills of lading to reflect particularly high market prices, and by so doing the overcharge Nigerian National Petroleum Corporation millions of dollars. This is corroborated by Nwuke (2021), who states unequivocally that long-standing sweetheart deals between unscrupulous officials in NNPC and a variety of importers are keeping the downstream sector inefficient. That may also explain the government's docility in tackling corruption in the management of the oil subsidy.

Shedding light on how public sector institutions governing the Nigerian petroleum sector permit the existence of corruption, Gillies (2009), states that the process of selecting suppliers for the importation of products is documented, but the documented procedures are not adhered to. The Evaluation Committee only recommends prices for the importation of petroleum products, while actual allocation of importation contracts, especially volumes, appears to be at the management's discretion. The import transactions yield humongous returns, and the lack of transparency surrounding them creates considerable opportunities for corruption. Following a pre-qualification process for the licenses, it is not clear how winners are selected or how much the contracts are worth.

Corroborating the preceding viewpoint, (SDN, 2020), and Sahara Reporters (2022) report point at the shady deals in the importation of petroleum products. According to their report, in a sample of official petrol imports, the average sulphur and methanol levels are more than seven times the legal limit. In diesel, the sulphur found is 43 times the legal limit. Though methanol is an additive that, when blended, improves the quality of petrol, however, when it is however, damages the engines of vehicles. As these contracts are in breach of transparency, it brings to light that not only are regulated standards unclear, but the enforcement responsibilities are weak. The implication of this weakness in regulating the quality of petroleum products poses a serious health risk to Nigerians, and international oil companies and Nigerian marketers are exploiting the lack of regulation to import low-quality products.

In his analysis of the implications of Nigeria's International petroleum products marketers on Nigeria's oil industry and economy, Sanusi-Lamido (2020) notes that "the state exists as a site of rent extraction to make those who control the state rich, to turn them into billionaires". The agencies of the state connected with the fuel subsidy regime had been awarding fuel importation contracts to their social network "briefcase importers", and as a result, contributed to the abuse of the subsidy regime in the downstream sector of the petroleum industry.

Subscribing to the above view on the mismanagement of oil subsidy, Bala-Zakka (2022) argued that subsidy is a global accepted practice to cushion the pains of the citizens on consumption of products that have no substitutes; however, the challenge of oil subsidy management in Nigeria is the political docility to fight the economic vampires and marauders in these agencies. Similarly, Femi Falana (2022), discussing the "misconceptions on fuel subsidy" on Channels Television's Sunrise Daily, opined that since the cost of production of petrol is far less than the price of the commodity, the issue of subsidy does not arise. It is, however, conceded that the federal government has been subsidising corruption and inefficiency arising from official negligence to maintain the existing refineries, build new ones, or even the modular refineries to meet domestic needs and generate substantial revenue from exporting refined petroleum products.

In conformity with the viewpoint, Olujobi (2021) said that subsidies payment also promotes ineptitude in the downstream petroleum sector as it discourages private investors in Nigeria's refineries due to extreme control by the Federal Government without considering the changes in prices at the international oil market. This has undermined the incentive for private investors to invest in modular refineries in the country's downstream oil industry. The various committees and probes report on fuel subsidies have revealed that the sector has not been transparent, but has been characterised by corruption and a lack of accountability. Furthermore, the appointment to the petroleum ministry is closely monitored politically to ascertain which ethnic group is gaining ascendancy and at whose expense. The sensitive and critical appointments into the top echelons of NNPC were ethnic based. All the departmental heads of NNPC are from the Northern region of the country to the exclusion of other regions including the Niger Delta that bear the brunt of environmental deterioration based on oil production. This appropriation of petroleum industry and its agencies hampers the development of modular refineries.

Addressing the petroleum products supply deficit, Nwaozuzu (2018), notes that the only means to put an end to fuel importation is green refineries. He categorically stated that Nigeria would require a minimum of 1.2 million barrels daily refining capacity to attain sufficiency in domestic demands and cater for smuggling across our porous borders. In subscribing to the preceding view, it is imperative that the existence of black markets can be attributed to the consequence of petroleum products supply gaps, which is the fallout of the sub-optimal operation in the country. The earlier the government fixes the rot in the refining value chain, the better, and this can be addressed through modular refineries, which will also check the nefarious activities of crude oil bunkering.

Generally, the supply-demand gap of petroleum can be cured through massive investment in modular refineries; hence, the reason to concentrate on the development of modular refineries through public-private partnership across the oil marginal field locations of the country. It is pertinent that the modular refineries road map be re-evaluated and implemented religiously, so that the nation will meet its local needs and export to neighbouring countries. To this end, the guiding principle should be liberalising the refining industry and providing flexibility to ensure optimal pricing for consumers. The government needs to implement its liberalisation policy of the downstream sector as the current outlook does not suggest that it intends to remove fuel subsidy, an expanding cost that might not be able to afford as fiscal balances deteriorate.

In his assessment of the integration of modular refineries into the petroleum industry context, the Director General, Lagos Chamber of Commerce, Olawale (2021), said that while there will be some respite from modular refineries development, NNPC should ensure an enabling business environment that supports these investments. He noted that the twin factors of fuel subsidy payments and crude oil theft have combined to deny Nigeria the gains of high crude oil prices in the international market

Modular Refineries Development and the Nigerian State.

Nigeria's mineral resources have been exploited by successive governments, particularly in the crude oil sector. The government built four refineries with a daily capacity of 445,000, meeting domestic consumption and exporting surplus to West African countries. However, government involvement in the downstream oil sector has led to corruption and mismanagement, affecting the country's refineries and economy. State-owned refineries do not meet standard levels of capacity, and the refining per capita is 0.002 per day. Despite attempts to boost refining capacity through maintenance, these refineries have gradually declined and sub-optimal performance.

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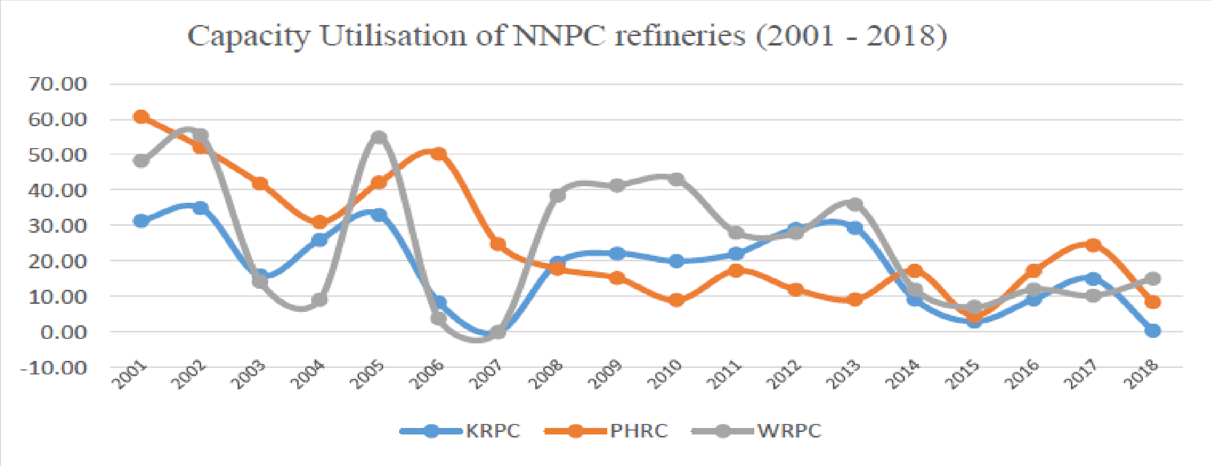

1. The Nigerian petroleum industry has been struggling due to the underperformance of state-owned refineries and a supply-demand deficit of refined petroleum products. The President Goodluck Jonathan administration has agreed with an American and Nigerian Joint Venture Group, Vulcan Petroleum Resources Limited and Petroleum Refining and Strategic Reserve Limited, for the construction of six modular refineries. The refineries were estimated to cost $4.5 billion and will have a combined processing capacity of 180,000 barrels daily. Two of the refineries were expected to be completed within 12 months, while others were expected to be completed within 24 months. The refineries were expected to process 30,000 barrels of crude oil daily and produce up to five million litres of premium motor spirit, diesel, and kerosene.
2. However, the Nigerian National Petroleum Corporation (NNPC) later repudiated the agreement, claiming they were not in partnership with any company or were not in consultation with the Ministry of Trade. The NNPC's decision to disown the agreement was attributed to the prebendal allocation of petroleum products import licenses to those close to political power. This patron-client mentality has robbed the state of investment opportunities in the sub-sector of the economy, discouraging investors and defining the Nigerian state as a culture of domestic capitalist accumulation.

Table 1. Top Echelon and Management of the Nigerian National Petroleum Company

S/No	Position	Name of Occupant	Region of Origin
1.	Group Executive Officer	Mele Kyari	Northern Nigeria
2.	Chief Finance Officer/Finance & Accounts	Umar Ajiya	Northern Nigeria
3.	General Manager L.NG	Buhari Bello	Northern Nigeria
4.	Executive Commissioner, Exploration and Acreage Management	Tajudeen Umar	Northern Nigeria
5.	Chief Operating Officer, Refining and Petrochemical	Mustapha Yakubu	Northern Nigeria
6.	Corporate Secretary/Legal Adviser	Hadiza Coomasie	Northern Nigeria
7.	Managing director, Nigerian Petroleum Development company	Ali Muhammed Zarah	Northern Nigeria

S/No	Position	Name of Occupant	Region of Origin
8.	Group Executive Officer	Mele Kyari	Northern Nigeria

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10.	General Manager L.NG	Buhari Bello	Northern Nigeria
11.	Executive Commissioner, Exploration and Acreage Management	Tajudeen Umar	Northern Nigeria
12.	Chief Operating Officer, Refining and Petrochemical	Mustapha Yakubu	Northern Nigeria
13.	Corporate Secretary/Legal Adviser	Hadiza Coomasie	Northern Nigeria
14.	Managing director, Nigerian Petroleum Development company	Ali Muhammed Zarah	Northern Nigeria
15.	Executive Commissioner, Development and Production	Nuhu Habib	Northern Nigeria
16.	Executive director, Hydrocarbon Processing	Mustapha Larmode	Northern Nigeria
17.	Group General manager (NAPIMS)	Bala Wunti	Northern Nigeria
18.	Executive director, Midstream and Downstream Gas Infrastructure Fund	Mansur Kuliya	Northern Nigeria
19.	Executive director, Corporate Services and Administration	Bashir Sadiq	Northern Nigeria
20.	Executive director, Downstream	Adeyemi Adetunji	Southern Nigeria
21.	Executive Commissioner, Health, Safety and Environment	Tonlagha Roland John	Southern Nigeria
22.	Executive Commissioner, Economic Regulations and Strategic Planning	Kelechi Ofoegbu	Southern Nigeria
23.	Executive director, Health, Safety and Environment	Francis Alabo Ogaree	Southern Nigeria
24.	Executive director, Economic regulations and Strategic Planning	Zainab Gobir	Northern Nigeria
25.	Managing Director, Nigeria Gas and Power Investment Company	Salohu Jamari	Northern Nigeria
26.	Chief Executive Officer, Nigerian Upstream Petroleum Regulatory Commission	Gbenga Komolafe	Southern Nigeria
27.	Chief Executive Officer, Nigeria Mid-Stream and Down-Stream Petroleum Regulatory Authority	Farouk Ahmed	Northern Nigeria

Source: https://www.ddhmag.com/list-of-nnpc-top-management.Retrieved on 20/12/2022.

The hostile investment climate in Nigeria has led to a loss of US$15 billion annually in foreign investment, with many modular refinery licenses expiring. Funding is a critical issue, with multinational service companies demanding upfront payments from marginal field operators. This has resulted in indigenous investors being financially handicapped and unable to pool resources for marginal oil fields. The Nigerian state and officials of NNPC have been accused of frustrating these efforts. Many investors are struggling to get enough crude oil to operate their refineries, with challenges such as a lack of access to crude oil, high license renewal costs, difficulties in clearing equipment at seaports, duty waivers, and the absence of rules on crude oil transaction currency. The Nigerian government has taken a lenient stance towards modular refineries, with some awaiting over a year for crude.

Table 2: Status of Licensed Refineries

License to Stage	Number of Refineries	Refinery Type	Status
License to Establish (LTES)	29	22 Modular, 6 conversions, and 1 conventional	17 expired and 12 active licenses
Approval to Constructs (ATCS)	10	10 modular units	7 active and 3 expired licenses
License to Operate (ATCS)	1	1 modular unit	1 active license

Source: DPR, 2017

Omsa Pillar Astex Company refinery located in Kwale, in Delta state, obtained the license to operate, but the newly constructed 10,000 barrels per day capacity has been unable to access crude oil to refine as the company does not operate its own oil producing field. Similarly, Ogbele refinery with 11,000 barrels per day capacity and Waltersmith Refining and Petrochemical with 5,000 barrels daily capacity suffer the same fate of receiving inadequate crude oil for refining (Mthembu, 2022). This breaches the government's assurance and promise to support modular refineries with feedstocks as enshrined in Part IV subsection (I) of the Petroleum Industry Act, which states that "NNPC should ensure crude oil supply for domestic refineries, promote private sector participation in midstream and downstream petroleum operations" (PIA, 2021)

Furthermore, these facilities have passed all reliability tests and won the approval of the Nigeria Midstream and Downstream Petroleum Regulatory Authority (Ezenwafor, 2022). Modular refineries are critical for ramping up local production of petroleum products in the country, amid rising product imports and a corruption-ridden subsidy regime (Inwalomhe, 2021). Apart from reducing pressure for demand for foreign exchange utilization for the importation of petroleum products, they will promote socio-economic development to stop restiveness in Niger Delta, and mitigate environmental deterioration associated with oil theft and pipeline vandalism (DPR, 2017).

Table 3: **List of Modular Refineries Licensees**

Name of Refinery	**Capacity in Barrels**	**Location**	**State**	**Status**
Ikwe-Onna	N. A	N/A	Akwa-Ibom	N/A
Azikiel	10,000	Obunagha	Beyelsa	Competed
Walter-Smith	5,000	Ibigwe	Imo	Completed
OPAC	10,000	Kwale	Delta	Completed
Amakpe	N. A	Ibeno	Akwa-Ibom	Uncompleted
Duport	10,000	Egbokor	Edo	Completed
Lowrie	N. A	Ika-North	Delta	Uncompleted
Edo Modular Refinery	6,000	Ikpoba	Edo	Uncompleted
Niger Delta Pet. Resources	11,000	Ogbele	Rivers	Completed
Atlantic Int. Refineries Ltd.	N. A	Okpoma	Bayelsa	Uncompleted

Alexis Refinery	N. A	Ndokwa	Delta	Uncompleted
Excel Refinery Limited	N/A	Ekeremor	Bayelsa	Uncompleted
Clarigold Oil & Gas Limited	N/A	Koko	Delta	Uncompleted
Conodit Refinery Limited	N/A	Umukwata	Delta	Uncompleted
Ogini Refinery Limited	N/A	Kwale	Delta	Uncompleted
Etopo Energy Limited	N/A	Kwale	Delta	Uncompleted
Gasoline Associates Limited	N/A	Ipokia	Ogun	Uncompleted
NPDC Western OML 34 JV	N/A	OML 34 Ughelli	Delta	N/A
Kingdom Pet. &Gas Limited	N/A	Ughelli	Delta	Uncompleted
Resource Petrochemical Ltd.	N/A	Ibeno	Akwa-Ibom	Uncompleted
Gazing Stock Pet. Limited	N/A	Ndokwa	Delta	Uncompleted
Allegiance Energy & Power Ltd	N/A	Eket	Akwa-Ibom	Uncompleted

Source: The Cable: http://www.thecable.ng/full-list-private-refineries-licensees.Retrieved; 2022.

1. The development of modular refineries in Nigeria has been hindered by an unfriendly business climate and government policies, particularly regarding petroleum products importation. The lack of crude oil to these refineries violates section 109, sub-section (2) of the Petroleum Products Act (PIA), which mandates that downstream regulators supply the commission with the crude oil requirement of modular refineries. The incentives granted by the Nigerian Upstream Petroleum Regulatory Commission (NNPC) are a half-measure, as they assume that the international market price will prevail for Nigerian crude procured by refineries.
2. The Group Executive Director of Refining at NNPC, Mustapha Yakubu, argues that running a modular refinery is not feasible due to pump price regulation. The Idika Kalu National Refineries Special Task Force suggests that the Federal Government should create an enabling environment to encourage modular refineries through incentive packages.
3. The controversial petroleum products subsidy scheme, introduced in 1973, has been fraught with fraud and corruption, causing the demise of state-owned refineries, depressed private investment in modular refineries, and distorted resource allocation. Subsidies have also undermined the incentive for private investors to invest in modular refineries in the country's downstream oil industry.
4. Several reports point to the opaque, questionable, and large payments to various actors in the oil marketing chain as a result of the subsidy scheme.

Table 4: Subsidy payments from 2012 to 2022.

Amount	Duration	Year
N832 Billion	January - December	2012
N852 Billion	January- December	2013
N99 Billion	January - December	2014
N316 Billion	January - December	2015
N141.63 billion	January - December	2017
N722.30 billion	January - December	2018
N578.07Billion	January - December	2019

N134 Billion	January - December	2020
N1.4 trillion	January - December	2021
N1.545 trillion	January- December	2022

Source: Guardian, 8th June, 2023.p.27

Nigeria's subsidy payments have increased due to its petroleum imports, which are attributed to the lack of refineries and the devaluation of the local currency. The committee, led by Chairman Abdulkadir Abdullahi, has directed the Office of the Accountant General of the Federation to verify the actual volumes of premium motor spirit distributed by NNPC. Former President of the Nigeria Labour Congress, Ayuba Wabba, argued that the N3 trillion subsidy is bogus and unreal, with over 74% consisting of insurance, freight charges, and levies imposed by government agencies. Tam David West (2019) criticised the scandalous nature of subsidies and weak regulation, highlighting the patronage structure in the downstream oil sector.

Table 5: Oil importers and patronage linkages with the Nigerian ruling class

S/No	Fuel Company Importers	Patronage Connections to the Ruling Class
1	Ardova Oil Plc.	Ardova (formerly Forte Oil is owned by Alhaji Abdul Wasiu. A leading player in the downstream oil sector and a member of the All-Progressive Congress.
2	Consolidated Oil (Conoil)	Mike Adenuga owns Consolidated Oil, but he is widely believed to be a front for General Babangida. Conoil's Headquarters is in Minna but head office is in Lagos.
3	Oando Oil Plc.	Oando Oil is owned by Adewale Tinubu, a nephew and relation of Sen.Bola Ahmed Tinubu, former Governor of Lagos State, and All Progressive Congress Presidential Candidate.
4	Prudent Energy & Services Limited.	Alhaji Abdul Wasiu is the Chairman of Prudent Energy Ltd, one of the leading downstream oil and gas companies in Nigeria. He is a silent financier of the All Progressives Congress. NNPC granted his company, Prudent Energy license to lift 950,000 barrels of crude oil daily, in a two-year contract between 2018 and 2020. He is a major beneficiary of fuel for the crude contract.
5	Cavendish Petroleum	Covendish Petroleum is owned by Alhaji Mai Daribe, the Borno Patriarch.
6	MRS Oil Plc	MRS Oil Plc, formerly Texaco, is a fully integrated oil marketer. A leading downstream player with various positions in the Nigerian oil industry. The Group Chief Operating Officer is Ms Amina Maina, who is widely believed to be connected to the Presidency.
7	South Atlantic Petroleum Limited (SAPETRO)	SAPETRO was created in 1995 by General T. Y. Danjuma. T. Y. Danjuma is also the Chairman of ENI Nigeria Limited.
8	International Petroleum Development Company (AMNI)	Alhaji (Colonel) Sani Bello, a Fulani from Kontagora, Niger State, is the Chairman of AMNI. Alhaji Bello's son, Abu, is married to General Abdusalami Abubakar's eldest daughter.
9	Obat Oil and Gas Limited	Oba Obateru Akinrutan established Obat Oil Limited in 1981. A first-class influential traditional ruler of Ugbo Kingdom in Ondo State. Obat

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		Oil is a major oil marketing company, with a tank farm that holds about 65 million litres of petrol.
10	Rain Oil and Gas Limited	Rain Oil and Gas Limited is an integrated company established in 1997 by Chief Gabriel Ogbechie. A prominent player in the Nigerian downstream sector of oil and gas, and majority stakeholder in Eterna Oil. Its tank farm holds 50 million litres of petrol.
11	A.A.Rano Limited	Auwulu Rano is the Chairman of A.A.Rano Oil and Gas Limited, a close ally of Gov. Ganduje, and a staunch member of the All Progressive Congress.
12	Northwest Petroleum & Gas Limited.	Northwest Petroleum and Gas Limited was created by a corporate titan, Dame Winifred Akpani, an Amazon from Ibusa, Delta State, a close ally of Gov. Ifeanyi Okowa. The company has a storage facility that holds 96.8 million litres of fuel.
13	Starcrest Energy Nigeria Limited	Starcrest Energy Nigeria Limited is owned by Sir Emeka Offor, a very close political ally of Obasanjo and Goodluck Jonathan.
14	Capital Oil and Gas Limited	Capital Oil and Gas Limited was founded in 2001 by Senator Ifeanyi Ubah. Ubah is an entrepreneur, a businessman, and the Chief Executive Officer of Capital Oil. The tank farm facility holds about 20% of NNPC's fuel importation.
15	Pinnacle Oil and Gas Limited	Pinnacle Oil and Gas Company is active across the entire downstream value chain. Mr. Peter Mbah is the Chief Executive Officer, a staunch member of the People's Democratic Party and a governorship candidate of Enugu State.

Source: Punch, 12th Dec.2022. (Compilation was from the list of Oil marketers).

Oil marketers in Nigeria often collect subsidy reimbursements on imported products, re-importing them or selling them at higher prices. The ruling class's capital on product importation poses a threat to modular refineries. Enang (2020) argues that modular refineries are key to local production amid rising petroleum products imports and corruption. Edeh (2021) suggests that the government should encourage local production through policies that motivate investors to develop modular refineries. The World Bank's Country Director, Shubham Chaudri, warns that Nigeria's decision to postpone the full deregulation of the downstream sector could cost the economy over 4 trillion Naira in subsidy payments in 2022. Okwelum (2020) argues that the government's overbearing influence on Multinational Oil Corporations (MNOCS) and state officials also contributes to discouraging investors in modular refineries. The inability of the Nigerian government to rise above class interests to punish and deter these culprits inspires little investor confidence.

Supply of Petroleum Products to NNPC by Multinational Oil Companies

Nigeria's oil and gas sector is dominated by expatriates, who import refined products from multinational oil companies' subsidiaries. This has led to a decline in the downstream sector and underdevelopment of modular refineries, despite the Petroleum Industry Act promoting liberalization. The Nigerian ruling class and their cronies in NNPC have been held accountable for the dependency on these companies for petroleum product importation. The dominance of these companies has led to the establishment of modular refineries, which are difficult to break through due to the high production costs. This dependency has led to Nigeria becoming a dumping ground for petroleum products, affecting the economy and the rehabilitation of refineries.

Table 6: **Market share of local/sales by marketers' group (litres and percentage)**

Marketers	PMS	%	AGO	%	HHK	%	ATK	%
Forte Oil	100,191,274	8.4	11,257,513	3.74	3,260,674	1.86	8,595,017	17.94
MRS	102,633,763	8.34	6,469,056	2.15	1,515,899	0.86	7,852,334	16.39
Conoil	44,934,313	3.65	20,117,800	6.68	7,985,080	4.55	3,821,000	7.97
Mobil	47,125,713	3.83	969,000	0.32	416,340	0.24	0	0
Oando	115,032,681	9.34	16,158,047	5.36	1,884,300	1.07	2,363,500	4.93
Total	89,496,949	7.27	11,515,047	3.82	3,403,200	1.94	10,905,281	22.76
IPMAN	511,993,675	41.59	197,883,573	65.68	146,816,117	83.59	14,383,072	30.01
NNPC	219,560,602	17.84	36,901,581	12.25	10,346,587	5.89	0	0
SUM TOTAL	1,230,968,970	100	30,271,823	100	175,628,197	100	47,920,204	100

Source: NNPC and Mars Computation, 2017 - 2021

The report by SDN and Sahara Reporters (2022) highlights shady deals in the importation of petroleum products, with sulphur and methanol levels exceeding legal limits in petrol and diesel. These contracts breach crude oil swap regulations, revealing unclear regulated standards and weak enforcement responsibilities. The lack of regulation allows international oil companies and Nigerian counterparts to exploit the lack of regulation to import low-quality products. The NEITI audit (2018) found that NNPC enlisted International Oil Companies (IOCs) to take Nigerian crude oil to refineries abroad in exchange for refined products. The IOCs supplied a significant portion of Nigerian petroleum products, including petrol, aviation fuel, and diesel. The initial major marketers, Total Energies Nigeria Plc, Exxon Mobil Nigeria Plc, MRS Nigeria Plc, Oando Plc, and Ardova, Conoil Plc, dominated the petroleum marketing industry in Nigeria, accounting for 71% of the total products imported.

Table 7. Major marketers, Retail Facilities

Company	No of Retail Outlets (Depots
Mobil	400 (5)
Oando	550 (6)
Total	570 (6)
MRS	416
Forte Oil	500
Conoil	450
Total	2,886

Source: Agusto & Co. (2018). Industry Report/Oil and Gas Downstream. http://www.agusto.com/research.php.

Table 8: 2019 PMS Payment Summary.

S/N	**Marketer**	**Amount (Billion Naira)**	**% Contribution**
1	NNPC Sub Total	134,487	88.48 %
2	Oando PLC	8.617	5.6%
3	MRS.Oil & Gas	6.102	4.02 %
4	Mobil	1.531	1.01 %
5	Total Nig. PLC	1.249	0.82 %
6	Other Marketers Sub Total	17.501	11.52 %

7	Total	151,988	100 %

Source: NNPC Third Quarter Bulletin, 2019

The Nigerian National Petroleum Corporation (NNPC) imported 88.48% of premium motor spirit, with a subsidy of 134.487 billion Naira. Other independent marketers imported 11.52%, totaling 151,988 billion Naira. These multinational oil corporations, all part of the Major Oil Marketers Association of Nigeria (MOMAN), have exclusive technical partnerships with the parent company and associates, access to modern technology, and good credit standing. This has led to the underdevelopment of modular refineries in Nigeria, attributed to the protection of entrenched interests of the dominant class in a post-colonial Nigerian state. The patron-client network has led to state officials ignoring or watering down rules on refined product importation to satisfy ethno-regional interests.

Summary/ Conclusion

The study investigates the impact of petroleum product importation on the development of modular refineries in Nigeria, especially between 2012 and 2022. Previous research has highlighted the relationship between importation and obstacles to deregulation and liberalization of the downstream sector.

However, the study found that the neglect of building modular refineries was related to the political economy of petroleum product importation, which was influenced by class interest and power relations factors of the dominant class. The study also found that marketers who want to remain in the importing business discourage investors from developing modular refineries.

The study highlights Nigeria's dependence on imported refined petroleum products, despite abundant crude oil. Instead of rehabilitating state-owned refineries and encouraging modular licensees through subsidies, billions are spent on product importation. This policy discourages investors from building modular refineries, contributing to the accumulation of wealth by privileged individuals.

The Nigerian government should, as a matter of urgency, subsidise the operations of the modular refineries. The government should fully deregulate the downstream oil sector as enshrined in the Petroleum Industry Act.

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