AN OVERVIEW OF NIGERIAN OIL AND GAS INDUSTRY
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Abstract

Nigeria is bestowed with huge potentialities in natural resources, among which is a petroleum resource, a major dominant in the economy of the country. Harnessing and managing these resources effectively for the benefit of Nigerians. Inappropriately, the sector is faced with salient complex challenges resulting sometimes in poor channelling of supply and distribution; marketing and price volatility of petroleum products. This research work scrutinizes various matters regarding the distribution and marketing of products with a view to recommend that the entire oil and gas sector be strengthened for efficient participation of private investors into the sector. It is hypothesized that the participation of internal and foreign entrepreneurs will boost efficiency in the sector. This will energize effectiveness by reducing cost of operations, consequently reducing pump price of products at gas stations for the benefit of stakeholders in the industry and consumers as well.

Keywords: *Nigerian Petroleum Sector; Supply, Distribution, Pricing and Marketing.*

1.0. INTRODUCTION

Since the emergence of oil and gas in large commercial quantities in 1958 by Shell development, the Nigerian economy had experienced massive growth and development. However, the industry was grossly controlled by Transnational Corporations due to man power professionalism skill and technology base until the early 1980s when Nigerians began to make frantic effort in the control of the oil and gas industry. Indigenous participation was enhanced through the establishment of the Local Content Commission for the purposes of implementing Nigerian Content Derivatives and National Content Directives issued by Nigerian National Petroleum Corporation (NNPC) decade ago, through the promulgation of the Nigerian Oil and Gas Industry Content Development (NOGIC) Act in 2010. The objective of the Act is to promote the use of indigenous enterprises and resources in awarding oil and gas projects, contracts, and licences. After about half a century of crude oil and gas exploration activities in country, the sector is earning an overwhelming support in comparison to other industries in the Nigeria, such that significant progress has been made in terms of oil exploration and export sales of crude oil abroad. Unfortunately, the sector is domestically comatose managerial and policy direction problems.[1]

In the area of structure, the petroleum sector is segmented into three features, these are:

- The Upstream sector,
- The Services Sector, and
- The Downstream Sector,

[1] Ehinomen .C. & Adepoju .A. (2012), An assessment of the distribution of Petroleum products in Nigeria

We have the mid-stream operational structure whose activities include that of the commercial sector of the petroleum sector. However, distinctions are made between the two sectors. The downstream sector cult across: processing, logistic (transportation), storage (tank farms), and marketing (supply, distribution and pricing) of crude oil and gas, gas-to Liquids and liquefied natural gas. The major stream which is upstream sector is considered the exploitation; exploration and refining activity chain of crude oil and operations. The act ivies incomes of organizations involve in this business environment is subject to tax Petroleum Profits Tax Act, 2004 (PPTA), as amended. This sector of oil and gas is the single most demanding sector of petroleum economy globally, accounting for about 90 percent of Nigerian's exports earnings and about 81 percent of the government revenue.[2]

Exploration of crude oil gotten from different three basins: offshore, location (Benin/Dahomey that is, deepwater and ultra-deepwater), onshore location Anambra basin), and Niger Delta (shallow and deep offshore basins). The huge reserves and large portion of crude exploration resides in the rich areas of Niger Delta and Benin basins. Exploration crude oil business became of huge success in the 1990s, as focus turned to maximise the business potential ventures in the frontier basins of deep water offshore. This sector is becoming increasingly attractive to penitential investors activities in the development of deepwater exploration and production technology.[3]

The petroleum industry started manifest its vital role in building Nigerian economy and political future of the country in the early 1960s. When Nigeria became an independent nation on 1 October 1960, Shell–BP began to abandon its domain and its exploration licenses were converted into prospecting licenses that allowed development and production. Following the increase supremacy of the Nigerian economy by oil and gas sector, the sole franchise policy was abandoned and exclusive exploration right was introduced to encourage other transnational oil companies with a view to hastening petroleum exploration and production. Other transnational oil companies merged oil and gas exploration activities in Nigeria, this include; Nigeria Petroleum Company Unlimited, Texaco Overseas, Amoseas, Gulf Oil Company (now Chevron), all in 1961. Others are; Société Africaine des Pétroles (SAFRAP) in 1962 (which later later became Elf Nigeria Limited in 1974), Azienda Generale Italiana Petroli (AGIP) in 1962, Tennessee Nigeria Limited (Tenneco) in 1962, ENIin 1964, Philips Oil Company in 1964 and Pan Ocean Oil Corporation in 1972. Most of these multinational oil companies recorded considerable successes in oil and gas exploration and production in both offshore and onshore fields in the Niger Delta.[4]

Crude oil in Nigeria has gravity between 21o API and 45o API, and Bonny light (37o) as its main export and Forcados (31o). Nigeria crude oil has a very low surphur content of above 35o API. As at 2010, the country's proven oil reserves was estimated at about 28.2 billion barrels (Bbl.), according to US Energy Information Administration (EIA) report. However, exploration business activities have slowed down recently due to insecurity in the Niger Delta, communion crises as a result oil spill and environment pollution and the doubts surrounding the passage of the Petroleum Industry Bill into law. The objective of the bill is to bring about significant reposition of the oil and gas activities in Nigeria. In addition, the natural gas in Nigeria has a proven reserve of about 187.7 trillion cubic metres. That is, 3 percent of the global estimated reserve, while Nigeria's undiscovered gas estimated reserves

[2] Tekena Tamuno .N. (2011), Oil Wars in Niger Delta 1849-2009.

[3] Aniefiok Ite . E. (2013), "Petroleum Exploration and Production: Past and Present Environmental Issues in the Nigeria's Niger Delta."

[4] Vassilou .M. S. (2009), The A to Z of the Petroleum Industry (The A to Z Guide Series).

is between 300 to 600 TCF. Nigeria has large untapped natural gas deposit, which describes her as gas province with little crude oil. The country's gas quality is of high potential, particularly rich in liquids and low in sulphur. However, as result maladministration of gas infrastructure in the country, about 75.4 trillion scf associated natural gas is domiciled in Nigeria, and about 78 percent is been flared. While 15 percent is re-injected into the sector as economic good. [5]

1.1. Statement of the Problem

There are contending issues arising from the operations of oil and gas business in the Nigerian environment which this study intends to address. The weakness or underdevelopment of any economy of the world is the inability for any country not being able to improve her domestic economy within its natural resources and human capita abundance to attaining growth and development. The development of economic goods leads to economic growth and development, over decades, petroleum products supply, distribution, marketing and pricing in Nigeria has been suffocated by mal-economic policy and unpatriotic behaviours of operators and stakeholders of the sector, crippling its expected derivability to advance the economy for global oil and gas competition. These salient problems are challenges which this study wants to analyse with a view to posit solutions towards; price volatility, scarcity of petroleum supply network across the country, hoarding and erratic distribution problems, and the monopolistic tendencies of marketers/stakeholders of the oil and gas sector.

1.2. Study Objectives

The study objectives of this research are listed as follows:

- To examine the impact of petroleum products price volatility in Nigeria business environment.
- To be able to promote a strong, effective and efficient supply and distribution chain of petroleum products that will enhance global marketing integration and interaction.
- To analysis various economic indices that determine petroleum market fundamentals, and
- To examine the impact of regional conflict on petroleum products availability.
- An overview of petroleum industry bill (PIB) in the Nigeria oil and gas sector.
- The paper also offers suggestions for improvement of the overall management of downstream sector of the petroleum resources.

1.3. Hypothesis

[5] NNPC (2013), Oil Production.

Petroleum product is one of Nigerian most consumables, yet, it has become out of the reach of the average Nigerian, who at periodic time of the years queue to source the product. This situation, from studies is energised by strong shortages in products supply, smuggling, price volatility, stakeholder struggling to maximise profit at all Couse, pipeline vandalism in the Niger Delta, lack of government political will, maladministration of public servants, corruption, local refineries not refining adequately, etc., The industry stakeholders with collaborating interest in the sector can only meet up with these challenges where high quality human capacity development is attained and sustained through improved technological growth, increase economic proficiency, deregulating of the sector for investment and business development, policy direction and implementation. However, the commercialization of the Nigerian petroleum economy in 1958 to date, and it has been characterized by constant failure and structure defect. However, the hypothesis of this study is that, there is a strong alignment between supply, distribution, marketing and price of petroleum products.

2.0. AN OVERVIEW OF THE NIGERIA PETROLEUM INDUSTRY

Over decades, the Nigeria oil and gas industry had suffered so much neglect in policy reforms and, this situation has led to the distorting growth of the sector till date. One area of contention is the supply/distribution network of products and pricing/sales of petroleum products across the country. Thus, the study would appraise the functionalities of the aforementioned features of the sector.

At the assumption of President Olusegun Obasanjo in 1999, he inaugurated the Oil and Gas Industry Committee (OGIC), with a mandate to take a comprehensive appraisal of the activities of the petroleum industry, with a view to give proper direction for economic efficiency, viability, and benefit. Before now, various regulatory policies have been put in place to harness the potentials of the sector since its emergence in commercial quantity in the 1950's. However, before now, the petroleum sector undergone various forms of policies amendments and reforms: the petroleum Act of 1960 that gave policy direction to crude oil exploration, the NNPC Act of 1977, that gave policy direction to refining, joint venture companies agreement, and commercial marketing activities which was attested to be obsolete until recently the OGIC reforms initiative of the 1999s.

Furthermore, the government considered it to be of greater importance to holistically review of the entire oil and gas activities of the industry for economic growth and development. The OGIC was headed by a veteran petroleum engineer, Rilwanu Lukman who submitted its blue print. The major objective of the reform is to drastically reposition of the petroleum sector for onward growth and development. Also, it was the OGIC agenda that informed the Petroleum Industry Bill (PIB), which has since been politicized. The aim of the OGIC focuses on two key aspects of the sector that is meant to enhance industry performance. First and foremost is to come up with a draft that will enable legislation that would provide the required legal basis for the reform exercise. The other significant task of the Committee is to devote time in designing the required framework that will set the industry on the path of growth and development of the totality of the oil and gas sector, while focusing on institutional functional structure. This expected Institutional Structure of the industry would provide a picture of how the industry is being envisaged by the National Oil and Gas Policy at implementation and the shape of the various individual institutions and in terms of inter relationship between them[6].

The key objectives of the OGIC reforms noted above are listed below

- It will bring an end to labour flight as more indigenous human capita would be employed.
- To develop untapped natural resources potentials of gas in Nigeria to boost energy utilization for economic growth. This PIB seeks to maximize.
- The reform will expand government revenue source to energize socioeconomic and infractural development in Nigeria.
- The reform seeks to privatized the government own oil and gas sector for private participation. That is, it will be fully deregulated to eliminate the current monopolistic activities in the sector and the removal of petroleum subsidy fund (PSF), completely.
- The reform will discourage greenhouse gas emission and gas flaring. Thereby creating alternative source to petroleum.

The bill empowered government to have ownership control and management of all petroleum resources: offshore or onshore, in Nigeria. This implies that, irrespective of where the crude oil and gas minerals are found, government of Nigeria owns it. But, equity recognizes the localities where the resources are mined and consideration are given in the area of revenue sharing laws and other provisions of this Bill like the Host Community Fund.[7]

Under the PIB reform agenda, the following underlised Agencies are to repositioned in line with the bill if successfully passed into law:

- **Petroleum Technical Bureau (PTB):**
  This will be a special unit under the office of the Minister of Petroleum. It will be peopled by professionals from both the upstream and downstream sectors and charged with the responsibility of rendering professional support to the minister

- **Upstream Petroleum Inspectorate (UPI**):
  The bill attributes the regulation of the exploitation, technical, exploration, upstream commercial and licensing activities of the upstream sector. however, the upstream petroleum inspectorate is not profit oriented organ, hence, is no taxable.

- **Downstream Petroleum Regulatory Agency (DPRA):**
  There shall be a downstream petroleum regulatory Agency (DPRA) who will be responsible for the refining, marketing, retailing and pricing of petroleum products in the country.

  - **The Petroleum Technology Development Fund (PTDF)**:

[6] Egboga Emmanuel .O. (2013), Oil & Gas Sector Reforms in Nigeria what you should know.
[7]Suraj Jarus .O. (2014), The Nigerian Petroleum Industry Bill (PIB): Framework For Economic Emancipation Or Polity Destabilization**?**

The PTDF will responsible for scholarly manpower development skill through training and retraining of personnel across the oil and gas upstream and downstream sector.. The body major responsibility is to give scholarships to Nigerians, sponsors and support researches in oil and gas activities.

- **The Petroleum Equalization Fund (PTF):**
  The PTF continues to exist under the regime PIB seeks to introduce. The PEF is responsible for accounting for the 'subsidy' – the leverage given to Nigerians by making oil marketers sell at prices below market price i.e equalizing. But what is unclear to me is how this will continue to exist when subsidy will be totally removed. But my guess is the continuous existence will be to take care of the backlogs in the equalization funds or to continue its function until after final subsidy is finally removed

- **The Petroleum Host Communities Fund (PHCF):**
  The bill also recognizes peculiarities of the oil producing Host Communities i.e the Niger Delta and other areas with a view to enhance their socioeconomic and environmental development.

- **The National Petroleum Assets Management Corporation (NAPEMC):**
  The NAPEMC in the bill is responsible for managing government investments in the upstream of the oil and gas industry, with subsidiaries responsible to carry out different aspects of these activities. This new organization will take over the assets and liabilities of NNPC and will be incorporated into full profit-oriented sector. Thus, a regulatory entity of NNPC and employees shall be transferred to this entity.

- **The National Oil Company (NOC):**
  An offshoot of NNPC, but unlike NAPEMC as limited liability company, the NOC will have its share listed on the Stock Exchange market where share worth about 30 percent will be available for sale by the public. The assets, liabilities and employees of NNPC will also be transferred to the NOC.

- **The National Gas Company (NGC):**
  This will also be listed as a PLC and certain employees, assets and liabilities of NNPC will be transferred to it.

The discovery of crude oil by Shell-BP was closely netted to the period when Nigeria joined the ranks of oil nations in 1958 with a production of about 5,100 bpd. Shortly afterward in 1960, that exploration rights in offshore and onshore areas adjoining the Niger Delta were extended to other foreign companies to explore. At the end of Nigeria/Biafra civil war in 1970, Nigeria was able to resume exploration activities, and became a member of OPEC in 1971, subsequently established Nigerian National Petroleum Company (NNPC) in 1977. A government owned and controlled company became a dominant player both in upstream and downstream sectors of global economy, attained a production level of about 2 million barrels of crude oil daily. However, production expectancy dropped in the eighties due to economic fluctuation, while it pick up in 2004 as oil production hit 2.5 million barrels per day. But government repositioned its development strategies which attained a target production of 4million barrels per day in 2010.

Nigeria economy is mono-cultural in nature, driven by Petroleum production and export earnings which accounts for about 80 percent of her GDP. This dominant impact relegated agriculture sector, which was once the mainstay of the economy in the fifties and sixties, economically ineffective:[8]

2.1. Genealogy Analysis Of the Of the Emergence Activities of the Petroleum Sector from 1808-2012

There are major events in the genealogy of oil and gas activities in Nigeria from 1908 to 2012, analyzed below:

- British Colonial Petroleum & Nigerian Bitumen Corporation commenced crude oil operation at Okitipupa in 1908.
- Exploration for prospective crude oil license was granted to Shall D' Arcy in 1938.
- It was in 1955 that Mobil Oil Corporation kick-started its exploration operations in Nigeria.
- Shell D' Arcy had her first successful crude oil well drill in 1956.
- Shell D' Arcy was renamed to Shell-BP Petroleum Development Company of Nigeria Limited in 1956.
- 1958 was the year crude oil was first shipped out of Nigeria.
- 1961 experienced the commissioning of Shell's Bonny Terminal and the operations of Texaco Overseas in Nigeria.
- Elf and Safrap (Nigeria Agip Oil Company) initialized crude oil operations in Nigeria 1962.
- Obagi Oil field and Ubata Gas field Gulf first production was discovered by in 1963.
- Crude Oil was first discovered at Ebocha by Agip, and Philip Oil Company started its first opereations in the then Bendel State in 1965.
- In 1966 Elf refined its first 12,000 barrels per day (bpd) in Rivers State.
- The first drilled well (Dry) at Osari –I and the first oil was discovery at Gilli-Gilli –I by Phillips Oil Company in 1967.

[8] NNPC (2013), History of the Nigerian Petroleum Industry.

- Mobil Producing Nigeria Limited) formed commissioned Gulf's Terminal at Escravos in 1968.

- 1970 Mobil and Agip began production on 4 wells at Idoho Field. Also, it was same year Department of Petroleum Resources Inspectorate was established.

- 1971 Shell's Forcados Terminal and Mobil's terminal at Qua Iboe were commissioned in 1971.

- Federal government first Participation Agreement in 25 percent acquisition shares in the Oil Companies and Ashland commenced PSC with then NNOC (NNPC), including Pan Ocean Corporation first discovered drilled well at Ogharefe –I was in 1973.

- Second Participation Agreement, Federal Government subsequently increases her second equity participation agreement to 55 percent in 1974. And, it was that same period Elf formally changed its name from "Safrap".

- Oil was first lifted by Agip from Brass Terminal, and DPR upgraded to Ministry of Petroleum Resources in 1975.

- In 1976, Pan Ocean started production through Shell-BP's pipeline at a rate of 10,800 barrels per day (bpd).

- Nigerian National Petroleum Corporation (NNPC) by Decree 33 by federal government in 1977.

- 1979 experienced the Third Participation Agreement (via NNPC) by increasing government equity shares to 60 percent, fourth Participation Agreement; BP's shareholding nationalised, leaving NNPC with 80% equity and Shell 20% in the joint Venture.

- Shell D' Arcy changed its name to Shell Petroleum Development Company of Nigeria (SPDC) in 1979.

- NNPC/Shel1 joint Venture Agreement was consolidated in 1984.

- NNPC on behalf of the federal government signed a Memorandum of Understanding (MOU) in 1986.

- It was in 1989 that NNPC 60 percent, Shell 30 percent, and Elf 5 percent, and Agip 5 percent Fifth Participation Agreement was actualized.

- 1991was heralded with Signing of Memorandum of Understanding & joint Venture Operating Agreement (JOA).

- Production Sharing Contracts was signed between NNPC and SNEPCO in 1993. Including Sixth Participation Agreement; of NNPC 55 percent, Shell 30 percent, Elf 10 percent, Agip 5 percent.

- The coming on-stream of Elf's Odudu blend, offshore OML 100 was in 1993.
- In 1995, SNEPCO commenced its first drilling of crude oil exploration well
- NLNG's had its First shipment of Gas out of Bonny Terminal in 1999.
- 2000 experienced the signing of NPDC/NAOC Service Contract.
- 2001 was the Production of Okono offshore oil field.
- In 2002 a New PSCs agreement was signed.
- 2012 also experienced the Liberalization of the downstream oil sector and NNPC commences retail outlet scheme[9]

2.2. Major Forms of Oil and Gas Arrangement

There basically four forms of petroleum industry (Upstream Sector) Arrangements. These are:

• PSCs (Production Sharing Contracts)

• SC (Service Contract)

• JV (Joint Venture).

• MFC (Marginal Field Concession)

2.2.1. PSCs (Production Sharing Contracts)

In view of the financial burden associated to funding of joint venture activities by the NNPC and in a bid to increase Nigeria's oil reserves from 20 billion barrels and the quest to economically develop other sectors of the economy, the Nigeria government decided to introduce the Production Sharing Contract (PSC) policy for the petroleum industry. The objective of the policy is to transfer exploration funding, associated exploration risk and development efforts on new field to interested oil companies. Furthermore, the core of PSC is NNPC to engage competent and professional contractor that will carry out petroleum exploration activities on NNPC's platform or crude oil fields. The policy saddles the contractor's responsiveness to undertake the initial exploration risks and recuperates his costs of exploration at the sighting of oil and extracted.

Under the policy, intending investor has a right to fraction of crude oil allocated to him under the cost oil. That is, oil to recoup production cost and equity oil, this is to guarantee return on

[9] Department of Petroleum Resources (2013), Evolution of DPR.

investment. Furthermore, the investor can also dispose of oil tax. That is, to defray tax and royalty obligations subject to NNPC's approval. The balance of the oil, after cost, equity, and tax, is divided among parties according to the numbers of oil blacks each controls. For example, Chevron has seven oil Blocks, Conoco has one oil Block, Allied Energy has one oil block, Statoil/BP has three oil blocks, Ashland has two oil blocks to it favour, Abacan oil has one oil block, Agip oil has one block also, Esso oil has one oil block, Shell acquired five oil blocks, and Elf oil had two of the oil blocks.

Each had a 30 years term of contract, 10 years exploration period of activities and 20 years OML period which could be terminated if at the end of 6 year, there are no effective date of the contract or a situation where agreed Work Program has not been significantly executed, or either party gives a notice of termination of contract not less than 90 days from the date contract was awarded permitted by the contract terms. Furthermore, termination could take place when prospective oil block is found not to have crude oil ten years into explorative activities. The minimum work program during exploration period is captured in figure 1.1.

S/N	Contract Year	Amount To Be Expended
1	1-3	$24 Million
2	4-6	$30 Million
3	7-10	$60 Million

Figure 1.1. Source: Directorate of Petroleum Resources (DPR)

From the above figure 1.1, a situation within any period of the contract years where the contractor expends less the required expenditure, an amount equal to such under-expenditure, it is carried forward and added to the amount to be expended in the following period of contract years. Also, a ten man Management Committee appointed by parties concern on a 50 to 50 basis shall be established within 30 days from effective date of contract, while the Committee Chairman is appointed by the government through Nigerian National Petroleum Corporation (NNPC). In the area of recouping of operational cast by an investor and allocation of crude oil, available crude oil from the field of contract shall be distributed within the framework of accounting principles as inherent and applicable in the provisions of the contract. Furthermore, in Production Sharing Contract (PSC) policy, royalty rates are graduated according to offshore water depth as shown in figure 2.1.[10]

S/N	Area/water Depth	Rate
1	In areas up to 200 meters water depth	16.67%
2	From 201 to 500 meters water depth	12 %
3	From 501 to 800 meters waters depth	8 %

[10] Nigerian Investment Promotion Commission (2013), Production Sharing Contract (PSC).

4	From 801 to 1000 meters waters depth	4 %
5	An increase in excess of 1,001 meter waters depth	

Figure 2.1. Source: NNPC

2.2.2. SC (Service Contract)

The National Petroleum Investment Management Services (NAPIMS) is a subsidiary of the Nigerian National Petroleum Corporation (NNPC), saddled with responsibility to formulated policy on Exploration & Production (E&P) Directorate on activities in the upstream petroleum sector with a view to protects and oversees the government investment in the Joint Venture Companies (JVCs,) Production Sharing Companies (PSCs) and Services Contract Companies (SCs). NAPIMS is also responsible to ensure that margin arising from Joint Ventures (JVs), Production Sharing Contracts (PSCs) Transnational oil Corporations (TNCs) and Service Contract Companies (SCs) investment are protected, including national strategic interest. NAPIMS carry out exploration service activities in basin where investors hesitate to explore (Chad Basin).

As a prospective world class investment management organization, their major strategic function is to optimize accrued benefits to government from its investment in upstream sector activities through:

- Petroleum Profit Tax (PPT) that will enable investor to maximize higher Margin (Rate of Return) on investment, through effective cost monitoring reduction mechanism that is reserve base sufficiency targeted about 42 billion bpd by year 2010.
- Increased petroleum refining capacity from about 2.6 million barrels per day (bpd) to about 4 million bpd in year 2003 and projection about 4 million barrels per day (bpd) year 2010.
- Encouragement of gas utilization and commercialization.
  Promotion of local content consumables input that will energised infrastructural engineering, construction, supplies and materials utilization through in country technological capability.

- Cultural and social integration between oil companies and host communities of oil & gas producing areas. While setting standards for environmental protection and ensuring its strictly adherence.
- Re-diversification of Nigeria's earnings (revenue base) into hydrocarbon sector by opining up the oil and gas industry (commercializing) thereby putting an end to gas flaring.
- Stimulating indigenous interest on crude oil exploration, refining and marketing with foreign companies in frontier areas.
- Ensuring operations compliance with global standard on Health, Safety & Environment and in all JV/PSC/SC upstream activities.[11]

2.2.3. JV (Joint Venture)

[11] NAPIMS (2012), Service Contract Companies.

This is a business agreement between the government represented by Nigerian National Petroleum Corporation (NNPC) and transnational oil companies (MOC). Under this arrangement, both parties pool resources together to finance oil operations in proportion of JV equity holdings, and crude oil produced is equally received in the same ratio. Oil Companies under this arrangement are taxed under Petroleum Profit Tax Arrangement (PPTA) at the rate of 65.75 percent, deducted as chargeable profits for the first five years of operation (when the company is at its take-off stage), and subsequently deduct 85 percent tax rate at maturity stage. Furthermore, tax payable is adjusted by the provisions of Memorandum of Understanding (MOU) between parties. The MOU assist in guaranteeing certain profit margins to investor, when there is fluctuation in crude oil market price, that is, when price falls below certain thresholds.

Major players in the JVs with NNPC are ChevronTexaco, ExxonMobil, Agip TotalFinaElf and Shell. However, current JV model is being phased out in the oil and gas industry, due to the inability of NNPC to fund its share of JV costs. As a result of the increasing funding pressure from JVs, the Federal Government of Nigeria (FGN) adopted the PSC model in 1993 as the preferred petroleum arrangement with MOCs. Apart from awards restricted exclusively to indigenous companies, awards for upstream operations are now made on PSC basis. Under this arrangement, the concession is held by NNPC, as it engages MOC or indigenous contracting companies to conduct petroleum operations on behalf of itself and NNPC. The Companies takes the financing risk in exploration activities whether successful or not and recover its costs on commencement of commercial production. The first set of PSCs was signed in 1993, followed by those executed in 2001, after the 2000 licensing rounds. ;the PSCs remain the same, except for differentials in crude oil profit sharing formula and cost oil recovery capitalization.

2.2.4. MFC (Marginal Field Concession)

Marginal Field Concession is any field that has crude oil and gas reserves and remained unexplored or produced for a period of about over 11 years. Booked and reported to the Directorate of Petroleum Resources (DPR). The government objectives of introducing Marginal Field regime policy are with a view to; enlarge participatory scope of indigenous player in the oil and gas sector; increase the existing oil and gas reserves in the country; create employment opportunity; and enable investment opportunity portfolio in the industry.

The awarding of marginal field oil and gas exploration Licenses are granted to investors through direct negotiation or discretionary allocation by Nigeria government. The ownership of Marginal Field Concession (MFC) remains entirely with NNPC, and contractor has no title to the oil produced. However, reimbursed of cost incurred from proceeds of crude oil sales and is paid remuneration periodical in accordance with the stipulated formula enshrine in the contract. The Contractor has first Mansour right to buy back the crude oil produced from the concession, and assessed to tax on its service fees under the Companies Income Tax Act as amended (CITA) at 31 percent; while NNPC is assessed to tax under the PPTA.

Furthermore, in order to provide special incentives to marginal field operators, government promulgated the Petroleum (Amendment) Act No. 23 and the Marginal Field Operations (Fiscal Regime) Regulations 2005 on the development of marginal fields. However, to facilitate more transparency and increased revenue from award of oil licences, Nigeria government initiated competitive tenders as the preferred mode for the award of contract. This brought in transpiracy and competitiveness into the industry

Nigeria awarded periodic licensing rounds to new blocks and had promised to include indigenous companies to having a foothold on onshore and offshore fields of about 2 billion barrels, which would include both big and marginal fields. The operational forecast for marginal field allocation by government was towards the end of 2010, through the gradual development of sets of guidelines that will ensure transparency, that would considered past experiences learnt from past exercises. This implies that, successful indigenous companies will further increase participation in the industry, thus improving their technical and financial capabilities. In 2003, 24 marginal fields were handed over to 31 Nigerian companies by the federal government; many welcomed the development, hoping that the confidence of local players would boost oil exploration and production activities. The objectives of marginal field oil and gas policy are to promote indigenous participation in the upstream sector of the petroleum industry. With a view to achieve marginal fields concessions of the International Oil Companies, IOCs to indigenous companies. In view of the inherent benefits of policy, the success of the indigenous players' involvement into field development and production can be said to be very discouraging. That is, many have taking hold on such opportunity, hence, appreciable progress with their concessions has not been attained. Industry stakeholders have cited finance, fluctuating technical assistance from foreign equity partners, and delay in the passage of the Petroleum Industry Bill, PIB, as the major factors preventing all the operators from coming on-stream.[12]

3.0. LITERATURE REVIEW

Marketing of petroleum products entail, supply, distribution and pricing. And when taking strategic and tactical decisions, a number of variables are considered to ensure that the totality of the marketing environment features is in place. In the area of petroleum products distribution in Nigeria, there core of the channels of distribution is the Retail outlets (gas stations or filling station). These are the final links between the source of products to the final consumers. There are two major marketers in the sector: Independent Marketers (IM) and Major Marketers (MM). Major marketers of the sector are the Multinational Oil Corporations (MOC), examples; Agip Oil, TotaFinElf, Shell Petroleum, etc. while the Independent Marketers are predominantly indigenous markets like Conoil PLC, Oando Oil, Zaino Oil etc.

Supply, distribution and marketing of petroleum products are determinants of features of Nigerian economy growth rate. The downstream of the oil and gas products marketing includes: Automotive gas oil (AGO); Premium Motor Spirit (PMS); Low Power Fuel Oil (LPFO); Dual Purpose Kerosene (DPK); Cooking Gas Lubricant Oil, High Power Fuel Oil (HPLO), etc. the aforementioned products are supplied, distributed and marketed by both Multinational Oil Corporation (MOCs) and Independent Oil Companies (IOCs) who came into the marketing business due to inadequate marketers (MOCs) in the chain of supply and distribution of petroleum products, built more depots and created large logistic facilities (trucks) for dispensing of locally and imported source of petroleum products across the country.[13]

McCarthy defined marketing as a conceptualized set of actions, or tactics, that a an organization processes to execute, promote, pricing, distribution of ideas goods and services

[12] Uche.A. 2011), Marginal Fields – The Story So Far.

[13] BOUBLGIST (2013), Marketing of Petroleum in Nigeria-Associated Problems (a case study of Selected Independent Petroleum Marketing Firms in Port Harcourt, Nigeria.

with a view to satisfy individual and organizational objectives within the marketing environment. There are global accepted marketing concept known as the 4Ps that make up a typical marketing mix, these are: products, Price, Promotion and Place. However, current studies have improved on the latter to several Ps: People, Packaging, Positioning, and Politics as vital marketing mix elements.

Description: the 4Ps of Marketing:

- **Price:** this refers to the value placed on a particular good or service depending on initial costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There are several types of pricing strategies, each linked with the organization's overall idea plan. In developed economy, pricing concept is used a demarcation status of a class of people, to differentiate quality of a product, enhance and promote the image of a product.

- **Product:** is the actual item being sold. A product must convey a minimum level of performance and satisfaction to a buyer; otherwise it will be waste of business venture on the other elements of the marketing mix..
- **Place:** could be refer as the market where these goods are sold. To every businessman, attracting the attention of consumer and making it easy for her to buy remains the very corn of business and it's the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the intonation of a successful retail business is strategic location.

- **Promotion:** this refers to all different forms of advertorial procedures taken to showcase the product or service before the user and trade. This can include: word of mouth persuasive marketing, print and electronic media adverts, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.[14]

Every Manager of an organization have applied marketing concept, which may be simple or complex. The marketing concept and variants like total quality management concept for example, are essentially concerned with satisfying customer's needs and wants positively. Developing and executing effective marketing strategies which integrate applicable dimensions of the marketing concept involving organic tasks of selecting a target environment/audience (customers/clients) in which to operate and developing an efficient and effective marketing thought, through better service industry posited by Kotler and Connor. Various literatures, centers on the debates of whether marketing of physical product is similar to or marketing are different from marketing of service. But, the conclusion is that, the differences between physical product and service might be a matter of emphasis rather than of nature or kind, argued by Creveling. Marketing concept is one of the most underlining factors that energizes the service of an organization to meeting its set challenges and obligation in a fairly competitive environment, and at the same time attain its set goals and objectives.

Silvestro and Johnston 2011, argued that, the theme "service" is applied when describing an organization or industry that has rendered "something" for someone, and does not " make something" for someone. "Service" is used by companies or firms that meet the needs and

[14] The Economic Times (2014), Marketing Mix.

want of society such organizations are essentially bureaucratic. “Service” may also be seen as intangible its outcome being perceived as an activity rather than as a tangible offering. The question of the distinction between services and tangible products is based on the proportion of service components that a particular offering contains.

Against this background, the present research attempts to assess an overview of Nigerian oil and gas supply, distribution, pricing and marketing companies, the effectiveness of the marketing strategies on the growth of oil and gas marketing companies and business in Nigeria, with the attendant competition and other factors. It seems that this growth in the number of product distributing marketing companies in Nigeria has not been matched with an equal growth in the awareness of oil and gas services to users and other interested publics. In order to be efficient and effective, Nigerian oil and gas marketing companies have to develop a good distribution strategies that will enable them to reach out to a wider spectrum of the society for patronage. The interaction of these marketing strategies and the relevant environmental factors determines the performance of product pricing regime in the oil and gas industry in Nigeria. On the other hand, oil products in the Nigerian business environment include PMS, gasoline, kerosene, diesel, lubricant, among others. While the environmental factors include men, money, materials, management, machines, facilities location, market, technology, legal provisions, economic factors, organizational culture, political factors, structure of the oil and gas industry, oil and gas clients’ behavior, among others. These factors are internal and external.

The marketing strategies of Nigerian oil and gas marketing companies are expected to be adaptable to these environmental factors in order to achieve set performance goals. The oil and gas industry seems to have witnessed some form of corporate performance over the years which can be attributed to their district level of market share. However, a strategist and not just a manager therefore, should have an entrepreneurial vision, corporate philosophy, competitive advantages, and should involve line managers in strategic marketing. Line managers are the ones to implement strategies who should therefore be involved early in the strategic marketing process. Realizing however that strategic marketing process does not specify how plans should be translated into action, the issue of strategic marketing implementation led to the evolution of strategic marketing management.

4.0. THEORETICAL FRAMEWORK

4.1. Resource-Based Theory

In the past decades, more than 500 percent of global researchers have made use of resource-based theory (RBT) in marketing concept, which applause its efficacy as a framework for analyzing and predicting competitive advantages and performance outcomes. RBT provides a comprehensive review of contemporary definitional foundation for relevant terms and assumptions and a synthesis of empirical findings from marketing literature. The resource-based perspective argues that sustained competitive advantage is generated by the unique bundle of resources at the core of the firm (Kozlenkova and Stephen 2014). The theory describes how investors develop their businesses from the little initial resources and capabilities that they currently possess or can acquire to grow such business to maturity stage. The term “resources” implies “anything that can be thought of as a strength or a weakness” of the firm to grow. The theory addresses the central issue of how superior performance can be attained relative to other firms in the same market and posits that superior performance result from acquiring and exploiting unique resources of the firm.

The centrality of the venture's capabilities in resources based theory explains the efficiency of an organization's key performance indices (KPI). Resources have remained the most and first components of investment and production which ultimately is linked to performance. According to resource-based theorists, organizations can achieve sustained competitive growth from such resources as strategic supply, distribution marketing, pricing, competency managerial skills, tacit knowledge, capital, employment of skilled personnel among others. Resource based theorist argued that the assets and resources owned by organizations determines the differences in performance. Resources may be intangible or tangible, harnessed and converted into strengths for the organization and being able to manage its weaknesses. By so doing, organizations leveraged upon her competitive advantage. The resource- based theory continues to be improved upon through empirical test. Given that the resource-based view addresses the importance of resources and capabilities of an organization via its performance, it becomes imperative that resource base theory is found to be a suitable theory.[15]

4.2. Organizational Theory

Organizations theory helps an organization to define and identify the patterns and structures adopted to solve problems, maximize efficiency and productivity, in order to meet the expectations of stakeholders. Correct application of this theory have impacted several benefits for both the organization and society at large, towards economic developments potential in a society which assist in generating tools necessary to fuel its capitalistic system. Once an organization sees a window for expansion, it begins to grow and thus alters the economic equilibrium by catapulting itself forward. This expansion induces changes not only in the organization's infrastructure but also in competing organizations and the economy as a whole. For example, in the area of factory production efficiency, Henry Ford created the assembly line, a system of organization that enabled efficiency which catapulted both Ford automobile plant and subsequently triggered U.S. economy growth.

organization theory is one of the most widely used and extensively tested theories in decision making that explain organization's growth and relationships (Ivanko 2013) in decision-making responsibilities. Several models, on organization theory, have been developed to explain resource transfers to constituent units whose current financial performance is poor. Some conclude that such transfers are inefficient and value destroying. They have been modeled as bribes to managers of weak units to induce them to cooperate with the firm's stronger units (Rajan, et al 2000) or as stemming from the fact that managers of poorly performing units have a lower opportunity cost of engaging in non-productive bargaining activities. Others argued that such transfers are representations of unobserved value creation and are a means of promoting long run firm efficiency. Thus, suggested that managers who provide critical services to the firm may be housed and networked within poorly performing units. Transfers are a means whereby stronger organizations can make irreversible commitments to such managers. Modern theorists, suggested that internal resource also flows

[15] kozlenkova . I. (2014), Resource Base Theory for Marketing.

to poorly performing firm as a means of developing new businesses as the firm searches for new avenues to exploit its organizational capabilities.[16]

4.3. Conflict Theory

Conflict theories are part of sociology perspectives that emphasizes on social, political, or material inequality of a social group, critiquing broad socio-political system, or that otherwise detract from structural functionalism and ideological conservatism. Karl Max argued that individuals and groups (social classes) within a society have differing amounts of material and non-material resources (such as the wealthy vs. the poor) and that the more powerful groups make use their power in order to exploit groups with less power.
However, a basic tenet of conflict theory is the absence of interdependence in a social system. Thus, it could be agued further that mutual dependence is the cause of conflict in an environment. Confkicts are opposite ideas, goals, or behavioural attitude that occurs among classes of management of institutions that constitute marketing team. inter and intra conflict within na marketing environment can result to a threat to the survival of a particular system. For example, hoarding of supply of petroleum products in Nigeria from March to June 2015, led to chronic scarcity which advertly led to high density of quenue across the sixt geopolitical zones of the country. This led to the detrimental to the effective performance in the system. It could equally be beneficial to the members of the marketing channel (Assael 2000), if it is used to identify channel weakness the resolution of which leads to the strengthening of the channel. Hadjimanolis (2000), isolate three forms of distributive conflict in the distribution channel: - horizontal competition, inter-type competition and vertical competition.

Horizontal competition exists between middlemen of the same type. An example in the oil industry will be a conflict between Oando Petroleum (Nigeria) Limited dealer and Shell Petroleum Development Company (SPDC) Nigeria, dealer. These rivals compete for more patronage, thus, using various methods which in some cases can lead to a price war. Class inter-type competition exists between middlemen of different types in the same distribution channel processes. But, in a situation, where a Shell Petroleum competes with an Independent Marketer with just one filling station outlet. Because the independent marketer will generally enjoy a higher discount rate than the dealer, he, the independent marketer, will tend to sell at a very attractive price to wool customers and hence the competition that arises is inter type.

The reverse is the case, when vertical conflict occurs among multifarious dealers in channel of distribution at different levels, the following could be experienced; when an agent (dealer) of Shall Petroleum (Nigeria) competes with Shell Petroleum (Nigeria) in the supply of products to its customers, .It will be obvious that the agent will not be able to compete favorably because Shell Petroleum (Nigeria) has more resources base then that individual agent who source (buys) his products from Shell Petroleum to resell to the final consumer. This implies that, the primary sourcing of products could attract conflict with the channels of product distribution, supply and pricind diue to existing marketing varibles and strength and weeknesses of competitors. the primary business philosophy is that the key to understanding management's problem of cross purposes is the recognition of the fundamental philosophies

[16] Stefan Ivanko (2013) Modern Theory of Organization, Faculty Of Public Administration. University of Ljubljana.

of the high level of the corporate manager and that of the typical retailer in the distribution system. The former philosophy can be characterized as essentially dynamic in nature, continuously evolving while the latter, small distributor's philosophy is in sharp contrast, and essentially static in nature, reaching a point and leveling off into a continuously satisfying plateau. These differences could be attributed to the different perceptions of the horizons of the two groups and the possible variations in their aspirations. The primary causes of conflict associated with the channel of products supply and distribution are as follows:

- **Goal incompatibility –** the big marketers' use the principles of flooding the market with high volume of petroleum products to reduce unit overhead costs but involve dealers in uneconomical inventory levels.
- **Domain-**position-role incongruence such as the inability of marketers to supply and distributes petroleum products due to moribund logistic facilities (depots and farm tanks) across the country.
- **Communication breakdown,** where there faulty pump at the retail outlets, breakdowns marketing companies does easily communicate such to their parent organization. Rather dispense with a view to under dispense products to buyer with the intent to short change them financial and a view to maximize profit.
- Differing perceptions of reality encompassing members' self-perception, members' perception of channel leader and the leader's perception of each channel member, and
- Ideological differences resulting from issues which arise out of channel members' consideration of value. For example, where channel members see the causes of shortage differently.[17]

4.4. The Resource Dependency Theory (RDT)

Resource dependence theory (RDT) originated in 1970, with the principle of understanding the impact or influence of external resources on an organization or firm vis-a-vise the behavior of the organization. For instance, the procurement of external resources remains an important tenet in both strategic and tactical management of any company's raw materials. This implies that, resource dependency theory enable an organization to leverage on its ability to gather, alter and make use of raw materials faster than its competitors who fundamentally aid growth and success. Most importantly, the theory encourages the firm to view customers as a resource inclined to scarcity. According to Jeffrey and Gerald, RDT are the basic keys to organizational success and that control and access over resources is a source of power. Resources are often controlled by organizations and not in control of organization needing them, connotation is that, strategies must be carefully considered in order to maintain open access to resources. For instance, firms characteristically build laying-off into resource acquisition in order to reduce their reliance on single sources e.g. by liaising with multiple suppliers**.**

The view of proponents of resource dependency theory (RDT) is that organizations should be proactive in the control of her resources in order to achieve organization objectives effectively. Being Effective is described as follows: "The effectiveness of a firm determines

[17] Karl Max (2013), social conflict Theory. Retrieved from: https://en.wikipedia.org/wiki/Social_conflict_theory

its ability to initiates acceptable outputs and results". In this view, effectiveness can then be refer to as being proactively managing the competitive environment to its advantage in its quest to create acceptable outputs and results. To describe the latter of firms managing the competitive environment to its advantage, the authors posited that, the term controlling orientation is the means to adopt a strategic thrust that enable an organization to successfully and proactively being able to manage its competitive environment within its legal and quasi-legal manner to its advantage, by integrating a range of resource dependency theory (RDT) strategies in their strategic managerial planning and decision making with a view to having superior financial platform.

Formal discussion of managing the competitive environment in the marketing literature began with Zeithaml in 1994, with the argument that environment where firm operate can indeed be influenced and that only marketing strategies are central to the achievement of this. Thus, for instance, organizations dexterity for public relations and political recognition through putting in place lobbyist platform who help the organization to create a more promising legislative environment that will action better legislate business policy for the organization's growth and development.[18]

4.5. Analysis of Petroleum Products Channels of Distribution and Marketing Industry

There are eight major oil companies in Nigeria, of which two are indigenous; African Petroleum (AP) and Oando Plc. They constitute and dominate the center stage of local market. The other six, National oil and Chemical Marketing Plc, include: Agip Plc, Total plc,.Texaco Plc and Elf are jointly owned by Nigerians and foreign owners. All the seven companies excluding Elf recorded a combined turnover of N7,289 billion, N9,132 billion, N16 billion and N34 billion in 1992; 1993, and1994 respectively. This trend was followed by a general decline in volume turnover due to political instability especially in August of 1994 when there was nationwide strike by oil workers on fuel price hike. In 1995, however, there was an increase pre-tax profits for the seven major companies from N2 billion in 1993 to N 5.6 billion, representing a 175 percent increase in 1995.

Furthermore, research survey on nationwide Retail outlets carried out by Petroleum Products pricing Regulatory Agency (PPPRA) in 1996, recoded about 2000 independent retail outlets (marketers) who dispenses, supply, distributes and control about 70 percent of the domestic marketing network. These independents operators are licensed to reflect geographical spread. Products are largely sourced from Pipeline and Products Marketing Company (PPMC), a subsidiary of NNPC. Product distribution from the refineries is done through a 4,950-kilometre system of pipelines and twenty storage depots and through trucks from sourcing points to the coastal vessels and extreme northern parts of the country, attracting bridging fund from Petroleum Equalization Fund Board (PEFB) in distribution mode to the final consumers at the filling stations, see table 1.1.. The market pricing for petroleum products and pricing was largely regulated by government through Petroleum Support Fund (PSF) being administered by PPPRA, as individual companies were entirely free to maintain their

[18] Jeffrey .P. and Gerald .R. S. (2013), what is Resource Dependence Theory (RDT). Retrieved from: http://www.hrzone.com/hr-glossary/what-is-resource-dependence-theory-rdt

market quotas in order to meet total national demand. Government continues to regulate the industry in the areas of prices and marketers' margin.[19]

Figure 3.1.

SAMPLING OF MAJOR AND INDEPENDENT MARKETERS OF PETROLEUM PRODUCTS IN NIGERIA

DAILY EX-DEPOT PRICES			
MARKETER	S/No	DEPOT/FACILITY DEPOTS	PMS(N/litre)
MAJOR MARKETERS	1	FORTE OIL ONNE	NA
	2	CONOIL PH	NA
	3	OANDO ONNE	NA
	4	OANDO PH	98.00***
INDEPENDENT MARKETERS	5	AITEO PH	NA
	6	CYBERNETICS	NA
	7	DELMAR PH	NA
	8	EVER OIL CALABER	NA
	9	DOZZY OIL PH	87.66
	10	FRESH SYNERGY, IKOT ABASI	87.66
	11	GRAND PET	NA
	12	HONEYWELL DEPOT	NA
	13	IBAFON CALABER	102.50*//100.09
	14	KINGS CROWN	NA
	15	MASTERS ENERGY	NA
	16	MATRIX ENERGY	NA
	17	NORTHWEST PET & GAS	87.66
	18	ONTARIO DEPOT CALABAR	99.00
	19	ORYX DEPOT	NA
	20	PETROSTAR	NIL
	21	RAINOIL DEPOT	NA
	22	SAHARA ONNE	NA
	23	SHORELINK PH	88.00
	24	SPG ONNE	NA
	25	TEMPOGATE ENERGY	NA
PPMC DEPOTS	26	PPMC DEPOT ABA	87.66
	27	PPMC DEPOT BENIN	87.66
	28	PPMC DEPOT CALABAR	87.66
	29	PPMC DEPOT ENUGU	87.66
	30	PPMC DEPOT MAKURDI	87.66
	31	PPMC DEPOT, PH	87.66
	32	PPMC DEPOT, WARRI	87.66

Source: *Throughput Product Belonging To Ontario Ltd,
**Ex-Depot Price For Ibafon Oil & Gas Ltd, and
***Throughput Product Belonging To Sahara Energy Ltd. Retrieved from: DPR

[19] Petroleum Products Pricing Regulatory (2010), Revised Guidelines for the Administration of Petroleum Support Fund (PSF).

Figure 4.1.

SAMPLING OF LOGISTIC FACILITIES FOR PETROLEUM PRODUCTS ACROSS NIGERIA

JETTYS	CALABAR JETTY
	CYBERNETTI JETTY
	DELMAR JETTY
	ECO MARITIME JETTY (ECM)
	FEDRAL LIGHT TERMINAL (FLT)
	FEDERAL OCEAN TERMINAL (FOT)
	HONEYWELL JETTY
	MARCOBAR JETTY
	MATRIX ENERGY JETTY
	MASTER ENERGY JETTY
	NIGERIA PORT AUTHORITY (NPA)
	OKIRIKA JETTY
	PETROSTAR JETTY
	RAINOIL JETTY
	WARRI JETTY
	CALABAR JETTY

SOURCE: Petroleum Products Marketing Company (PPMC).

Figure 5.1.

SAMPLING OF PETROLEUM PRODUCTS RETAIL OUTLETS IN NIGERIA

RETAIL OUTLETS PRICES		
S/No	**LOCATION**	**RETAIL OUTLET**
1	**RIVERS**	LUMCO
		NNPC MEGA
		MRS
		ROMANS
		OANDO
		TOTAL
		AP
		TOTAL
		JIJISCO
		NNPC MEGA
		TONNIMOS
		OANDO
		MOBIL
		MRS
		SOBAZ
		STARK ENERGY
		CHELSE OIL
		OANDO

		YKC
		AP
		CONOIL
		MEIN OIL
		MOBIL
		CONOIL
		BIDDEL
2	**ABIA**	NNPC MEGA
		METCO
		EZEXO
		LAWPAC
		ZEMA OIL
		TOTAL
		PRIMATH
		BENANTO
		GGOIL
		AVIL OIL
3	**CROSS RIVER**	NNPC MEGA
		HONEYWELL
		TONIMAS
		NORTHWEST
		SYNTO OIL
		MRS
		MOBIL
		CONOIL
		TOTAL
		OANDO
		CONOIL
		MILLICENT
4	**EDO**	IDONIJE
		MOBIL
		NNPC MEGA
		TOTAL
		TOTAL
		CONOIL
		MOBIL
		OANDO
		TOTAL
		CONOIL
5	**DELTA**	TOTAL
		CONOIL
		CHI TIN PET
		RAINOIL
		ALIYU OIL
		SMILE
		AP
		TOTAL
		JENITE
		NNPC
		PEMOK OIL
		BENJONES
		MOBIL
		NNPC
		COSCO

		CONOIL
		TEA PET
		EDDY UBREYEN
		SOLEVAD OIL
		MOBIL
6	**ENUGU**	NNPC
		MOBIL
		MRS
		CONOIL
		JUHEL PETROL
		NNPC MEGA
		NIPCO
		ALON ENERGY
		FOTANA OIL
		CEKON OIL
		MOBIL
		BONTUS
		OWOKEEN OIL
		MASTERS
		MOBIL
		ANCCORI
		AMARA OIL
		TOTAL
7	**BENUE**	EMAS
		DOCHISS
		TOTAL
		YAMOYUS
		NNPC MEGA
		P-KURA
		BOLEK
		CONOIL
		OANDO
		KYABIZ
8	**AKWA IBOM**	FENS OIL
		EMESON
		FONEX
		EXPI PET

Figure 5.1.

SAMPLING OF RIVERS STATE RETAIL OUTLETS SUPPY & DISTRIBUTION OF PETROLEUM PRODUCTS IN THE MONTH OF NOVEMBER, 2012.

		DATE: 21ST NOV, 2012	
LOCATION	**PMS(N/litre)**	**AGO(N/litre)**	**DPK(N/litre)**
ALONG IWOFE ROAD, PH	120.00	140.00	130.00
LAGOS B/STOP, PH	97.00	152.00	50.00
MILE 3 ROAD, PH	NIL	NIL	NIL
ADA GEORGE, PH	97.00	162.00	NIL
IWOFE ROAD, PH	137.00	NIL	NIL
DIOBU, MILE 3 ROAD, PH	120.00	NIL	NIL
IWOFE ROADPH	130.00	158.00	125.00
AZIKIWE ROAD, PH	97.00	NIL	NIL
ONNE,PH	NIL	150.00	130.00
OIL MILL, PH	NIL	NIL	NIL
ADA GEORGE, PH	130.00	NIL	130.00
ELEME ROADD, PH	NIL	165.00	NIL
GARISSON, ABA ROAD, PH	97.00	NIL	NIL
MILE 3 ROAD, PH	NIL	NIL	NIL
IKWERRE ROAD, PH	97.00	150.00	NIL
ELELEWON/AKPAJO ROAD, PH	130.00	163.00	NIL
WOJI ROAD, PH	140.00	NIL	NIL
ABA ROAD, PH	130.00	NIL	NIL
WOJI ROAD, PH	140.00	NIL	NIL
PETER ODILI ROAD, PH	97.00	150.00	NIL
AMADI AMA ROUNDABOUT	120.00	NIL	NIL
AIRPORT ROAD, PH	105.00	NIL	NIL
NPA ROAD, PH	97.00	NIL	NIL
LEVENTIS B/STOP, ABA ROAD, MILE, PH	97.00	160.00	NIL
IWOFE ROAD	130.00	NIL	NIL
ABA – OWERRI ROAD, ABA	97.00	NIL	NIL
ABA – OWERRI ROAD, ABA	110.00	160.00	160.00
PH, ABA	105.00	180.00	135.00
ABA – OWERRI ROAD, ABA	105.00	NIL	NIL
ENUGU/PHC EXPRESS, ABA	115.00	150.00	120.00
ABA – OWERRI ROAD, ABA	97.00	145.00	NIL
ABA – OWERRI ROAD, ABA	105.00	160.00	NIL
ABA	135.00	NIL	125.00
ABA – OWERRI ROAD, ABA	105.00	160.00	125.00
ABA – OWERRI ROAD, ABA	110.00	160.00	130.00
MURTALA WAY, CALABAR	97.00	152.00	NIL
MURTALA WAY, CALABAR	120.00	155.00	110.00
MURTALA WAY, CALABAR	110.00	150.00	115.00
PARLIAMENTARY ROAD, CALABAR	97.00	NIL	NIL
ZONE 6, CALABAR	110.00	NIL	NIL
ZONE 6, CALABAR	97.00	145.00	NIL
MCC JUNCTION, CALABAR	97.00	NIL	NIL
MCC JUCTION, CALABAR	97.00	NIL	NIL
CALABAR ROAD, CALABAR	97.00	NIL	NIL
OPPOSITE STADIUM, CALABAR	NIL	NIL	NIL
WATT MARKET, CALABAR	97.00	NIL	NIL
MURTALA HIGHEWAY, CALABAR	100.00	NIL	130.00

BENIN-AUCHI ROAD, BENIN	97.00	NIL	NIL
AKPKAPAVA ROAD, BENIN	97.00	NIL	NIL
SAPELE ROAD, BENIN	97.00	NIL	NIL
USELU ROAD, BENIN	97.00	NIL	NIL
SAPELE ROAD, BENIN	97.00	160.00	NIL
AKPAKPAVA, BENIN	97.00	NIL	NIL
AKPAKPAVA, BENIN	97.00	NIL	NIL
OGHARA, SAPELE ROAD, BENIN	97.00	NIL	NIL
AIRPORT ROAD, BENIN	97.00	NIL	NIL
IKPOBA HILL, BENIN	97.00	NIL	NIL
ESTATE JUNCTION, WARRI	110.00	NIL	NIL
ESTATE JUNCTION, WARRI	110.00	160.00	NIL
REFINERY ROAD,WARRI	115.00	NIL	120.00
ALAKA EFFURUN, WARRI	97.00	160.00	NIL
SAPELE, DELTA STATE	120.00	NIL	NIL
EFFURUN ROAD, WARRI	97.00	NIL	115.00
OGOR, UGHELLI NORTH, DELTA	115.00	NIL	130.00
OKUMAGBA AVENUE, WARRI	97.00	145.00	NIL
AGBAHO, DELTA	110.00	NIL	120.00
EKPAN ROAD, WARRI	97.00	145.00	NIL
EDJEBA JUNCTION, WARRI	110.00	140.00	NIL
NPA EXPRESSWAY, WARRI	115.00	140.00	120.00
OKUMAGBA AVENUE, WARRI	97.00	NIL	NIL
REFINERY ROAD, WARRI	97.00	NIL	50.00
OKUOKOKO ROAD, WARRI	120.00	NIL	120.00
AIRPORT JUNCTION, WARRI	NIL	170.00	NIL
JAKPA ROAD, EFFURUN	110.00	NIL	120.00
ENERHEN ROAD, WARRI	97.00	NIL	NIL
EFFURUN – UGHELLI ROAD, WARRI	110.00	NIL	120.00
AIRPORT JUNCTION, WARRI	NIL	165.00	NIL
NAIRA TRIANGLE, ENUGU	97.00	152.00	50.00
AIRPORT ROAD, ENUGU	97.00	NIL	NIL
ABAKALIKI EXP BY NEW HAVEN, ENUGU	97.00	160.00	NIL
OGUI ROAD, ENUGU	97.00	160.00	NIL
EMENE, ENUGU	120.00	NIL	130.00
NEW HAVEN,ENUGU	97.00	NIL	NIL
NEW HAVEN,ENUGU	120.00	150.00	120.00
EMENE, ENUGU	120.00	160.00	NIL
INDEPENDENCE AVENUE, ENUGU	120.00	NIL	125.00
OGUI ROAD, ENUGU	120.00	NIL	125.00
ABAKALIKI EXP BY NEW HAVEN, ENUGU	97.00	160.00	110.00
OGUI ROAD, ENUGU	125.00	NIL	125.00
ABAKALIKI EXP BY NEW HAVEN, ENUGU	120.00	NIL	125.00
ABAKALIKI EXP BY NEW HAVEN, ENUGU	120.00	160.00	NIL
AIRPORT ROAD, ENUGU	97.00	160.00	NIL
AGBANI ROAD,ENUGU	120.00	160.00	125.00
ABAKALIKI EXP BY NEW HAVEN, ENUGU	120.00	160.00	NIL
PRESIDENTIAL ROAD, ENUGU	97.00	NIL	NIL
GBOKO ROAD, MAKURDI	NIL	NIL	NIL
OLD OTUKPO ROAD, MAKURDI	120.00	165.00	125.00

OLD OTUKPO ROAD, MAKURDI	97.00	NIL	NIL
OTUKPO ROAD, MAKURDI	125.00	NIL	NIL
OTUKPO ROAD, MAKURDI	97.00	152.00	NIL
OTUKPO ROAD, MAKURDI	115.00	165.00	NIL
ATOM KPERA ROAD, MAKURDI	120.00	170.00	125.00
GBOKO ROAD, MAKURDI	97.00	174.00	NIL
KASIM KAREEM ROAD, MAKURDI	97.00	170.00	NIL
GBOKO ROAD, MAKURDI	120.00	165.00	125.00
IKOT ABASI ROAD, AKWA IBOM	115.00	NIL	NIL
IKOT ABASI ROAD, AKWA IBOM	120.00	NIL	NIL
IBEKWE ROAD, IKOT ABASI	115.00	NIL	NIL
IBEKWE ROAD, IKOT ABASI	120.00	NIL	NIL

Source: Petroleum Products Pricing Regulatory Agency (PPPRA)

Figure 6.1.

Alternative Fuel sources for Domestic Cooking

N/S	Alternative Fuel	percentages
1	Kerosene/Oil	58.13
2	Generator plant	3.04
3	Gas	1.11
4	Electricity	0.52
5	Firewood	32.55
6	Charcoal	2.82
7	Crop Residue Or Sawdust	0.07
8	Animal Waste	0.08
9	**others**	1.68
Total		**100**

Source: Nigerian Bureau for Statistics (NBS).

Greater percentage of Nigerians living in the rural and urban cities uses firewood as their main source of fuel for domestic cooking; about 27.5 make use kerosene while only 1.11 percent used gas in the period covered by the survey. In Nigeria, the use of LPG gradually becoming accepted by the mass as the cleanest and safest meaning of cooking that is environmentally friendly. The use of electric cooking-gargets and kerosene is becoming prominent as a result the high price of LPG. Although, the constant use of firewood is gradually being discouraged, due to its advert impact on disforestation and direct relation to poverty.

5.0. GENERAL DISCUSSION

In the oil and gas activities, the downstream subsector plays key role in the industry. It is the segments of the downstream sector that relates with the public through commercialization, supply, distribution, pricing and marketing activities through enabling logistic facilities which entails transportation of crude oil and gas to the refinery and gas stations via pipeline network from the wellhead to the refinery or plant. Vehicular tankers and purpose-built vessels are also used for this purpose Nigeria has four refineries: two situated in the South-South region of the country (one in Port Harcourt and one in Warri) and two in the Northern region of the country (one petrochemical and one refinery, both in Kaduna State). These refineries are owned by government, managed by NNPC, with a total nameplate capacity of about 505,000b/d. but, these refineries are currently under refining about 33percent of their installed capacity; necessitating the importation of refined petroleum products to meet up with the growing internal demand.

The government over the years has constantly awarded Turn-Around Maintenance (TAM) maintenance contract to reputable foreign organization, all to no avail. However, with anticipated Petroleum Industry Bill (PIB) being passed and the full deregulation of the entire petroleum industry, which will allow stiff competitiveness, the country's refineries is expected to increase in future as new licences will be granted. And government's strategy plans to award new oil licences to intending investors in the oil and gas sector, railway lines, gas pipelines that will adequately empower energy plants across the country. Distribution, pricing and Marketing of petroleum products are determined by business and economic indices. Distribution involves availability and adequate dispensing of refined petroleum products through pipelines and bridging (coastal vessels, road trucks, rail wagon) etc. gotten or loaded from farm to the storage depots across the country. This process is directly monitored by the Nigerian Petroleum Product Marketing Company's (PPMC), which links the refineries to the about 22 regional farm tanks depots via pipeline network system across the six geopolitical zones of the country. These pipelines are segmented into three phases: Phase 1 and 2 entails five systems, referred to as 2A, 2B, 2C, 2D, and 2E; Phase 3 has three systems, referred to as 2cx, 2dx and 2ex2. Petroleum product marketing involves in the purchasing, retailing and sales of refined petroleum products. Marketers upload products from PPMC farm tanks and deliver same to various retail outlets in the country.[20]

PPMC, as marketer imports complementary refined petroleum products into the country to meet the demands of their customers. However, guidelines for importation are issued by Directorate of petroleum Resources (DPR) to ascertain and sustain quality standard in order to prevent importation of substandard products into the country. In the bid to reform the oil and gas sector, the government of Nigeria established a downstream subsector regulatory committee known as the Petroleum Product Pricing Regulatory Commission (PPPRC) in 2000 and later transcended into the Petroleum Products Pricing Regulatory Agency (PPPRA) by Act of the National Assembly in 2003, with the mandates to oversee the activities of the downstream petroleum products pricing, supply and distribution. One of its major responsibilities is the constant checkmate on petroleum products price volatility, while ensuring a level playing ground for investors and return on their investment.[21] However, the underlying factor is a complete deregulation of the entire oil and gas industry through the passage of the Petroleum Industry Bill (PIB), an initiative for the repositioning of the sector in accordance of global standard. Although, the proposed reforms face s stiffer opposition

[20] PPMC (2013), Petroleum Products –Significance of Pipeline Transportation.

[21] Oluwole .O. (2003), Liberalization of Downstream Petroleum Sector: The Nigerian Experience

from the organized labour and civil society groups in the country, thus, there is collective effort by Nigerians to ensure it passage as lasting solution to all the challenges confronting the oil and gas industry in Nigeria.

Nigerian Liquefied Natural Gas (LNG) is the largest natural gas reserves in Africa yet limited infrastructure and is an untapped sector. Nigeria's first and most ambitious gas project, the first Nigerian commercial LNG refining plant is the Nigerian Liquefied Natural (NLNG) facility located in Bonny Island of River State with six LNG trains currently operational with annual capacity of 31billion cubic meters (bcm). Placing Nigeria as one of the major exporters of LNG in sub-Sahara Africa to Europe, and the propose construction of the seventh LNG train with expected nameplate capacity of about 8.6mn. All companies operating in the downstream petroleum sector are assessed to income tax under the Companies Income Tax Act, 2004 as amended (CITA) at the rate of 30 percent of their chargeable profit.[22]

Furthermore, the government introduced the Nigerian Oil and Gas Industry Content Development Act (NOGIC Act) with a view to increase the level of Nigerian Content in oil and gas industry. It is the significant of composite value added to Nigerian economy by a systematic development of human capacity, material resources and services utilization of Nigerian oil and gas industry. NOGIC Act provides first consideration to Nigerian independent operators of in the oil and gas sector, those who renders services, manufacturers, and those Nigerians in employment and training of mental work fabricator and welding activities should be locally sourced. The Act imposes a levy of 1 percent on the value of contracts awarded in the upstream sector. The amount is required to be deducted at source and paid into the Nigerian Content Development Fund (NCDF). The Act empowers the Nigerian Content Development and Monitoring Board (the Board) to monitor, coordinate and implement the provisions of the Act. 4.2 The Petroleum Industry Bill (PIB). With the objectives which include: potential increase in the country's share of the revenue accruable to the government from crude oil production, increase in the participation of Nigerians in the industry through the enforcement of the Nigerian Content provisions and the realignment and integration of the various functions and departments in the Nigerian National Petroleum Corporation (NNPC), Directorate of Petroleum Resources (DPR), Ministry of Petroleum Resources and Petroleum Products Pricing Regulatory Agency (PPPRA). The PIB also hopes to achieve the enforcement of international best practices in the Nigerian oil and gas industry, amongst others. To the oil producing companies, the potential benefits include removal of the restriction on capital allowances claimable against profit in any particular tax year and the reduction in the petroleum profit tax (PPT) rate from 85 per cent to a combined rate of 80 percent for joint venture operations (30% CIT and 50 percent Nigerian Hydrocarbon Tax).

5.1. Challenges in the Nigeria Oil & Gas Sector

In spite of the economic benefits of the sector, there are some salient challenges confronting the oil and gas industry in Nigeria. Thus: Niger-Delta militant crisis as a result of abject poverty; environmental pollution and degradation; deforestation; periodic attacks on oil facilities and pipelines; gross unemployment among employable youths; colossal waste and corruption among public servant elites; and lack of government political will towards resolving the problems. Government underfunding was a recurring problem in the upstream sector. That is, the inability of the NNPC to meet up with funding obligations to JV

[22] PPMC (2013), Petroleum Products Distribution & Marketers.

operations; the tedious manner at which Contract are processed and award between initiation and eventual execution of the agreement could take as much as 36 months in some cases. Infrastructure Nigeria is also faced with the challenge of lack of sufficient infrastructure to run the oil and gas industry. Government aims to fast track the monetization of the nation's gas resources, instituting a gas based industrialization and increasing the generation capacity of the power sector, to ensure sustainable electricity delivery for domestic and industrial uses.

5.2. Doing business in Nigeria

There are different investment vehicles that could be used for carrying on business in Nigeria. These include partnerships, unincorporated joint ventures and limited and unlimited liability companies. However, the authorized mode of investment by foreigners in Nigeria is through limited liability companies. Under section 54 of the Companies Allied Matters Act (CAMA), that regulates company formation and activities in Nigeria, deterring foreign companies from carry out business in Nigeria expect is being incorporates as a local subsidiary in the country. However, government empowered section 56 to exempt some mandatory requirement to foreign companies in the following categories: those foreign investment initiated and approval by the federal government to execute special projects; foreign companies in Nigeria saddled with the responsibility to execute specific loan scheme projects on behalf of donor countries or foreign organizations; those foreign government-owned companies that engages mainly on export promotion businesses; and technical and engineering consulting experts who engages in specialist executing projects on behalf of the donor (government) or any of the government agencies as approved by government.

6.0. FUTURE SUGGESTIONS AND RECOMMENDATIONS

This study has enumerated practical and significant impact of petroleum products distribution; supply, marketing and pricing performance interact with the related economic components to facilitate growth and development. It also indicates that different performance factors that moderates price volatility and scarcity. Therefore, the Nigerian economy is a dynamic business environment which is anchored on oil and gas activities.

6.1. Suggestions for Further Studies

This research leads to some observations that might be of interest to future researchers, as they represent the seeds from which future research can be developed.

a) This same research can be carried out in other nations so that a broad comparison of the concepts of strategic marketing as it affects firm performance can be made.
b) Research into the combined effects of strategic marketing practice and performance factors as mediators of firm performance relationship.
c) Research into the effects of key characteristics of industries environmental indices and marketing strategy could be carried out to further explain the differences in the firm's adoption of strategic marketing.

d) Finally, future research works are to be undertaken in order to refine the cobwebs found in the present research, and orient it to more specific contexts (business, time, location, etc) in Nigeria's oil and gas industry.

6.2. Study Recommendations

a) The concepts and principles of total quality management (TQM) are recommended for holistic study, in addition to contemporary marketing management issues such as relationship marketing, value analysis, business process re-engineering, megamarketing, re-marketing, co-marketing, bench marketing, and permission marketing, among others.
b) Efforts should be made by organizational marketers to understand the relevant factors that affect both clients' behaviours, and the strategic options to be adopted to cope with such behaviours.
c) Oil and gas marketing scholars or researchers should endeavour to study holistically the relevant business functions and activities which may enhance or hinder the understanding and subsequently applicability of relevant modern management concepts and principles to oil services marketing.
d) Firms that are not operating in a dynamic business environment need not adopt a strategic marketing practice as this may cause the firm to look inconsistent in the eyes of its customers and eventually reduce effective performance.
e) The need for the identification of options and resources and of capabilities of deployment constitutes an impetus to effective strategic marketing implementation, since the practice derives from capabilities in assembling and maintaining an appropriate resource portfolio and coupling the resource portfolio with the identification and recognition of options.
f) In a constantly changing business environment, firms can adopt a strategic marketing practice because it is able to enhance their business performance.
g) The need for configuration, reconfiguration and deployment of resources to arrest negative changes in the business environment.
h) The need to generate real options by devising and configuring resource- based capabilities.

7.0. CONCLUSION

The distribution system of petroleum products in Nigeria is found to be ineffective and inefficient due to a number of factors which have been identified. It is recommended that the downstream sector of the industry be completely deregulated, and the apparent subsidy be removed such that the prices of the products will be determined by the market forces of demand and supply. It is argued that the private investor and entrepreneurs should be allowed full participation in the sector, a situation that will lead to effectiveness in the distribution of the product. In effect, as discussed by Adeleke (2002), this will create job opportunities for Nigerians and promote further, the development of small and medium scale enterprises in the oil sector of the economies. Finally, the refineries should be privatized, that is, sold to private investors. The NNPC should hands off the operation of refining petroleum products for domestic consumption. This process, no doubt, will usher in a more effective system and operation in the industry.

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