

Abstract

The future potentials of Nigeria oil and gas economy is of great importance for both Nigeria's economic development as well as global energy sufficiency. Most daring is the continent of Africa. Nigeria is a prominent Member of OPEC and the 6th largest crude oil producer in the world; with four state-owned refineries, numerous subsidiary Oil Companies, and regulatory bodies. Nigerian oil and gas industry remains an important source of government revenue through export earnings, and have about 1.2 trillion barrel (tb) reserves of petroleum products sufficiency and emergency plan. However, this study is to examine the importance of the various reforms in the Nigerian oil and gas industry and how it has been in relation to efficiency in the sector over decades. Inappropriately, the industry is confronted with multifarious challenges that hamper on its quality of service delivery and refining out in the country. Hence, this research intends to scrutinize salient challenges of the sector that necessitated the intervention of government via reform programs like the Petroleum Industry Bill (PIB). When fully implemented will be a legal framework that will harmonize the activities of the sector for optimal efficient performance for the benefit of the country.

Keywords: Oil and Gas Reform Initiative in Nigeria and the Petroleum Industry Bill (PIB).

1.0. INTRODUCTION

Before the oil boom saga of 1970, there have been various reforms put in place by the Nigerian Government to reposition the entire economy which has been set aback by the Civil War of 1967, which ended in 1970. Among these reforms was the first, second, third and fourth indigenization decree of 1970 who primary objectives was to allow Nigerians to partake in the industrialization of the economic sector. Most sort for was the oil and gas industry. The emergence of commercial quantities of crude oil marketing in 1956 exposed the economy to global trade interference and subsequently putting the country as member of the global oil cartel (OPEC) in 1976.

There was Indigenization Decree in 1970s, which was comprehensive and far-reaching economic reform. The objective of the reform policy was to put and persuade Nigerian major player in the economic growth Nigerian economy in the hands within the context of nationalistic direct control of wealth of the nation. Rather than Nigerians, allowing foreign investors to own 100 percent of certain national economic ventures. That is, not more than 30 percent or 40 percent as the case may be is allowed. It was in the process of implementing this policy that oil became a major revenue earner that changed the policy fundamentals of the industry.¹

As crude oil revenue ballooned in 1973/1974, the Nigeria Government embarked on white elephant projects, which had little or no economic value to the GDP development. Bereaved of concrete economic policy direction, that would impact positively on the development of

¹ Oloruntogbe, K.O. & Akinsete, M.A. (2009), 50 Years of Oil Exploration in Nigeria: Physics-chemical Impacts and Implication for Environmental Accounting and Development.

entrepreneurial energy sector and the non-encouragement of Small and Medium Scale Enterprises (SMEs) in the non-oil sector. Furthermore, the last quarter of 1978 experienced a sharp decline in country's crude oil earnings as crude oil prices dipped in the international markets forcing major economic policy that introduced belt tightening project. Subsequently, in 1979, Nigeria government resolved and went to the international capital markets to raise external loans (commonly referred to as the "jumbo loans") to fund capital developmental projects that were hard to place. The wake 1980 saw the emergency of three major economic policies initiated and recommended by Onosode's Commission on reduction of public servant pay structure. This was adopted in 1981. Another economic reform initiative known as "Economic Stabilization Act of 1982" followed with a view to response to the dwindling oil earnings and major external sector imbalances experienced in the country and the big wipe "Structural Adjustment Programme (SAP) of 1986-1988", as influenced by World Bank to reduce spending.

A nation that was just coming of a very chronic civil war, determined to develop, and practically just coming out of colonialism took first bold step on wide-range of reforms in almost all the major sectors of the economy, guided by the quest for economic growth. Although, there were limitations in its implementation, but, she recorded some significant gains for the first two years. Each of these policies was reactive to developments in the international crude oil markets, which was depressed for much of that period and had only occasional spikes.²

Petroleum Industry Policies Management of the 1990s and 2000 might be described as a period of reversals and lost opportunities. The series of reforms and mal-administrative reversals of oil and gas policies in the late 1980s took its toll on the real sector of the economy, which subsequently had its negative impact on financial institutions, as most commercial banks were liquidating due poor savings by citizens and hash government reform policies. In the same vain, the country experienced crude oil windfall gains from the strong oil prices as a result of the Coalition Forces between Kuwait and America war against Iraqi in 1990. The protracted situation in the sector truncated the policy experimentation on deregulation and liberalization of the petroleum industry in 1994 by the late Head of State, Gen. Sani Abacha. Up until June 2003, there was no clear policy direction for the activities of the petroleum sector due to obsolete institutional legal framework which thwarted the benefits that would have accrued from oil earnings.³

Nigeria strong economic interest in ensuring energy security and exports is obvious, thus, the government policy on the reduction on trade and investment barriers into the country. The country also has a national energy and an economic interest in ensuring that Nigeria becomes a key ally and top trade partner with neighboring countries in Africa that shares closer mile border, and the globe in general. The Nigeria petroleum economy was once economically vibrant and politically stable, until mid-1980 when its prospect beginning to decline due to mismanagement of accrued export earnings, neglect in turn around maintenance of the four State own refineries, and large quest for corruption.

² NWAGBARA .N. (2011), The Story of Structural Adjustment Program in Nigeria.

³ Nmom .O. C. & Ignatius .A. (2013), Rivers of Crisis: Historical Paradox of The Niger Delta Region in Nigeria.

Over centuries, oil and gas business has become a priority to the strengthening of bilateral economic cooperation among nations. For example, Nigeria became prominent as giant of Africa due to her oil and gas trading and foreign earnings, and sociopolitical and economic integration in the continent. but, over the years, due to high level corruption and turn around maintenance of the four state own refineries, emergence of militant groups in the Niger Delta, inpunitive cross boarder smuggling, pipeline vandalism, etc, brought the nation's economic to her kneel with other sector of the economy dwindled. Hence, at the emergence of President Olusegun Obasanjo administration in 1999, the government was determined to reform the moribund oil and gas industry in Nigerian. And this led to the formation of the Oil and Gas Implementation Committee (OGIC) in 2000 for the immediate policy direction for the repositioning of the entire industry for global competitiveness and efficiency.⁴

The proposed reforms when implemented, will open up petroleum sector to private investors to generators economic growth ideas, create employment that will energized entrepreneurial estates in the country. The reform will boost energy supply through gas supply to energy facilities for efficient distribution and the supply and distribution of petroleum products will be determined by price mechanism.⁵

1.1. Research Problems

This study intend to address some salient challenges confronting the oil and gas sector various reforms initiatives in Nigeria with a view to providing effective and efficient policy direction for the sector. Over decades, industry stakeholders, opinion molders and civil rights campaigners have been very critical of deplorable states of the four state owe refineries, characterized by corruption and efficiency. And, that various attempt by government to reposition the sector have failed and proved abortive. Nigerian economy is monoculture in principle, strongly midwife by petroleum earnings through export derivation. This implies that the economy is a single digit petroleum economy, whereby, any negative move on petroleum proceeds will have a serious negative impact on the economy. This is the situation in Nigerian. Stakeholders and government in the oil and gas industry vis-à-vis their commitment to economic benefits and policy implementation, are seen and viewed by the citizenry as complaisant attitude towards better service delivery, as they are more concerned with profiteering and personal wealth accumulation rather the interest of the nation. This gave rise to numerous challenges which have been identified as critical to the success of any resolution of the problems of oil and gas industry reforms. These include:

- Ineffective policy direction and Implementation of government,
- Petroleum Products Price volatility as a result of inadequate supply and poor distribution network system resulting to protracted queues at filling stations,
- Illegal bunkering and cross-border smuggling and hoarding of petroleum products;

⁴ ThisDay News Paper (2015), Reviving Moribund Nigeria's Oil Industry.

⁵ Michael .R. (2015), Mexico's Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States.

- Untapped natural gas potentials over decades.
- The sorry state of the four local refineries and disrepair of logistic facilities (pipelines, depots and jetties) due to vandalism across Nigeria, and
- Primitive acquisition of state wealth (corruption).

The above are remote causes for the lingering, and intractable crisis associated with the petroleum industry. These were predictable outcome of failed policy programmes.⁶

1.2. Objectives of Research

The objectives of this research is to examine current changes in the oil and gas industry reforms' initiative by government, its economic benefits to the economy growth and development, and the role of stakeholders and government in Petroleum Industry Bill (PIB) policy direction as it regards oil and gas sector and wealth creation in Nigeria. The aforementioned objectives provide us insights that will contribute in answering our research questions.

1.3. Research Methodology

This study examines the method, design and characteristics of the research procedure, determination of data collection base on content analysis.

- **Research Question**

In order to effectively conclude this study, the following question below will give empirical analysis (answers) to the research questions as follows:

- i. Is the oil and gas industry reform policy justified in terms of efficiency when implemented?
- ii. Is it a catalyst for industrialization of the country via the sector?
- iii. What is government role in ensuring the realization of the policy?

- **Research Propositions**

To effectively carry out this study, the following propositions are made:

- i. The oil and gas industry reforms in Nigeria have only made the government to begin to re-think and appraise the activities of the industry with a view to better its performance.
- ii. To avoid duplications of functions by other government agencies in the oil and gas sector in order to create a platform of efficiency. and,
- iii. to nip corruption on the board, while creating an enabling environment for economic growth and development.

⁶ NNPC (2011), Corruption at NNPC.

2.0. AN OVERVIEW OF NIGERIA OIL AND GAS REFORME

In 2007, the Federal Government of Nigeria approved a National Oil and Gas reform policy framework. The main objective of the policy was a far reaching decision for dispensational changes that will ensure a fundamental economic reform in Nigeria oil and gas sector, with a view to bring at par with 21st global oil and gas economic reality, that is, to align the Nigeria 1970 oil and gas legal and governance structures. Although the petroleum industry legal framework has been amended in many instances, yet, the Petroleum Act of 1969 remains an obsolete document that need to be reviewed. Likewise, the Act that established NNPC in 1977, despite the various amendments, the Corporation is currently undergoing serious reform with its piece of legislative framework being modernized to suit contemporary global business realities. The supervising organ of the entire public petroleum industry (Ministry of Petroleum), a core public enterprise Structure, lacks the capability to conceive and strategically formulate required policies that will pilot the a complex and sophisticated activities like the oil and gas sector. At various dispensations of the oil and gas sector, reforms have been initiated to redefine and reposition the country's set goals and objectives, and a time, leads to the establishment of regulatory bodies: the Department of Petroleum Resources (DPR), was established in 1970s, to ensure compliance with the terms of governing the award of oil licenses to companies engaged in petroleum crude oil and gas exploration, exploitation refining and marketing. Other functions include the following:

- Monitors the oil companies' operations to ensure consistency with global standards.
- The regulator issues annual permit to companies, without which they would not be unable to participate in the industry as stakeholders.

2.1. Nigerian Investment Promotion Commission (NIPC)

The Nigerian Investment Promotion Commission is responsible for the registration of foreign businesses in Nigeria. NIPC also function as liaison agent between investors, government institutional lenders and other institutions concerned with investments. Notable objectives of the Commission include, the following:

- Enlargement of the modes of payment for foreign equity to include spare parts, raw materials and other business assets acquired without initial disbursement of foreign exchange from Nigeria
- Guarantees foreign investors the unrestricted transferability of dividends or profits (net of tax) attributable to foreign investment in Nigeria and capital repatriation in the event of liquidation. Dividend payments are subject to withholding tax at 10 percent as final tax.

2.2. National Maritime Administration and Safety Agency (NIMASA)

The Agency was established by Act of 2006, with the aim to monitor and promote the development of indigenous and commercial shipping lines business in the international and costal shipping trade. A regulator established to regulate, promote maritime safety, security and marine labor amongst other duties. NIMASA has and overs sight functions in regulating costal shipment of petroleum products in the shore of Nigeria.

2.3. Nigerian Content Development & Monitoring Board (NCDMB)

The major functions of the NCDMB are to implement the provisions of the Nigerian Oil and Gas Industry Content Development Act, 2010, with respect to supervising, coordinating, administering, monitoring and managing the development of Nigerian Content in the industry. The NCDMB is also to assist local contractors and Nigerian companies to develop their capabilities and capacities. The key areas of focus of the NCDMB are as follows:

- Training and employment of Nigerians;
- Facilitate establishment of critical facilities such as pipe mills, docking and marine facilities, pipe coating facilities;
- Promoting indigenous ownership of marine vessels, offshore drilling rigs, etc;
- Integration of indigenes and businesses residing in oil producing areas into mainstream of industry economic activity;
- Promoting services which support industry activities such as banking, insurance, legal, etc.

2.4. Niger Delta Development Commission (NDDC)

The roles of the NDDC are to:

- Formulate policies and guidelines for the development of the Niger- Delta area.
- Conceive, plan and implement, in accordance with set rules and regulations, projects and programs for the sustainable development of the Niger-Delta area in the field of transportation.
- Prepare master plans and schemes designed to promote the physical development of the Niger-Delta area and the estimates of the costs of implementing such master plans and schemes;
- Implement all the measures approved for the development of the Niger- Delta area by the FGN and the member States of the Commission.
- Identify factors inhibiting the development of the Niger-Delta area and assist the member States in the formulation and implementation of policies to ensure sound and efficient management of the resources of the Niger-Delta area.
- Tackle ecological and environmental problems that arise from the exploration of oil mineral in the Niger-Delta area and advise the FGN and the member States on the prevention and control of oil spillages gas flaring and environmental pollution.

Legislation and Fiscal Provisions The key legislation and taxes applicable to companies operating in this industry are summarized below:

The Petroleum Act (The Act) (and the Regulations issued pursuant to it) is the main legislation governing matters relating to petroleum exploration and production in Nigeria. The Act amongst others, vested the entire ownership and control of all petroleum activities in water, under or upon any lands (including underwater) in the State.⁷

2.5. The Establishment of Petroleum Products Pricing Regulatory Agency (PPPRA)

The Petroleum Regulatory Agency (PPPRA), established in 2003 by the Acts of National Assembly with the objectives to regulate, distribute, and monitor the supply and distribution of petroleum products across the country, while ensuring moderation on Petroleum Products Pricing volatility, as determined by established policy pricing template by government.⁸

2.6. The Establishment of Petroleum Equalization Fund (Management) Board (PEF (M) B)

Another organization is Petroleum Equalization Fund (Management) Board (PEF(M)B), established by Decree No 9 of 1975 as amended by Decree No. 32 of 1989, thus, now known as Chapter 354 of the Law of the federation in 1990 with a main objective to, equalize the haulaging of petroleum products differentials across the country, and enforce the codes of conduct as it affects uniform pricing of petroleum products, while, ensuring compliance by marketers regarding management of haulaging processes in the country.⁹

2.7. The Establishment of Petroleum Technology Development Fund (PTDF)

Furthermore, the Petroleum Technology Development Fund (PTDF) is an organ of government established by Act No. 25 of 1973 with the objective to train, empower young Nigerians to obtain professional knowledge or skill in relevant oil and gas technology. The Mandate of the Fund is towards the realization and development of human capacities, tailored towards the growth improve technology in Nigeria's Oil and Gas activities through the development of human capacities, institutional capacity development as well as the promotion research for relevant technologies skills.¹⁰

2.8. The Establishment of Nigerian Content Development and Monitoring Board (NCDMB)

The Board was established into the law of the NC Act in 2010 with the following responsibilities:

- to open up the oil and gas sector for indigenous participation;
- to develop competencies among the locals;
- to enable corporate integration that will energized economic growth; and

⁷KPMG Nigeria (2014), Nigeria's Oil and Gas Industry Brief: Legal and Regulatory Framework of the Nigerian Oil and Gas Industry.

⁸Reginald .S.(2014), Petroleum Products Pricing Regulatory Agency.

⁹PEF(M)B (2014), Our Mandate.

¹⁰PTDF (2015), Petroleum Technological Development Fund.

- to enhance and encourage industry contributions that will forestall growth on our National Gross Domestic Product.¹¹

However, the most challenging of these public oil and gas industry is the Nigerian National Petroleum Corporation (NNPC). That is functioning as a huge amorphous cost center with little or no sensitivity to the bottom-line corporate entities. Hence, the urgent need for far reaching reforms of the entire petroleum sector for efficiency and effectiveness. Prompted by the Obasanjo administration in 1999 to establish the Oil and Gas Sector Reform Implementation Committee (OGIC), inaugurated April 24th, 2000 and was headed by the former OPEC President Railwanu Lukman, who also doubled as the Presidential Adviser on Petroleum and Energy.

The terms of reference of OGIC was to make a far reaching recommendations that will energized effective model for the restructuring of entire Nigerian Oil and Gas industry. The Committee composed of array of professional individuals who has vast knowledge of the activities of the sector, sourced from both the public and private domains of the industry. The Committee, within four years produced a comprehensive blue print national oil and gas policy paper that will reposition the core aspects of the industry for economic benefit: Upstream, Midstream, Downstream, Gas, Petrochemicals and many other industry related structural issues.

The objective of the policy reform initiative was to ensure functional separation in statutory roles between the different public agencies in the oil and gas industry. Vita of this reform was of significant concern to inject new approach to commercial orientation in all the relevant aspects of the industry. The major concern by government and stakeholders is to impute sustainable policies that will reposition the nation's Oil and Gas sector with a view to be able coupe with global contemporary challenges and in the domestic sphere. Nigerians saw this new policy as the surest of maximizing the sector potentials for economic gains to national development, and accepted the initiative by government.¹²

3.0. LITERATURE REVIEW

Various scholars have authored write ups on the subject matter. But, none has been definite and precise in their summation. Thus, it becomes premature to assess the nitty-gritty of the Nigerian oil and gas government reforms' initiatives. According to Oluleye (2003), reforms are tools that are employed to strengthen and reposition a failing or failed structure for viability and growth. This implies that, the entire oil and gas sector in Nigeria was gradual becoming comatose and no longer of economic relevance to the government and its people. Hence, the government directive to subject the sector to structural and operational reforms became imperative.¹³

¹¹ NCDMB (2015), About Nigerian Content Development Management Board.

¹² Emmanuel .E.O. (2013), Oil and Gas Sector Reforms in Nigeria: What You Should Know.

¹³ Oluleye .O. (2003), Liberalization of the Downstream Petroleum Sector: A Collection of Papers, Essays & Speeches on the Reform Process.

However, in order to preliminary evaluate the initiatives of the government reform in tackling the perinea problems of the industry, the OGIC and PIB audit reports on the petroleum industry would appear to be enough pointer of the state of affairs in the sector. According to the Hart Group, an independent auditors commissioned by the Nigeria Extractive Industry Transparency Initiative (NEITI), based in United Kingdom, an institution involve in management of Nigeria's vast hydro-carbon resources discovered the deficiency in accounting procedures and control which had created enabling environment for corruption in the oil and gas industry, weakness in the oversight roles of regulatory agencies, discrepancies in crude oil marketing department figures used for financial audit and the Department of Petroleum Resources' figures and other associated abuses.¹⁴

Furthermore, the inability of the government to maintain and drive the state own refineries call to question the genuine intention of government intending to turning the fortune of the oil industry around throughout right sales of the refineries. Obasanjo administration paid so much lip service to transparency which did not exist as it were.

The Chairman of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC) while testifying before the joint Senate Committees on Finance, Appropriation and National Planning accused the government of floating three illegal accounts (Excess Petroleum Profit Tax, Export Crude Oil, and Excess Royalty accounts), from which, about \$13.2 billion had been withdrawn. However, apart from being illegal, they have no legal right by law to do so, hence, it becomes a negation of Section 162(1), (2), (3) and (10) of The Nigerian Constitution.¹⁵

However, interventionist programs were introduced to ameliorate the existing challenges confronting the oil and gas industry in country and Nigerians, especially in oil-producing communities. one major area the reform proposed to tackle is to adequately put in place policy structure that will carter for both industry players and producing communities with a view to to calm the ongoing restiveness in the country. This paved way the inauguration of the Council for Socio-economic Development of the Niger Delta by President Olusegun Obasanjo.¹⁶ Thus, the government gave a wide range of franchises both in the interim and in the long run, as palliatives measures, cutting across employment creation, better public transportation system, quality education structure, availability of primary healthcare system, quality and effective telecommunication services, healthy environment, and agriculture revolution and portabl, clean pipe born water supply. when the above mentioned social values are put in place, the reform would indicate trust by Nigerians for Government..¹⁷

¹⁴ Diakolo .T. (2014), Goodluck Jonathan Presents N4.92 trillion 2013 Budget.

¹⁵ Sobowale .D. (2015), Nigeria in deep economic trouble: "FG, states, LGs share N518.5bn for June 2006".

¹⁶ Lawal .Y. O. (2014), Subsidy Removal or Deregulation: Investment Challenge in Nigeria's Petroleum Industry.

¹⁷ Hassan .S; Ebele . A. & Raphael .O. (2013), Nigeria's Reform Program: Issues and Challenges.

4.0. THEORITICAL FRAMEWORK

The Nigeria oil and gas policy essentially provided general guidelines for the emergence of the new Oil and Gas industry as it where, due to past government system failure. Hence, this theoretical approach of this study is based on system theory concepts, (David Easton 1917). Though, this theory has been proposed decades ago, yet, its relevance is attached to the Nigerian oil and gas structural failure. David also noted that the behavioral disposition of any society has a lot to contribute to its systemic development or growth. These broad provisions were transferred to the operational and administrative responsiveness of the Nigerian petroleum industry negatively, that had led to a total collapse and moribund state the refineries it assumed today. One key importance of the reform is to transform the sector into global compliance, practical and concrete legal and institutional matrix for effective operational activities of Oil and Gas industry to meet up with global standard an economic viability as envisaged by the policy.¹⁸

It is in this light that Government constituted the second Committee for the reform of the Oil and Gas Sector Implementation Committee (OGIC) in 2007 inclusive of Gas Master Plan. some of the objectives of the reform as it regards structural system failure that is to ensure an enabling legislative framework that will entrenched regulatory, commercial research institute and effective management of operations policies for the industry. Nigerian policy failure is systemic. And surrounded by oil economy as one major economic determinant upon which other sector rotates.

Actors of the petroleum industry are classified as both private and public organizations. The public actors represent government agencies such as; Department of Petroleum Resources (DPR), the Nigerian National Petroleum Corporation (NNPC) and its subsidiaries, the Petroleum Products Pricing Regulatory Agency (PPPRA), among others. The private actor consists of both indigenous and foreign actors. The indigenous sector are local based marketers known as Independent Marketers, who have being in operation since 1978 till date. The concept of Independent petroleum products marketing was consonant to 1972 indigenization policy with the objective to promote indigenous entrepreneurship platform for Nigerians industrialists to strive neck to neck with the foreign counterpart in the petroleum industry.

However, shortly after the introduction of the scheme in 1979, the sector recorded about 20 additional independent petroleum marketers in the petroleum sector, and by 1993, it increased to about 1000 indigenous marketers. Given status rise of about 8,948 members known as Independent Petroleum Marketers Association of Nigeria (IPMAN). Accounting for about 45 percent volume of petroleum products supplied and distributed across the Nigeria, with a total of about 8100 retail outlets across the country.¹⁹

Major Markets of petroleum products in Nigeria are the multination oil corporations who have strong competitive financial base in Nigerian. They control about 55 percent of the petroleum market volume, and own about 3418 retail outlets, large tank farms and logistic facilities across the country, while the government own retail outlets is currently about 20 mega filling stations in

¹⁸ Wikipedia (20014), David Easton System Theory.

¹⁹ Petroleum Product Pricing Regulatory Authority, (PPPRA, 2010), The Role of the Independent Petroleum Association of Nigeria (IPMAN) in the Petroleum Industry.

Nigeria. These local independent marketers are competing with the multinational oil marketers known as the major oil marketers comprising: MRS Nigeria Plc, Mobil Oil Nigeria Plc, Con oil Plc, Total Nigeria Plc, Oando Nigeria Plc, and African Petroleum Plc. These six multinationals control about 60 percent of petroleum products supply, distribution, pricing and marketing environment in Nigeria oil and gas sector, under an umbrella known as Major Oil Marketers Association of Nigeria (MOMAN).²⁰

The Nigeria petroleum industry is categorised into three subsectors, Upstream Downstream and Midstream. The Upstream Sector include: Geological activities, Seismic data acquisition, Geodetic survey, Exploration and production, site surveys/preparation for drilling at locations, Drilling operations, Crude petroleum logistic facilities and tank farms. The downstream subsector of the petroleum industry which forms the basis of this study is currently undergoing reforms in the following activities: commercialization of refined petroleum products (marketing), supply and distribution mechanism, pricing, retailing, gas treatment and conversion, and petroleum products equalization (through trucking) across the length and breadth of the country. These activities falls under the control of both Major and Independent Marketer enterprises. Upon which the deregulation policy programme is currently pursuing as petroleum industry bill (PIB). It is of government policy interest that private investors participate in the supply and distribution activities of petroleum products. Hence, government decided to divest a sizeable share of her interest to the public in oil marketing business through the Technical Committee on privatization and commercialization.²¹

However, over decades, the oil and gas industry has occupied strategic position in the economy of Nigeria, accounting for about 80 percent of Gross Domestic Product and about 90 percent of the country's total foreign exchange earnings. In light of the foregoing, giving her strategic importance in the economy, the government in year 2000 decided to completely overhaul the entire petroleum industry with efficient performance objectives; maintain a self-sufficiency policy direction in crude oil refining, ensure petroleum price stability, opening up of the entire industry where market fundamentals will be determinant for healthy competition among investors, ensure adequate return on investment, while ensuring a level playing grounds for investors and It will enhance employment generation that will energise growth and development of the economy.²²

Petroleum products marketers are important players in channel of supply and distribution of petroleum products as well as marketing mix. Kotler and Armstrong defined "product" as anything that can be offered in a market for attention of price and acquisition, with the aim to satisfy the end user or need is a product. Products include tangible object and intangible objects.²³ Consequently upon the aforementioned, crude oil and gas product can be categorised as tangible products. Example of petroleum products are:

- PMS or Petro (Premium Motor Spirit);
- AGO, also known as Diesel (Automotive Gas Oil);

²⁰ Lolade .O. (2015), Oil Marketers Raise Alarm Over Non-payment of N250bn Subsidy Claims.

²¹ Anotonio .B. (2015), Challenges and Solutions in an Upstream and Downstream Oil and Gas Operation.

²² Reginald .S. (2013), PPPRA lists benefits of deregulation in downstream sector.

²³ Kotler .P. & Armstrong (2013), New Product Development-Problem of New Product Development.

- HHK (Household Kerosene);
- ATK, also known as Jet-A1 is also known as Aviation Turbine Kerosene; and
- Various types of Industry Fuel: HPFO (High pour Fuel Oil), LPFO (Low pour Fuel Oil), LPG (Liquefied Petroleum Gas), Base oil, and Bitumen.

For any established organization to be efficient and effective in what she does, managerial decision become a core subject matter for marketing mix or segmented marketing and total marketing approach about how to distribute out puts to ultimate consumers. Such important decisions are made by skilled management because distribution decisions must be made in terms of divergent objectives and strategies. It was under such scenario, that Kotler and Armstrong posited that distribution decisions should be guided by three concepts: potential investor must under study the Market coverage for her products or services before launching into the market, being able to determine the size of the potential market needed to cover, having full control over the product brand and, understanding components cost of crude oil refining.

The Nigerian Pipelines and Products Marketing Company (PPMC) controls the activities of marketers in petroleum products supply, distribution and marketing in the country through an elaborate network of about 5,000 kilometres stretch of pipelines that inter connects 21 depots across the country. Petroleum products are sourced from the four different local refineries and where there is supply short-fall induced by low capacity utilization from refineries, importation of refined products is used to augment domestic demand. However, coastal shipments of petroleum products are channelled through ferry to riverine areas and trucking by truck-tankers are transported to norther region of the country.

Furthermore, Nigeria four refineries owned by the government is superintended upon by NNPC who has the managerial and operating capacities to move petroleum products from tank farms, jetties to retail outlets, is also responsible of for managing the activities of the six major oil companies and the numerous independent marketers in the sector through the NNPC/PPMC receiving depots in the country. From here, products are pumped to depots aided by booster pump stations provided along pipelines routs, between two linked depots. This is boost petroleum products availability in the country to avoid scarcity. The diameters of each of these pipes are between 12"8 and 6".²⁴

5.0. GENERAL DISCUSSION

The Nigerian petroleum sector remains a dominant sector in the socioeconomic growth and development of Nigerian Economy. The sector prowls remain one of Africa's largest exporters of crude oil and the seventh among OPEC Nations. With about 1.2 trillion barrels (TB.) sufficiency reserves for domestic consumption, while crude oil exports earnings constitute about 90 percent of government revenue and expenditure profile, the sector has overtime energized other sectors to growth, accounting for overall upward push to about 95 of total GDP of the country's growth. The country also derives about 42 percent of her Gross Domestic Product (GDP), and 89 percent of the Federal Government collectable revenue (Frynas, 1998) from the oil industry. Furthermore, before the second coming of Present, Olusegun Obasanjo, and the petroleum

²⁴ Anthony .U. (2014), Nigeria Oil and Gas: Restoring Integrity to Pipelines.

industry was characterized by multifarious challenges that crippled economic activities in the country. The negative impact was severe, due to the fact that Nigerian economy is “monoculture” with the oil and gas as front liner of the economy. The sector suffered setbacks, neglect and massive corruption to an extent that domestic consumption of petroleum products was import substituted with the comatose state of the four indigenous refineries.

The Obasanjo administration made an attempt to resuscitate the moribund sector by assembly groups of stakeholders and professionals to chart a positive course for the oil and gas industry. This ingenuity of the federal government gave birth to the inauguration of a committee’s report known as “The Report of the Special Committee on the Review of Petroleum Products Supply and Distribution” in 2000, with the following term of reference:

- to review the entire activities of the petroleum sector , with special interest in downstream subsector,
- to have a closer look at the channels of petroleum products supply and distribution;
- to tame the persistent tide in petroleum products price volatility;
- to understudy the activities of petroleum marketers, transporters, station operators, industrial converters and all those involve in the processes of making product available to final consumers;
- Curtaining the excesses of monopolistic players (NNPC) in the sector, with a view to allow healthy competitive environment; etc.

the committee subsequent recommended the immediate turn around maintenance of existing refinery for efficiency purposes, the restructure the supply and distribution channel of products across the Nation, and to reduce the influence of the NNPC on national economy, that is, opening up of the entire system to competition.²⁵

At end of the Committee assignment, a blue print indicating a new road map for the petroleum sector was highlighted with a major recommendation for the establishment of a regulatory body that with midwife the activities of the midstream and downstream sector of the petroleum sector, where passively inhabit serious challenges in the sector. This, gave rise to the establishment of a regulatory organ known as Petroleum Products Pricing Regulatory Agency” (PPPRA) by the Act of National Assembly in 2003. with the objectives to regulate the supply and distribution of petroleum products across the country, to ensure a level playground for investor, while expecting return on their investment, to tame petroleum existing prices volatility and to establish code of conducts for operators.²⁶

The above mentioned report captured, also, pre 1999 developments of the oil and gas industry transformations which were engineered by the Obasanjo regime, emphasized on the role of local and international player in the consequent reforms in the oil sector.

²⁵ Report of the Special Committee on the Review of Petroleum Products Supply & Distribution (2000).

²⁶ Petroleum Products Pricing Regulatory Agency (2015), History of PPPRA.

5.1. Issues and Challenges of Nigeria Oil & Gas Reform Program

The discovery of Nigeria oil and gas is way back in 1908. While, actual commercial production commenced in 1956 with about 5,000 barrels of crude per day. By 1960, production capacity rose to about 18,000 barrels per day (bpd), leading to an increasing demand by local and international market in the 1970s. Amazingly, there was increase in the activities of country's exploring and refining of petroleum products capacity to about 2.2 million barrels per day (bpd).²⁷ This gave room for economic growth and development in the 1970s to a level that the Naira was equating the US Dollar. Unfortunately, the government and the Nigerian people were unable to manage the huge success derived from the wealth of crude oil business and were so perplexed and unable to reinvest such dividends accrued from oil earnings. Rather, exploited and corruptfully spread amongst elites class. That was how trouble started with Nigerian excess wealth from oil. Although, most of the durable infrastructures in the country today were built within these periods, Nigeria at 50 years would have developed and her citizenry living comfortably.²⁸

Then, came various successive military regimes in Nigeria that misplaced priority and diverted the developmental agenda of the country towards infrastructural developmental project had a different agenda as they looted the commonwealth of the country. Corruption was enthroned during the periods of military regime from 1960 to 1980 and to the later 1990s. The emergence of military elites in governance led to purification of licenses for oil blacks, exploration, marketing companies, and allotment appointment of directorship/employment of their cronies who lack professionalism of the job. This scenario thrown caution to the wind, thereby, hampering on the growth and development of the State own refineries activities and a leeway to smuggling, pipeline vandalism, oil theft, and colossal waste of genuine skilled human resources and a broad spectrum of corruption in the oil and gas industry. The bandwagon impact was a total collapse of the economy and devolution of the Naira to other countries' currencies.²⁹

The negative impact of corruption also had its toes on the State owe Corporation, Nigerian National Petroleum Corporation (NNPC), experiencing serious setbacks due to efficiency and ineffectiveness in oil and gas operations. While allowing multinationals to take over the activities of exploration, exploitation and marketing of refined petroleum products domestically and at the international market as the dictate the prevailing ex-depot price of refined petroleum products in the country. this circumstances led to brain drain, and a period of 'slave' labour, where the monetary value of an expatriate workers were higher, that is, thrice their Nigerian counterparts. a situation where unskilled professionals are brought in as professionals and skilled personnel become the order of the day. other regulatory Agencies like Department of Petroleum Resources (DPR) and Petroleum Products Pricing Regulatory Agency (PPPRA), established to regulate the Upstream, Midstream and Downstream activities of the petroleum industry has equally failed in their various responsibilities due to salient challenges, corruption, lack of experience and qualified personnel since itself was created by the government, until recently, when the Buhari government gave a matching order for the reform of the NNPC and its subsidiaries in the

²⁷ University of Ghana (2014), Economic Policy Management (EPM) Programme (EPM-Ghana), Department of Economics.

²⁸ The Guardian News Paper (2015), Challenges before Buhari's administration in petroleum industry.

²⁹ Olumide .I. (2015), Nigerian Oil Industry and Fuel Subsidy: Facts, Myths & Hidden Truth.

country. The corruption was at its peak that, the crude oil wind fall triggered by the 1990 Gulf Crisis was not accounted for.³⁰

However, little success has been achieved due to modern technology in well drilling, exploration and refining of process. The years of mismanagement and embezzlement of funds meant for the Turn Around Maintenance (TAM) of the industry brought the facility to a state of disrepair. The country was, therefore, catapulted back to pre-colonial period of the 1960s, as the nation was forcefully engaged in massive importation of refined petroleum products from other countries to compliment domestic supply, following the epileptic state of the four refineries. Credence was given to endless queues at retail outlets, price vitality, smuggling, and black market operators cashing on profiteering opportunity, while the populaces are in serious discomfort and impoverished. One major challenges of the sector before Nigerian government was how the industry could catch up with global efficiency and how to reduce to barest minimum the militancy oil-bearing enclave of the Niger Delta. Yet, it is clear that the prospecting for oil personifies the projection of man's inhumanity to man and wickedness to his fellow man, as all forms of devices were employed by prospecting companies and the state to drill for oil at the expense of man and his environment. One may be right to state that oil was given precedence over human beings in Nigeria until recently.³¹

5.2. The Enabling Legal Framework for Oil and Gas Industry

One major challenges of oil and gas industry reform implementation committee was to translate the existing provisions of National Oil and Gas Policy into a workable draft for legislative ascent before passed into law. However, weigh the political impediment associated with the other pass reforms, the current draft Petroleum Industry Bill by the Committee turned out to become generally accepted by the populace and many compelling issues in the draft were subsequently amended in order to come up with a comprehensively legal framework that will reposition the industry. In the course of the amendment, the following were observed by the legislators:

- That half a century of the life of the sector has experienced inadequacy in policy direction, lack of regulation ethics and commercial operations.
- Sequel from the above, an elaborate corporate interactive section of stakeholders be put in place to forestall enduring concerns of all the key operators in the industry, within the context overriding interest.
- The discovery of abundance of natural gas deposit in Nigeria should be advantageously explored as alternative source to crude oil utility.
- The urgent need to have collective and harmonious legal framework at various phases of the reforms into a comprehensive single draft document as Petroleum Industry Bill would energize performance efficiency of the entire sector of the oil and gas industry.³²

³⁰ Premium Time (2015), Buhari sacks heads of NNPC subsidiaries, appoints 4 new Group Executive Directors.

³¹ Aghalino . S.O. (2013), An Appraisal Of The Oil Sector Reforms.

³² Sani . S. & Abdel .R. M. (2014), The Nigerian Petroleum Industry Bill: An Evaluation of the Effect of the Proposed Fiscal Terms on Investment in the Upstream Sector.

5.3. The Draft Petroleum Industry Bill (PIB)

The proposed oil and gas industry bill (PIB), when passed, would be a comprehensive document that will ensure a lasting solution to challenges currently confronting the sector. It will position the industry to global competitiveness and efficiency. The draft when passed will streamline all relevant activities of public oil and gas companies into more viable and focused public sector on as relating to oil and gas exploitation, exploration, refining, and marketing. Furthermore, the bill takes care of the other matters, such as government participation and control, regulation, safety, fiscal issues, health and environmental concerns. The proposed bill main objective is to vest ownership petroleum resources in the hands of Nigeria State, which will enable government to participation, acreage allocation, fiscal principles, health safety & environment, quality air emission, and facilitate the development of indigenous local content.

The proposed PIB is draft bill is divided into strategic organs for efficiency. Upstream Petroleum: include exploration, exploitation, Licenses, leases and contracts. Competitive platform is created to others participants by government, through award processes to exploration by indigenous companies, marginal fields, termination and revocation of licenses and leases, matters on fees, rents and royalties and the provisions on associated natural gas.³³ While the proposed reform on the downstream petroleum products activities entails matters of licensing, refining and marketing of petroleum products. Others captured by the draft include facility management companies, transport Logistics Company, open access and non-discrimination, depots and pipelines and issues relating to petroleum products pricing. The bill also provided for Operating stocks and National Strategic Stocks reforms. On the Downstream Natural Gas reform bill, it recognizes gas commercialization network code, gas supply license, third party access, pipelines transportation license, customers' protection, whole sale marketing, gas pricing regime, and competitive market regulation.³⁴

5.4. Regulatory Framework

Prior to reform bill in 2007, the industry had a legal framework that coordinates the activities of the industry. Afterword, and due to global dynamism and advancement in technology, the Nigerian legal framework became obsolete, rudimentary and had muddled up the entire activities of the industry, thereby unable to fit into modern global realities of the oil and gas sector. Different organs of government including the Ministry of Petroleum Resources, the Nigerian National Oil Corporation (NNPC), the Directorate of Petroleum Resources (DPR), and the Petroleum Products Pricing Regulatory Agency (PPPRA) more recently have been engaged in one form of regulation activities. This made the entire regulatory processes in the industry ineffective due to clarity of functions. However, in the bid to chart a new roadmap for the industry, certain universally regulatory benchmark was accepted and adopted by the Committee. These are enumerated below:

³³ Olaniwun Ajayi .L. P. (2015). Freshfield Bruckhus Deringer, Nigeria.

³⁴ Stanley .O. (2014), Private sector, PIB issues affecting downstream funding.

- Clarity of the roles, functions and powers of the regulator was well spelt out in the proposed draft.
- The regulator was empowered to enforce any breach of code of conducts.
- Limiting government roles to policy formulation and implementation.
- The draft structure the fund regime to be independent, subject to budgetary provision.
- Personnel sourcing rely heavily on the hands of the regulator to allow professionalism. etc.³⁵

5.5. Petroleum Products Regulatory Authority (PPRA)

The reform draft recommended the nomenclature the downstream regulatory body, Petroleum Products Pricing Agency (PPPRA) to be changed to Petroleum Products Regulatory Authority (PPRA), with additional functions. Inspite of government determination towards liberalization of the downstream subsector of the industry, petroleum products supply and distribution still remains a challenge. Hence, the PIB proposed a new regulator, known as the Petroleum Product Regulatory Authority (PPRA) to expand and streamline the current responsibilities being performed by Petroleum Products Pricing and Regulatory Agency (PPPRA) to enable effective performance as a downstream regulator in the oil and gas industry. The Authority shall among other things be saddled with the following roles:

- Regulate the activities downstream sector of the industry.
- The current downstream responsibilities undertaken by PPPRA are to regulate the subsector oil and gas activities.
- Setting of petroleum products pricing benchmarks on ex-depot, ex-refinery price formula based on market fundamentals.
- Administering the common carrier oil and gas regime.
- Regulate and administer open access regime.
- Regulate the holding of petroleum products stocks, and Operating stocks while ensuring operators compliance.
- Setting of template for tariff administration. and
- The regulation of refineries activities.

6.0. FUTURE SUGGESTIONS AND RECOMMENDATIONS

The petroleum industry remains strategic to the corporate and fiscal existence of Nigeria. Stocking about 25 billion barrels of oil reserves and about 1.6 trillion cubic feet (tcf) proven gas reserves which placed the country the 6th among the world's top oil-producing nations. The sector is bedevil with massive corruption and administrative neglect occasioned by systemic failure. The decay in the industry got to a worrisome level that the government has to proposed the sales of the four State own refineries. But, was stopped by organized labour movement in Nigeria, as

³⁵ Egbogha .E. O. (2013), What You Should Know Oil And Gas Sector Reforms In Nigeria.

the situation continue to deteriorate, refineries were under refining, and this led to massive petroleum products importation and total abuse in the allocation of oil blocs. it was obvious that the entire sector needed to be repositioned.

6.1. Suggestions for Further Studies

Petroleum remains the greatest jewel of estimable value in both the local and international treasure hunts for cheap energy source, resource generation and investment options the world over. The diverse business potential and investment opportunities supported with enabling policy, appropriate control, financial prudence and rule of law shall stimulate and encourage indigenous participation while at the same time attract more foreign investments, create job opportunities and technology transfer in all the sectors of our hydrocarbon industry. It is imperative to add that business in the sector shall continue to be relevant to life and lucrative even beyond the estimated depletion dates of the proven hydrocarbon reserves of nation. Thus, the study further suggest research be carried out on petroleum pricing tariff components and its impact on final retail price.

6.2. Study Recommendations

Transnational Oil Companies (TOCs) and the Indigenous Operators in Nigeria have expressed concern over the federal government's intention to reform the entire oil and gas industry including the fiscal terms for efficiency and to forestall corruption. Therefore, this study recommends the evaluation of activities of the downstream, midstream and upstream petroleum investment as it relates to International Oil Companies (IOCs) in Nigeria. Secondly, the government should have political will to enforce and implement policy reforms that will reposition the entire petroleum sector without necessarily being bureaucratic about it. Capacity development for manpower development should be introduced to have skilled human resource that will be capable to drive the sector effectively and efficiently. However, study show that even though petroleum business remains a profitable venture under the proposed PIB, lack of fiscal stability in the sector will negatively affect investment opportunity. This study therefore recommends policy makers, legislators, industry regulators and other stakeholders collaborate with the government to drive the PIB policy for economic growth and development.

7.0. CONCLUSION

From the above scenario, it is obvious to note that government policies plays important role in the overall development of Nigeria petroleum industry since their activities are controlled by government: the matrix of production, refining, supply, marketing and other related economic indices of the nation. In Nigeria, petroleum business is all compassing macro and microeconomic dynamism such as supplying of gas to boost elasticity, annual budgetary provision, and other

issues. While the future of the oil industry appears promising, based on the current reforms going on in the sector, all hands must be on deck to prevent its reoccurrence of the sector become none economically viable. Furthermore, it has been noted, that, the oil and gas industry is the may stay of the Nigeria economy. Hence, the need to ensure viable policy that will enable effectiveness in efficiency of the sector, as a parameter to other economic growth.

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