TITLE PAGE

MULTINATIONAL OIL CORPORATION AND THE DEVELOPMENT OF PETROLEUM INDUSTRY IN NIGERIA: A CASE STUDY OF THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED.

BY

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION, FACULTY OF ADMINISTRATION, INSTITUTE OF ADMINISTRATION AHMADU BELLO UNIVERSITY, ZARIA, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF BUSINESS ADMINISTRATION(MBA) DEGREE.

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DECEMBER, 1992.

CERTIFICATION

This research work entittled **MULTINATIONAL OIL CORPORATION AND THE DEVELOPMENT OF PETROLEUM INDUSTRY IN NIGERIA: A CASE STUDY OF SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED.** Has been certified as having met the requirements for the award of the Master of Business Administration(MBA) Degree of the Ahmadu Bello Unversity, Zaria.

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DECLARATION

I, James Ioryem Isa, hereby declare that I am wholly responsible for this study, the report of which is hereby contained. That due acknowledgement has been made where the ideas of others have been directly used.

DEDICATION

This project is dedicated to my dear wife Mrs. Cathrine M. Isa and my beloved children who have been denied of fatherly care most of the time during the long period of my study. It is also dedicated to my late mother Mrs. Ngunongon Isa.

ACKNOWLEDGEMENT.

The path to an academic high like this is by no means as easy one. It takes a lot of perseverance, endurance and above all, ~~God's~~ guidance and support. I, therefore, give due honour to God for making it possible for me to come this far. I also feel very much committed to acknowledge the immense help given to me by various people during the course of my research findings.

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J. I. ISA.

ABSTRACT

Oil is mineral resources which had been generated and accu-mulated over long geological times from very huge debris of living organisms in aquatic or marine surroundings. Oil has certain physical qualities which are also reflected in the nature of its impact on human inter-relationships, on politics, National and International. The most intersting thing about this project is the multi-dimen-tionality of its approach. My chooice of the topic "The Multinational Oil Corporation(MNOCS) and the Evelopment of Petroleum Industry in Nigeria; A Case Study of the Shell Petroleum Development Company of Nigeria Limited" was motivated by the fact that since 1971 oil has become very vital and a major factor in the economy of Nigeria.
A large percentage of Nigeria Foreign Exchange earnings is now derived from oil despite the International glut. Oil alone account for more than 90% of both the gross and National product and the revenue of the Federal Government. Yet Nigeria inspite of many years of oil operation does not completely control the Industry. The Oil Industry in Nigeria is still under the control of multinational oil corporations and at the first stage of the second phase of oil industry's development.

The work looks at the role of MNOCS in relation to the development of the oil industry as well as the nature of their operations. It also attempt to analyse the role of the state owned oil company(NNPC) and it's relation to the Foreign oil companies MNOCS. The general introduction of the topic "Oil or Petroleum and to such other topics as statement of the problem, purpose and objective of the study, scope of the study, delimitation of the study, definition to specific terms and the organisation

of report have been considered whilepresenting the research work as well as a review of related literature available on the topic. An indept discussion of Shell Petroleum Development Company of Nigeria Limited as a case study as regards its contribution for the development of Petroleum Industry in Nigeria was also considered.

It was in the light of the foregoing that this study on multinational oil corporation and the development of Petroleum Industry in Nigeria is carried out with specific reference to Shell Petroleum Development Company of Nigeria Limited which is at the apex of multinational oil corporations in Nigeria with a view to ascertaining the contribution it has made towards the Development of Oil Industry in Nigeria economy.

The study further identified cogs in the wheel of Industrial progress and proffered possible panacca by way of recommendations that would make the petroleum Industry more effective in contributing to the rapid development of the Nigeria economy.

Finally the work indicates not only the positive but also the negative impact of the Nigerian oil as well as the multinational oil corporations that are involved in oil operation in Nigeria.

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CHAPTER ONE

LIBRARY

1.1 INTRODUCTION

A lot of development is going on all over the world today. While the developed countries of the world are aspiring to conquer outer space, the under developed ones are still strugling to have a foot hold on this planet-earth. This lead to the reconstruction of all sectors of a national economy and the layings of 'a country's new material and technical basis otherwise known as industrialization.

The establishment of a factory will normally lead to a string of other factories. When one talk of industrialization one is thinking in relation to the oil industry. By all standard, it has been found to be the worlds leading industry in size and perhaps the only international industry in the world. As a result of the geographical seperation of regions of major production and those of high consumption. "The oil industry is first in importance in its contribution to the world's tonnage of international trade and shipping". It is equally said that oil has been found to be the world's largest traded commodity and "a quarter of the world's shipping tonnage is oil tanker tonnage". Frankel(1966) also confirmed that the oil industry is today more international than any other and "petroleum is the biggest item in world trade both by volume and by value". This is a distinction the industry has enjoyed for several years not only because of the greatrole petroleum products play in meeting the demand of consumers for transportation and for energy

in general, but also resulting from the fact that with the exception of the USA, Canada and the USSR, are fairly self-sufficient in oil, all the big oil consuming areas, mainly Western Europe and Japan, have only little no indegeneous oil thereby depanding on imports. This brings the quest for multinational oil corporation to produce and control all activities of petroleum(oil) industry in the developing nations which Nigeria is inclusive.

Being a Senior staff in the oil industry and the interest I have on the job, I have decided to choose the topic "Multinational oil corporations and the Development of petroleum industry in Nigeria, A case study of Shell Petroleum Development Company of Nigeria Limited". It suffices to note at this stage that the researcher decided to choose the topic in view of the fact that no comprehensive study of this kind known to him has been carried out by any scholar. Though there are some write up articles on multinational oil corporation in newspapers and some magazines. In this direction, the researcher views that any extensive study of this nature is an academic advancement and could perhaps be viewed as a little national contribution to education.

1.2 STATEMENT OF PROBLEM.

The Nigeria Oil Industry was established and developed by the multinational oil companies namely Shell, BP, (Texaco), Elf, Gulf, Mobil, Ashland and lot of others. These companies control the industry right from exploration to pricing.

Prior to Nigerians Independence, Agriculture was the most important sector of the economy. Agriculture provide food, income and employment for Nigerians teaming population. The crops mainly grown are food crops and cash crops from which the nation derived its entire foreign reserves until the late 1960s.

The most dramatic development in the history of Nigeria is the emergence of the petroleum sector. Although oil was discovered in alrge quantity in the late 1950s, its impact was modest until after 1973. Indeed it was the Arab-Israel war of 1973, the Arab umbergo to nations supporting Israel and the consequent energy crisis which led to crude oil price increases that enhanced the role of petroleum in the Nigerian economy. This fact can be appreciated if one notes that the second National plan which was budgeted ₦3 billion for 1970-74 could not be fulfilled, because of shortage of invisible funds while the third plan of 1975-90 which was budgeted ₦3 billion was actually increased to over ₦15 billion. Oil production increased stadily until it reached an all time high of 2.44 million barrels per day in 1979 averaging over two million barrels per day for the decade of the 1970s.

Consequently, revenue from oil increased from ₦200,000 million in 1958 to over ₦13 billion in 1980.

At present, petroleum has become the back bone of Nigerian economy. It accounts for more than 80 percent of both the gross national product and the revenue of the Federal Government. For instance, the revenue expected from oil income for 1993 Federal Government budget is 80.6 percent. All other sectors have become secondary to the petroleum sector. Yet inspit of many years of oil operation, the oil industry in Nigeria is still under the control of multinational oil corporation. The problem here is that the multinational oil corporation that developed and dominate the oil industry have immense power that the Nigeria find it very difficult to deal with them effectively. They mastered all kind of techniques of legal and illegal corrupt activities that are involved in oil prospecting, drilling, refining, distribution and marketing of oil and oil bye-products. Often at time the companies(MNOCS) might have been producing and sending oil out of the country long before the Government knew about it particularly at the earlier stage of oil production. At time the amount of oil leaving the port of export is doubled the amount actually recorded. This is possible not because the officials allow themselves to be corrupted but because of the corruptive techniques developed overtime by these MNOCS. Infact, they are the back bone of the Western economies.

This research work aims at diagonising critically the positive or negative contribution of the multinational oil corporation in the development of petroleum industry in Nigeria with special emphasis on Shell Petroleum Development Co. Nigeria Limited and their role-(multinational oil corporations) for ensuring the oil sector a sustainable economic and industrial development in Nigeria.

1.3 THE OBJECTIVE OF THE STUDY

Apart from the initial objective of fulfilling the requirement for the award of the Master of Business Administration(MBA) Degree; this research is primarily aimed at assessing the impact of multinational oil corporation and the development of petroleum in Nigeria with special reference to the Shell Petroleum Development Company of Nigeria. A penetrating analysis of the prose and cons of the contributions of the main actors involved in the Nigerian oil industry i.e the multinational oil corporation and the state. Infact, it is a study of the impact of oil and the multinational oil corporation control on the political economy of Nigeria in particular the oil sector.

The petroleum oil industry the world over is characterised by distinct economic stages, from knowing where it is under the ground to its final consumption as a specific product. The most important economic categories of these stages are in its exploration, producting, transportation, refining and finally the marketing of its end products.

All these stages are economic categories they bestow specific material benefits in a capitalist economy in terms of profit margins.

The reasons for the study is simple. Since 1971 oil has become very vital and a major factor in the economy of Nigeria. A large percentage of Nigerian foreign exchange earnings is now derived from oil despite international glut. Yet Nigeria inspite of 35 years of oil operation does not completely control the industry. Fof instance NNPC, the national oil industry does not produce a drop of oil with any of its joint-ventures partners. The international oil companies(MMOCS) - Shell Mobil - producing, Texaco overseas etc, are the real producers.

The study looks at the role of Multinational oil corporations in relation to the development of the oil industry in Nigeria as well as the nature of their excessive repatriation of huge amount of money to their parent companies at the metropolies.

It also attempt to analyse the role of the NNPC in the oil industry and its relation to foreign oil companies. Furthermore, the study indicates not only positive but also the negative impact of the Nigerian oil. The sharing of the profits among the consuming and the producing country and the multinational oil corporations.

Finally, it is also hoped that the report of the study will be found useful not only to the policy makers of petroleum industry on the country and those implimenting it, but also to those in academics who would like to carry

our further studies in the area relating to multinational oil corporation and the development of petroleum industry in Nigeria with a particular reference to Shell Petroleum Development Company of Nigeria Limited.

1.4 SCOPE OF THE STUDY

This research work is confined to the multinational oil corporation and development of petroleum industry in Nigeria a case study of Shell Petroleum Development Co. of Nigeria Limited. It does not cover petroleum industry at large. The study is particularly focused on the concept, mode of operation and performance of multinational oil corporation and development of petroleum industry in Nigeria with specific emphasis on Shell Petroleum Development Company of Nigeria Limited.

Impliedly, the study is limited to the activities and performance of multinational oil corporation and the development of petroleum industry in Nigeria particularly during the period 1958 to 1992, the history of Nigeria oil industry, the evaluation of the role of NNPC, the appraisal of the contribution of the multinationals in the oil industry and the Shell Petroleum Development of Nigeria Limited. 1 Refinery are considered as the cardinal areas of the study.

1.5 DELIMITATION OF THE STUDY

In a research work of this importance, larger sample areas are expected to be covered to make it more representative. The research work is also expected to be highly professional and technical since petroleum industry is a high technical and capital intensive area.

However, due to certain constraints like time availability and financial resources, the work is limited to the appraisal of multinational corporation in the development of petroleum industry in Nigeria using the Shell Petroleum Development Company of Nigeria as a case study. It is however hoped that the result of the investigation will be representative enough to assess the impact of multinational oil corporations in the development of petroleum industry in Nigeria.

1.6 DEFINATION OF SPECIFIC TERMS AND CONCEPTS

For the clear understanding of this research work, the following terms have been defined respectively.

MULTINATIONAL CORPORATION: A company in a developed country and subsidiary operations or branches in a number of other countries.

A multinational corporation(MNC) is thus the same as a transnational corporation(TNC) although the later terminology may include a company in one country that is controlled by another not necessarily a parent company in another country. Multinational corporation is the Chief investment of Western imperialism which now manifest itself in form of neocolonialism, they are noted for super-exploitation, price

transfers, under-invoicing of exports, over-invoicing of imports, investing capital extractive industries, raw materials and to a significantly less extent in productive industries.

PETROLEUM: This word derived from latin words, "petra" meaning rock and "oleum" meaning "oil". It is so called because it is derived from rocks where it flows freely in either liquied or gaseous state.

CRUDE OIL: Section 14(1) of the Petroleum Decree No. 51 of 1969 defined crude oil as "Mineral oil in its natural state before it has been refined or treated (excluding water and other foreign substances).
A simplier definition found in a pamphalet of the Shell Petroleum Development Company Limited described crude oil as a liquid consisting of mixture of many substances which are often difficult to seperate. The substances are described as mainly compounds of two elements, carbon and hydro-carbon and thus known as hydro-carbons.
It goes on to state that crude oil also contains non-hydrocarbon elements prominent among which are sulphur, Nitrogen and oxygen. It concludes that the sulphur content of crude oils varies from 0.2 to 6 percent in weight and that, this has an important bearing on the quantity of the crude oil i.e the lower the sulphur content the cleaner.

MULTINATIONAL OIL CORPORATION: These are the big oil companies operating on an international scale. They are usually refered to as the producers. These are Texaco, Gulf, Mobil, Shell, Chevron Elf, etc.

NNPC: Nigerian National Petroleum Corporation.

KRPC: Kaduna Refinery and Petrochemical Company.

DPR: Department of Petroleum Resources

NNOC: Nigerian National Oil Corporation.

SPDCN: Shell Petroleum Department company of Nigeria Limited.

1.7 ORGANISATION OF THE REPORT:

This research report is divided into five main chapters. Chapter one contains the general introduction of the subject matter or the research problem while chapter two provides the conceptual background of the research topic.

Chapter three is the sumary of the research problem, the data collection method, and the tools used in analysing the data collected in order to arrive at conclusions regarding the research question.

Chapter four contains an in depth analysis of the data presentation with special reference to the Shell Pteoleum

Development Company of Nigeria Limited. Chapter five presents the researcher's opinion about the scheme as well as suggestions in form of recommendations for further improvements.

Finally, some reference materials have been provided at the end of the project for further information.

CHAPTER TWO

LITERATURE REVIEW.

2.1 MULTINATIONAL OIL CORPORATION:

The big oil companies are the multinational oil corporations operating on an international scale and usually referred to as the majors. These are Mobil, Gulf, Agip, Safran(now Elf), Ternaco and Amoseas (now Texac and Chevron). Shell, B.P and the compagnie Francaise des petroltes. It is worth nothing that most of these companies engaged in the oil industry world wide dominating world crude oil production. They have every interest in exploiting the resources available in all areas without boosting output in any of them in particular. For some more than thirty years now, these companies have in fact functioned as regulators of production shaving coverage of the world demand determined by the level of process and by the fiscal policy of each of the consumer countries between the different areas and the various producer companies. The financial powers of the multinational oil corporations are both the causes and the result of the scope of their policies.

The leading multinational oil corporations known as the seven sisters(i.e the majors), viz:-Mobil, Texaco, Gulf, Shell, B.P, and Exxon and an eight, namely compagnie francaise des petroleum were reponsible for about 63 percent of the world production, and 60 percent of distribution (excluding communist block) in 1966 and 1967 respectively. In 1968, the seven (majors) sisters

account for 60 percent of the world production, 56.2 percent of refining and 55.4 percent of distribution outside communist block. The same companies were established in the most production areas of the globe, accounting for 86 percent of production in the middle East, about 90 percent in Nigeria, 58 percent in Libya Jamhiriyya and 90 percent in venezuala - (see table I).

These seven giant multinational companies developed and dominated the world oil industry for the past 100 years or so. They are so powerful that they become institutions by themselves which are considered in international system. They mastered all kind of techniques and illegal corrupt activities that are involved in oil prospecting, drilling, refining, distribution and marketing of oil and oil bye-product. In most cases especially at the earlier stage of oil production the multinational oil companies might have been producing and sending oil out of the country long before the government knew about it. Often at times the amount of oil leaving the port of export is double the amount actually recorded. This is possible not only because the officials allowed themselves to be corrupted but because of the corruptive techniques developed overtime by these oil powers.

The multinational oil corporations have immense power that both the developed and the developing countries found it difficult to deal with them effectively. Infact they are the backbone of the Western economies as the 1974 oil crisis had shown.

Finally, the opligopolistic nature of the world oil industry controlled by the major and the relative importance of most government of the oil producing countries in dealing with the MNOCS which were fully intergrated, coupled with lack of indigenous petroleum exports and political weakness contributed enermously to the topsided situation. The over all production, percentage distribution is summerised in following:-

	Percentage(%)
Shell	56.4
Gulf	16.6
Mobil	10.5
Agip	8.6
Elf	4.3
Texaco	2.2
Pan Ocean	0.4
N. N. P. C.	0.4
Terneco	0.5

Source: N. N. P. C monthly report Novermber, 1980.

The above distribution fighure show the extent to which the Nigerian Petroleum Industry was developed and controlled by the multinational oil corporations.

TABLE I:

THE SEVEN MAJOR SHARES OF THE WORLD CRUDE OIL PRODUCTION AS AT 1992 IS IN THE FOLLOWING PROPORTION.

COMPANY	PRODUCTION IN U.S.A. (THOUSAND-B/D)	% OF TOTAL U.S.A. PRODUCT-ION	PRODUCTION IN MIDDLE EAST AND LIBYA.	% OF M/ EAST AND LIBYA.	OPEC PRO-DUCTION	% OF OPEC PRODUCT-ION	WORLD PRO-DUCTION EXCLUDING EUROPE AND CHINA	% OF WORLD PRODUCTION EXCLUDING EUROPE AND CHINA.
EXXON	1,114	9.9	2,527	12.9	4,050	15.2	6,145	14.7
TEXACO	916	8.1	2,155	11.0	2,674	10.0	4,021	9.6
SOCAL	528	4.7	2,155	11.0	2,614	9.8	3,323	7.9
GULF	5	5.8	1,887	9.7	2,409	8.0	3,404	8.1
MOBIL	457	4.1	1,178	6.0	1,477	5.5	2,399	5.7
P.B	-	-	3,708	70.0	4,506	16.9	4,659	11.1
SHELL	726	6.5	1,372	7.0	2,377	10.8	5,416	12.9
TOTAL:	4,392	39.1	14,165	77.6	20,607	77.1	29,367	70.0

SOURCES: Anthony Sampson, the seven sisters (see page 16 - 17).

2.2 HISTORY OF NIGERIAN OIL INDUSTRY.

The first oil seapages which indicated that Nigeria might be rich in petroleum were seen early this centuary at Araromi in the present day Ondo State. This occurence encouraged a German company. The Nigerian Bitumen corporation, who started exploration in that area in 1908 in the very first attempt of the search for hydrocarbons in Nigeria. This pioneering effort, unfortunately, did not last long, so, that company had to terminate its operations at the outbreak of the first world war.

Another Major exploration effort was embarked upon two decades later. That time an Anglo-Dutch consortium came to Nigeria as Shell D' Arcy(the forerunner of the present Shell petroleum development company of Nigeria) to start exploration activities in 1937 after having been awarded the sole concession rights covering the whole country, Nigeria. The second world war interrupted Shell D' Arcy activities and it was only in 1947 that exploration resumed. An investment over ₦30, million, after many years of search was embarked and a commercial discovery of petroleum was recorded at Oloibini in the Niger Delta 1956. In 1958, Shell started oil production and export from Oloibini field in the present Rivers State at a rate of 5,100 barrels per day. The quantity dounled the following years and in January, 1979, crude oil production in Nigeria attained a peak of 2.44 million barrels per day. This figure placed Nigeria sixth position among world crude oil producers and fifth place in the community of crude oil exporters.

It was in 1957 that the sole concession right over the whole country granted to Shell was reviewed and exclussive exploration right was extended to companies of other nationalities in line with the policy of increasing the pace of exploration. Other companies encouraged by the success of Shell joined in the exploration and by 1961, Mobil, Gulf, Agip, Safrap(now Elf), Tenneco, and Amoseas (now Texaco/ Chevron) had joined the explorers for oil in the onshore and offshore areas of Nigeria. Gulf made the first offshore discovery of petroleum on the Okan structure of the present Delta State in 1964, and many of the new commers also made significant discoveries.

Apparently, the first Civilian Administration during the period 1960 to January, 1966 did not include oil in their scheme of things and consequently, did not evolve an oil policy. The origin of Nigerian oil policy could only be traced to the Federal Ministry of Finance, in 1966 with the coming into power of the Military. This section was to handle such matters as petroleum profits, tax etc, while the ministry of mines and power (the then oil ministry) exercised regulatory role on operation of foreign oil companies(MNOCS). The first major lagislative impact on the industry came in the form of Decree No. 51 captioned the petroleum Decree 1969.

The late Alhaji Abdul Azeez Atta the then permanent Secretary Ministry of Finance was a persistent advocate of a strong state role in the oil industry during the Military regime of the them General Yakubu Gowon. One of the immediate result of this advocacy was Nigeria's membership of the

Organisation of Petroleum Exporting Countries(OPEC). This also led to the creation of:-

(a) Petroleum Advisory Board, which provided a forum for informed oil industry policy making.

(b) The Nigerian National Oil Corporation(NNOC) by Decree No. 18 of April, 1971 which gave Government enhanced powers of perticipation in all facets of the petroleum industry.

By 1977, a new development emerged. The Government decided that it would be beneficial to pool the limited resources of the ministry of petroleum and Nigerian National Oil Corporation(NNOC) and formed intergrated organisation to handle all aspects of the nation's oil industry, consequently, the Nigerian National Petroleum Corporation(NNPC) was created and give all responsibilities of both its predessors namely, prospecting for production, transporation, selling and refining of petroleum products and derivatives, carrying out relevant research, generally engaging in activities that would enhance the Petroleum Industry in the overall interest of Nigeria. It was also allowed to enter into only agreements connected with petroleum on behalf of the Federal Government.

The other part of the NNPC Decree assigns the Inspectorate Division the responsibilities for issuing permits and licence and also for all regulatory functions previously exercised by the Director of the Petroleum Research.

2.3 THE EVALUATION AND THE ROLE OF THE NNPC.

The Nigerian National Petroleum Corporation otherwise

known as NNPC is a commercial, intergrated, international oil company engaged in exploration, production, processing, transportation and marketing of crude oil, gas, their products and derivatives. The corporation is oriented towards efficiency, profitability and financial autonomy in its operation while seeking to maintain its leadership role in Nigeria's long term growth and economic development through the start up and fostering of new gas and petroleum based industries.

The NNPC was established in 1977 by the NNPC Act. No. 33 of that year through the merger of the Nigeria National Oil Company(NNOC) whose functions were mainly operational and the then Federal Ministry of Petroleum Resources which performed regulatory functions the two bodies were merged to create a more virile oil agency and optimise human and infrastructural resources availanle to government. The then NNPC, therefore, performed both operational as well as regulatory functions and it was divided into eight divisions to carry out those functions effectively.

In October, 1985, the corporation was, owing to the demands of oil industry, re-organised into six semi-autonomous units known as sectors in a bid to encourage innovation, efficiency and positive agressiveness.

On Monday 21st January, 1988, Present Ibrahim Babangida announced the re-organisation and commercialisation of the corporation in order".....to meet the challenges of the future.....and for a more result orignted organisation".

In the new re-organisation which was the outcome of a long period of studies, seminars, workshop and consultations, the corporations, was restructured into three major areas of responsibility namely:

(a) Corporation services which include finance, Administration public affairs, personnel, technology and corporate legal matters.

(b) Operations which include exploration and production, gas manufacturing petrochemicals and international manufacturing.

(c) National Petroleum Investments crude oil marketing and Joint Venture(NAPIMS) activities in the exploration and production sector of the industry.

A high point of the re-organisation is the establishment of eleven subsidiary companies under the operations arm. The companies are:

(i) The Nigerian Petroleum Development Company Limited. This is responsible for exploration and production of Petroleum.

(ii) The Intergrated Data Services Limited for seismic data acquisition, processing and interpretation as well as petroleum engineering data evaluation, computer and other accillary services in Nigeria and the African sub-region.

(iii) Warri Refinery and Petrochemical Company Limited, for efficiently and profitably process crude oil into finished petroleum and petrochemical product

for domestic consumption and export through optimal utilization of its human, material and financial resources while exploiting new business opportnuities.

Kaduna Refinery and Petrochemical Company(KRPC)

(iv) Shell Petroleum Development Company Limited (SPDC), for refining of Petroleum and production of linear Alkyli, Benzene and heavy alkylates. It is also responsible for the manufacturing of Tine contanier and steel drum.

(v) Pipelines and Product Marketing Company(PPMC) for buying crude oil from Government, transporting some to refineries and conveying resultant products to NNPC deports for sale to marketers.

(vi) Hydrocarbon services of Nigeria Limited:- for petroleum products marketing abroad in joint venture with chevron.

(vii) National Engineering and Technical Company for effective and profitable render Engineering procurement contruction and project management services in the petroleum, Gas Refining petrochemicals and other sectors locally and internationally.

(iii) Nigeria Gas Company Limited for profitable gather, treat, transmit and market Nigeria's natural gas and its derivtives to major industrial and utility gas distribution companies in Nigeria and neighbouring countries.

(ix) Porthacourt Refinery Company Limited: For providing efficient petroleum refining services to local and foreigh customers at minium cost while intensifying efforts for the development and production of specialised products.

(x) Liquefied Natural Gas Company Limited:- To acquire and ensure a growing of the international market for Nigeria gas resources by the promotion and sustained implementation of a competitive liquified Natural Gas project. In addition, it is to set LNG project in joint venture with Shell, Agip and Elf.

(xi) Eleme Petrochemicals Company Limited:- To profitably and efficiently manufacture a range of petrochemical products by processing natural gas and refinery by-products locally and abroad.

Another impact aspect of this re-organisation was the transfer of the petroleum inspectorate, the erst while regulatory arm of the NNPC to the Petroleum Resources Department of the Ministry of Petroleum Resources.

Nigeria emerged into the promise world of crude oil in 1958 as stated earlier with crude oil production at 5,000 barrels per day, rising by 1979 to a peak of 2.3 million barrels per day. Although OPEC guidelines currently restricted the figure to about 1.35 million barrels per day, the country National Petroleum reserves are excess of 1.6 billion barrel of crude oil and over 75 million standard cubic feet of gas.

Inspite of the fact that oil exploration as we now know it, began in Nigeria over 80 years ago(Bitumen corporation a German company started the exploration in 1908 when first oil seapages which indicated that Nigeria might be rich in petroleum were seen early this centuary at Araromi in the present Ondo State), less than half

of the basinal acreages have been seriously explored. Acreages essentially unexplored include the Dahomey Basin, the Benue through Sokoto basin as well as the Chad Basin, Delta where exploration is most intensive, efforts have been slowed in favour of on shore acreages. Less than 40% of the offshore areas within 200 metre water depths are currently under active exploration. Of exploration is known. Even less exploration has been recorded over the far sand belt stretching along the West Coast.

Activities in the oil and gas industry are normally classified into upstream and down stream segments. The upstream covers all those activities related to the exploration, discovery and extraction of oil and gas their reatment, transportation and delivery to designated export terminals or otherwise to processing plant e.g refineries.

Also included are the ancilliary services related to oil and production. At any point in time, the level of upstream activities can be measured by an examination of the pathern oil expenditure made. In the case of Nigeria oil industry, Government(the Federal Account) and its Joint Venture partners have been main investors. It takes a period of between five to eight years for investment in the core activities of the upstream to mature into crude oil liftings. The figures below are indicators of investments in the last eight years:-

YEAR	&	IN BILLION
1981		1.5

YEAR	&	IN BILLION
1982		1.5
1983		1.6
1984		0.95
1985		0.00
1986		1.55
1987	0.50	1.20
1988		1.50

Beyond 1986, expenditures are segretated into the currencies of disbursement to filter out the effect of SFEM/FEM. Some of the major activities which have attracted these expenditures are surveying, civil works, seismic Data Acquisition and interpretation, geological activities, drilling operations, crude oil transportation and storage and exploration.

Downstream activites covers gas treament, crude oil and gas conversion into refined and petrochemical products and finer chemical as well as transportation and marketing of the product. The investment and business opportunities of downstream are many and varied. These include refineries, petrolchemicals and gas conversion.

Refineries consume alot of chemicals and utilize a broad range of spare part. There is tremendous scope for scale joint venture manufacture with foreign technical partners. Such ventures can start warehousing arrangements that will ensure continuity of supply at competitive prices.

Other investments opportunities contigent upon refining and ancillary activities are the manufacture of special

products such as:-

(a) Industrial and good grade solvents

(b) Insectisides

(c) Cosmestics

(d) Mineral oil, petroleum jelly, greases

(e) Bituminous-based water/damp-proof building materials such as floor tiles, rubber products, partaulin etc.

(d) Ashalt storage, packaging and blending plants to handle products for export and local use.

The extablishment of the petrochemical industry in Nigeria was aimed at providing basic and intermediate feedstock for various and users to produce key products like plastics, synthetic fibres, detergent, fertilizers etc. The petrochemical plant phase I which will be further expanded by the phase II petrochemical development programme are to provide these materials that will facilitate the growth of the agriculture, construction and automotive sectors of the economy. The followings are the available petrochemical products:-

PRODUCT	PRODUCT SITE	CAPACITIES (MT/YR)
Carbon Black (CB)	Ekpan	18,000
Lineer Alkyl Bensene	Kaduna	30,000
Polypropylene(PP)	Ekpan	13,000
Benzene	Kaduna	15,000
Kero Solvent	Kaduna	30,000

Sources: NNPC in the Nation's Oil Industry Pamphlet, 1992.

Carbon Black is used for the manufacture of tyres, rubber products, pigments printing inks, polish etc, while linear Alkgi Bengene is the active agent for the manufature of detergents and shampoos. Current estimated domestic deman for this product is 110,000 metric tons per annum.

Gas Development and conversion is very alive and progressing. The services of gas gathering organisation to link the scattered gas reserves to the liquified Natural Gas plant are very vital. Business opportunities around for pipelaying, pie coating, inspection and numerous process-related activities as well as maritime operations.

Department of Petroleum Resources(former NNPC Inspectorate) from the decree establishing the NNPC, its primary objectives may be defined as management of the Nigerian Petroleum Industry for the maximum benefits to the Nation.

The Department of Petroleum Resources monitors the activities of all the companies operating the country including even the NNPC to ensure that they operate within good oil industry practices and statutory laws and regulations of the country. If necessary, the Department of Petroleum Resources(DPR) can initiates the promulgation of any new decrees applicable to the industry, where government permits and licences and ensures that any statutory revenues from the industry are paid to the government. DPR also inspects work sites, installations and operational equipment to ensure that they are safe and meet with all regulartory spectifications and requirements should they

find any defaulters e.g if a dealer of oil marketing products defaults, the DPR staff have the right to prosecute or withdraw the licence of the operator.

It is general known that petroleum reserves can not last for ever. For the oil companies the more they produce today the better for their business, after all the ultimate aim of any business is to appropriate as much surplus profit as possible. But for Nigeria it is desireable to ensure that production practices do not lead to the demage of subsurface formations and jeopadise the chances of extracting as much oil as possible from the reservours.

The DPR therefore, sees to it that good oil practices are adopted by all operating companies.

2.4 AN APPRAISAL OF THE CONTRIBUTION OF THE MULTINATIONAL OIL CORPORATION IN THE OIL INDUSTRY.

The big oil companies are the multinational oil corporations operating on an international scale and are usually refered to as the majors. The Nigerian oil industry was established and developed by these multinational oil companies namely:-

Shell, B.P (Texaco) Elf, Mobil, Ashland and the compagnie Francaise des Petroltes. The nature of oil industry any where in the world is verically intergrated, the process start from exploration, exploitation, prospecting, refining and finally to the market. This work is usually done by the multinational oil corporations. They have every interest in exploiting the resources available in all areas without boosting output in any of them in particular, for some more than thirty years now these

companies have in fact, functioned as regulators of production sharing coverage of the world demand determined by the level of price and by the fiscal policy of each of the consumer countries between the different areas and the various producer companies.

Multinational oil corporations are so powerful that they become institutions by themselves which are considered in the international system. They mastered all kind of techniques of legal and illegal corrupt activities that are involved in oil prospecting, drilling, refining, distribution and marketing of oil and oil by products. They are capable of currupting officials of high positioned politicians in oil producing states. Officials and politicians of the oil producing state are frequently bribed to sign contracts that favour them(MNOCS) and in some cases officials may be bribed to produce false statistical oil data or keep false accounts of oil sales. In most cases espectially at the earlier stage of oil production the MNOCS might have been producing and selling oil out of the country long before the Government knew of it. This is possible not only because the officials allowed themselves to be corrupted but because of the corruptive techniques developed overtime by these oil powers.

In the field of technology, MNOCS will never transfer any technology because they considered technology as a means of perpectual domicile of the third world countries. This view clearly expressed by Turner, when she said;

"Oil company management resists the transfer of technology for use, in the processing of crude oil and gas into petroleum products as part of its efforts to avoid displacement in these downstream are as if an oil explorting government established and start refinery of crude supply and got displaced in the refining industry,.....consequently, oil companies strive to block any entry into downstream operations. A major means of doing so is to create obsacles to the transfer of technology required in the processing of crude oil.

It is a fact that without technology know how capital goods in oil industry can not be utilized. So to ensure that the dependence of the third world on existing technology, multinational oil corporations restrict the transfers to the less developed countries. This point was even expressed by Mr. Philip Asiodu a former permanent Secretary and Chairman of the Nigerian National Oil Corporation(NNOC) when he pointed out that at the end of 1970, out of Shell B.P.S twelve Managers only one was a Nigerian. In senior professional and technical positions(excluding accounts and medical personnel) Shell B.P employed twice as many expertriates as Nigerian. In supervisory staff grade the number were about elven. This can be illustrated in table below:-

TABLE: EMPLOYMENT - SERVICE COMPANY AS AT 31ST MARCH, 1976

CATEGORIES	NIGERIAN	MON-NIGERIAN
Management	23	57
Prefessional	109	131
Intermediate and supervisory	263	226
Clerical & Secretarials	343	-
Skilled Labour	1,788	12
Unskilled Labour	1,317	-
Others	231	-

SOURCES: NNPC ANNUAL REPORT, 1975 - 76.

Looking at the above table one can see that the ratio of employment of non-Nigerian at the Managerial level is about 150% higher than that of Nigerians and at the professional level it is over 50 percent.

The table also reveals that Nigerians are mainly employed in clerical and unskilled section of the companies. This policy of multinational oil corporations militate against the acquisition of technology by Nigerians, because they are not exposed to the sensitive and vital sections of industry.

2.5 THE SHEEL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED (SPDCN).

The Shell petroleum development company of Nigeria Limited is the largest oil and natural gas exploration and production company in the country.

Its headquarters are in Lagos and there ware two operating divisions:- The Eastern Division based in Port Harcourt and the Western Division based in Warri.

The Shell produces about 50% of Nigeria's oil output and all commercial natural gas as at 1988. Its daily oil production is currently limited to the nation's assigned OPEC quota of some 1.3 million barrels per day.

Shell is the operator of an unincorporated joint venture in which it holds a 20% interest, with the state owned Nigerian National Petroleum Corporation(NNPC) holding 80%. NNPC fully owns and operates all refining and petrochemicals sectors of Nigeria's oil industry.

Shell's contribution plays a key role in maintaining Nigeria's position as one of the top ten oil producer in the world and second largest in African after Libya.

The Shell petrolem development company of Nigeria, with a staff of about 4,400 is part of the Royal Dutch/Shell group of companies, which has over 136,000 employees in more than 100 countries around the world. The Shell group has world-wide interest in oil, natural gas, chemicals, coal, metals and other business such as forestry, solar energy and biosciences.

FOOT NOTE

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CHAPTER THREE

RESEARCH METHODOLOGY:

3.1 INTRODUCTION

A research of this nature has to be based on factual findings which are afterwards arranged and codified to give the authentive information for which it is meant. Economic growth and development is a fundamental question in the life of any nation. Every nation at any given time, is striving to attain highest level of deveoped. The recurrent question in this struggle as it were, is always the question of designing and selecting the best development trategy.

Here, in Nigeria, alot of attention is paid to Petroleum sector. Petroleum has become the backbone of Nigeria Economy. It accounts for more than 80% of both the gross National product and revenue of the Federal Government. All other sectors have become secondary to the Petroleum sector. In this regard, the researcher did employ a number of ways in gathering the authentic information required for the topic. "The multinational Oil Corporation and Development of Petroleum Industry in Nigeria; a case study of the Shell Petroleum Development Company of Nigeria". In order to ensure a good result of this research work, the question that arises is. What are the impact of multinational oil corporations in the development of oil industry in Nigeria with specific reference to Shell Petroleum Development Company of Nigeria Limited as a case study? this is the major question this research effort seeks to answer.

3.2. RESEARCH INSTRUMENTS(RESEARCH HYPOTHESES OR METHOD OF DATA COLLECTION:

As could be expected, this socio-economic research has not been a mean job. Alot of data were collected from numerous field sources. The data collected can be classified into two, namely primary and secondary data.

3.2.1 PRIMARY DATA.

Here, the research instructment used for data collection are interviews and guestionaire. Several visits were made to the Headquarters of NNPC Lagos, The Shell Petroleum Development Company of Nigeria Limited and other selected multinational oil corporation such as Elf,Mobil, Gulf and Texaco where top functionaries and other members of staff were directly interviewed. For those top functional staff and other members of the staff that could not be met in person, questoonaires were sent to them(See Apendix A). Most of these questionaires were filled and returned. Thus the direct interview method and the use of questionires formed the basis on which primary data was collected.

3.2.2 SECONDARY DATA.

In the course of this study, various publications were extensively used as documentary avidence. These were obtained from Kaduna Refinery and Petrochemical Company Library, NNPC Zonal Office Library at Kaduna, Kaduna state public library, National Archceves library Kaduna, and Sir Kashim Ibrahim Library of ABU Zaria. Most of the information from these Libraries were extracted from books, journals, magazines and daily newspapers.

The above sources of information together formed the researchers opinion as presented in the report.

3.3 METHOD OF DATA ANALYSIS.

For this particular research, the researcher analysed and interpreted the responses of the respondents based on the questions related to the statement of problem, earlier highlighted in a statement of problem. The responses have been interpreted and analysed using statiscal sample percentages of the data collected.

In analysing the data, a comparative approach was particularly adopted. Under this approach, the data relating to the activities of multinational corporations in general was used as a base for projecting the performance and impact of the multinational oil corporations in the development of oil industry in Nigeria.

3.4 ANSWERING THE RESEARCH QUESTION.

The answer to the research question has been arrived at after a very careful and objective analysis of the data/information collected. This was achieved after a careful and fair interpretation of the statiscal analysis available.

3.5 LIMITATION TO THE METHODOLOGY.

Petroleum Industry is a highly, technical and capital intensive industry. Most of the oil companies engage in the industry are foreign based except the stated owned industry, the NNPC. A research project of this nature would have been carried out on national basis but due to the time and financial constraints, the

researcher could not reach all the areas where petroleum activities are carried out. To that extent, only few selected areas were chosen. In addition some top functionaries and staff of the few oil companies visited were reluctant to respond to the interview some even decline to answer simple questions on the protex that they have to seek clearance from their superior. Other were reluctant to respond to the questionare given to thenm and infact some even misplaced them.

Despite all these constraints, the researcher was able to gather all the necessary information needed for the purpose of this study.

CHAPTER FOUR.

SHELL PETROLEUM DEVELOPMENT OF NIGERIA LIMITED.

4.1 INTRODUCTION.

The Shell Petroleum Development Company of Nigeria Limited is the largest oil and natural gas exploration and production company in the country. Its headquarters are in Lagos and there are two operating divisions:- The Eastern Division based in Port-Harcourt and the Western Division based in Warri. As Nigeria's pioneer and leading oil exploration and production company, Shell produces about 50% of Nigeria's oil output and all commercial natural gas as at 1988. Shell partnership began in 1938 at the dawn of the nations oil industry. This has been a period of fluctuating fortunes. After the first commercial discovery in 1956 at Oloinini in the Niger Delta, production output grew rapidly over the next 20 years.

As the pioneer in developing Nigeria's oil industry, Shell has gathered an extensive knowledge of the difficulties involved in realising the potential of the nations oil reserves. The earliest efforts of the Shell D'arcy company in the late 1930' was a step into completely unknown teritory. No oil had been discovered in any part of West Africa and there was no indication of its subsequent role as a Major Oil Producing area. The search area initially covered the whole country but this was later narrowed down to 103,600 square kilometres.

These early effort involved a massive process of elimination. It was a period of many disappointments which required great perserverance and expenditure. Yet this perserverance by the then Shell - BP petroleum development company of Nigeria was rewarded by major discoveries in the 1950s - the basis on which Shell Nigeria or the Shell petroleum development company of Nigeria Limited has been built.

Today, Shell's knowledge gained from 50 years of operating in Nigeria is reinforced by the highest standards of operation and technology development by the Shell Group arround the world.

Looking to the future, Shell and the industry faced a different set challenges. Most of the larger fields discovered in the early sixties, have now produced for a quarter of a centuary and production rate are in decline. The future lies in fully developing deeper and through extensive search, often in remote, poorly accessible areas.

Improved recovering techniques also offer new opportunities to maintain the oil reserves. New discoveries and new techniques for exploration and production will be needed to maximise Nigeria's still substantial oil resources. New investment in a potentially enermous natural gas industry will be essential to take advantage of the domestic supply and considerable export potenial.

4.2 SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED'S CONTRIBUTION TO NIGERIA'S ECONOMY.

EXPLORATION FOR OIL.

It took nearly 20 years to discover the first oil field in Nigeria. The prime reason for this is that the country's oil resources are large but found in many small deposit in land, swamp and offshores area. The development of leading edge exploration methods pioneered by Shell is now enabling more fields to be discovered, although each successful discovery results from estensive scientific analysis often spaning several years.

Shell's 3D (three dimensional) seismic, techniques geologist and geophysists to build a computerised geological model of a known oil field. This allows the maximum recovery of oil by enabling wells to be positioned in previously unrecognised extensions of an oil field. This is particularly important in the most difficult terrains of swamps and river estuaries, This is the first time in Nigeria (and only the second project in the world) where the 3D system has been used in the swamp.

The new techniques like the 3D seismic will improve considerable Shell's knowledge of the largest and most complex of field. This type of technology will remain mainstay of the oil industry and will unlock development potentials for many years to come.

Nigeria's geological formations often prove soft and unstable. Equently, they contain oil of natural gas under very high and unpredictable pressures. In the early days of exploration several blow-cuts did occur, but modern drilling technology is enabling Shell to penetrate ever deeper to reach deposits at over five kilometres safely and cost effectively.

Many of Nigeria's oil fields are approaching maturity. The chances of finding new deposits in present known areas will depend on new technology and funds committed to exploration tests, where high pressure must be controlled by heavy duty blow-out prevention and casing schemes, will have to be made. At present, the number of connected and economic oil fields in Shell is 83, of these, 33 are in the Western division and 50 are in the Easter division.

The next phase of exploration will move Shell to greater water depths in its offshore exploration. Offshore wells in Nigeria account for 28 percent of production and the company will be using techniques pioneered in the North Sea and the Gulf of Mexico.

In view of the long lead, time involved in developing fields Shell sees the continuing dialogue with government as inial in planing strtegy to endure Nigeri's future needs after the end of this country.

4.3 OIL PRODUCTION.

A new work of 1700 kilometres of pipelines(between 6 and 48 inches diameter) connects Shell's 83 producing oil fields. Within these producing oil fiels are located more

than 1,000 oil producing wells. These wells are connected by flow lines to various flow stations linked by major tructlines to Shell's two export terminals. There are 8 main trunk lines(trans-Niger trans forcados, South-forcad, Alakini-Bonny and the Easter central trunk line; Nembe Creek-Caw therne).

Oil is pumped through these trunk lines to Shell's terminals at forcados in Delta State, and Bonny in Rivers State, where water in the oil is seperated and the oil prepared for export. Oil is also sent to the NNPC refineries at Port-Harcourt and Warri where it is processed into petroleum and petrochemical products.

Shell's forcados and Bonny terminals have a combined storage capacity of over 13 million barrels. Loading rates of 6,500 tonnes and 11,000 tonnes per hour can be achieved at Bonny and Forcados terminals respectively. Both terminals are equipped with two single buoy moorings facilities located some 25 kilimetres off-shore and can handle tankers up to 320,000 tonnes dead weight. The Bonny terminal is also equipped with three in shore conventional buoy moorings for tankers of between 18,000 and 135,000 tonnes dead weight.

As oil resources are needed to increase the life of each well. Shell operates a number of projects such as its 12 gas lift, three water injection and one gas injection projects aimed at optimising oil recovery from existing fields. Many new projects are also been planned. In addition, enhanced recovery methods are

being reviewed for possible application in extracting some of the known oil reserves.

Using such techniques it is possible to recover between 40 to 60 percent of the original oil in place. This will increase significantly the nations oil reserves and production level by hundreds of thousands of barrels per day. Every extra percentage of oil extracted from existing wells represents hundreds of millions of dollars added to the long term wealth of Nigeria.

4.4 MARKETING.

The marketing sector of the oil industry is partly owned by the Federal Government through NNPC and partly by the International oil companies. National Oil and Chemical Company (NCOLCHEM) evolved from the oil Shell company oil Nigeria and is a joint venture with the Federal Government having 6% ownership. It is the largest oil marketing and chemical company in Nigeria and supplies chemicals to the Nigerian Agricultural sector.

4.5 TECHNOLOGY.

Based on the informal interviews with functional staff and other members of senior staff of Shell Petroleum Development Company of Nigeria Limited and the Shell in Nigeria pamphlet the researcher is able to discover that at every opportunity, Shell introduces the relevant latest technology into its operation in Nigeria, whether searching for oil and natural gas, in production or distribution of the product or using the most modern computers for information processing.

In recent years, notable development have been seen in petroleum processing and mechnical engineering as well as in geology seismic interpretation, production and maintenance.

Among these acheivements, Shell's 3D seismic survey system is producing a high level of data in the difficult terrains of the swamps and rivers of the Niger Delta. The matching of seismic data in these difficult terrains calls for more sophisticated processing techniques and larger computer capacities. Using current technologh, Shell is able to analyse such data in half.

Computing in Shell Nigeria is a business activity using innovative tolls to ensure the availability of appropriate data and information whenever needed to support all functions in the organisation. Information gather from the various segments of the business is passed through a number of computer systems to produce reports in production, finance and for reservoir engineers, management and government.

From a modest begining using a small IBM computer, the company now has two large IBM 4381 main frame computers located in Lagos and Port-Harcourt. These are linked via a modern X25 data network to VAX and HP minicomputers to aid productivity and enhance officiency. Further developments in computer technology have enable Shell to upgrade its main frame and to move into other areas for automation. This includes text processing, real time well data collection, dedicated minitmicro computers for

seismic data processing, erservior studies and tanker scheduling. In further technology advancement, simulation studies are carried out on oil reserviors to optimise drainage pattern and oil recoveries.

In processing natural gas; Shell continues to improve existing techniques and esigns. The reliable low temperature seperation(LTS) is now standardized on gas plants.

In pipeline maintenance and surveillance, Shell has sucessfully applied to "through pipeline instrumented inspection tool" technique to monitor the internal/ external conditions of walls of major oil pipelines without interrupting flow.

This type of condition monitoring will continue to be done on a regular basis to sefeguard these vital arteries of the nation's oil production. It will also be extended to major gas pipelines in the future.

4.6 TRAINING AND RECRUITMENT.

Shell is committed to effective manpower training and development in the widest possible disciplines. The company has for the past recent four years been engaged in an intensive effort to develop the high quality and largely technical manpower necessary for its activities.

Training within Shell Companies on the job is a continous process carried out in all departments and under the guidance of experienced supervisors, and tailor-made courses at the three training centres at Lagos, Port-Harcourt and Warri.

The Lagos centre concentrates on cupervisory and management courses while Port-Harcourt and Warri concentrate on a wide range of technical courses. Intensive overseas training programmes are provided for staff in both technical and non-technical areas of the industry.

In addition to formal training the company sends Nigerian staff on cross-posting to other Shell companies notably in Enrope, Middle-East and Far East for a period of two to three years. This opportunity to work overseas exposes staff to invaluable experience. In 1987 alone, there were over 40 Nigerians on cross-posting assignments in Europe Middle and Far East.

The main thrust of recruitment efforts is directed at young school leavers for junior staff and young promising University and Polytechnic graduates for senior staff. This is part of the overall company effort aimed at developing the high quality and expert, technical manpower required for the exploration and production of oil and gas.

As part of a commitment to develop high level technical management for oil industry, Shell inaugurated a scholar-ship programme in the early 50s for Nigerians in local and overseas institutions. So far, there have been over 1,000 beneficiaries working in virtualy every sector of the Nigerian economy.

The company's recruitment department, along with personnel planning, maintains a feed back system that measures the the effectiveness of recruitment policy and practice.

4.7 SAFETY HEALTH AND ENVIRONMENT.

4.7:1 SAFETY.

An elaborated safety organisation, expertise and dynamic programme exist within the company to assure that a high level of awareness is generated and sustained among managers, supervisors, employees and also contractors working for Shell in all parts of the business.

The safety programme includes technical/safety audits, inspections, training, accident investigation and review, drills and awareness campaigns. Believing that accidents can be preventable, the company has set up committees which direct the effective implementation of the safety policy communication and awareness.

4.7:2 HEALTH

The company's medical services has established a high standard of industrial, primary and secondary health care for both employees and their entitled dependants.

Shell Nigeria operates three hospitals one in each of the operating division at Warri and Port-Harcourt and a third at the Freeman House Headquarters at Marina, Lagos. There are 36 beds at Warri and 10 beds at Lagos and 30 beds at Port-Harcourt. Seven doctors privide a range of medical skills, including surgery, obstetrics and gynaecology anaesthesia, occupational health and other specialised health care such as diving and aviation medicine.

All the three hospitals are well equipped with modern facilities for electrocardiogram(ECO), all laboratory investigations and with automatic X-rax machines.

The hospitals at Port-Harcourt and Warri also provide support and medical advices for small clinics at the companies fields bases at Forcados, Bonny, Ughelli, Egbema production centre and a variety of drilling locations.

4.7:3 **ENVIRONMENT.**

Shell Petroleum Development of Nigeria Limited shares society's concern that the nations air, water and soil should be protected against pollution. In recognition of this, the company policy is geared towards safe-guarding lives and property, and ensuring that all business activities are conducted with a high regard for the environment in its videst sense.

Shell's policy is to avoid all forms of oil pollution, large or small. To achieve this, company policy has been planned to anticipate and deal with cause of pollution, to control and check actual incidents and to clean/rehabilitate any affected areas. Third party interferance presents considerable problems and a threat to a clean environment. This has warranted government legislation as a means of protecting oil installations against acts of sabotage.

Apart from oil spillages, other conterminants such as drilling fluids and effluents from various oil field facilities are carefully heated before being discharged

into adjoining streams or rivers. The effluent water is closely monitored to keep the oil content below the regulated. Base lime and post impact studies are routinely carried out by trained staff and renowed consultants to ensure minimum damage to environment.

Shell takes adequate steps to ensure its own and government environmental regulations are observed in all company activities and enforces a culture of preventive and predictive maintenance.

4.7.4 **COMMUNITY DEVELOPMENT**

Shell Petroleum Development of Nigeria Limited is directly or indirectly involved in the national economy and the development of the local areas of its operations. Historically, the rapid economic and industrial development of Port-Harcourt and Warri can be associated in many ways with the activities and presence of Shell in both area.

Shell has also been involved for many years in community project is the Ubema project sited in Ido State. This was taken over from what is now known as National Oil and Chemical Marketing Company(NOLCHEM) and later handed over to the village on attaining maturity.

Through its rural community development projects, Shell has established two research and seed multiplication centres to produce a high yield, disease resistant variety of cassava for distribution to local farmers. In addition, a research and production centres for fish culture has also been established to cater for the needs of farmers in the reverine areas of the

Niger Delta. Complimenting these efforts is the company's extension services. This aim at improving the basic skills and techniques of farmers in crop agriculture and fishery as well as helping to organise com-operatives and marketing facilities. This programme has enable many farmers to grow subsistence into commercial farming ventures.

CHAPTER FIVE.

SUMMARY, CONCLUSION AND RECOMMENDATION.

5.1 INTRODUCTION.

The main aim of this research project is to find out the contributions or impact of the multinational oil corporation in the development of the petroleum industry in Nigeria with a case study of the pioneering multinational oil corporation "The Shell Petroleum Development Company of Nigeria Limited". In chapter one and two of this study an attempt was made to have a brief look at what might be termed multinational oil corporations as well as the concept of the development of Petroleum Industry in Nigeria. Chapter three is research methodology while chapter four present an indept analysis of a multinational oil corporation "The Shell Petroleum Development Coompany of Nigeria Limited". This capter five attempts to summarise the major findings of the researcher on the impact of multinational oil corporations and the socio-economic impact of the petroleum industry on Nigeria economy.

5.2 THE SOCIO-ECONOMIC IMPACT OF THE INDUSTRY TO NIGERIA IN GENERAL.

From the oil products and their physical output, one could obviously say that its impact on the socio-economic standing of this nation is great. In the first place, a look at the agricultural sector of the economy which employ over half of the nations population reveals that modernization is been carried out through the cultivation of large hectares of land by the use of machines,

tractors, sprayers, planters, weeders, harvesters, mullers and so on. All these depend on fuel for their energy without which nothing could be done. In addition oil products such as sulphur is used by fertilizer company in the country to produce fertilizer. It is also realised that insecticides and pesticides are produced from Benzene and mapthalene which are oil products of the petrochemical section of the industry.

No economy in the world has been known to survive without efficient communication of which transport is a part. The oil industry provides the aviation fuel(diesel) together with petrol and lubricants for effective transportation system in the country and factories or industrial machines.

The oil industry have contributed immensely to the economic advancement of Nigerians by providing employment for many Nigerians. This has been within the oil production companies and within the organisation of contractors and service companies. This benefit of employment has been accompanied by the development of enterpreneurial skills as Nigerians establish business to service the oil industry.

The oil companies give some kinds of assistant to the communities they operate. This include support for education which covers research assistance, construction of buildings, providing laboratory equipment and award of scholarships. Other constributions include road construction, water supply grants and donations.

Besides the above, the pollution and other hazards of the oil industry are dangerous to any living being. Farm lands on which the livelihood of most of the people in the oil producing communities depends are submerged with crude oil. The blow-out have rendered farm lands useless. The harzards caused by the pollution of the coastlines with oil spills which scare away fish, oyster, crabs, crayfish and other sea life is heart-rendering to fishermen in the oil producing areas or communities. Throughout, the oil-producing area displaced farmers, hunters, shermenr, fish-brokers and traders have abandoned their natural occupation and invaded the townships in search of employment or employing themselves as watchnights, watchdays, destitutes.

Looking at the contribution of oil industry to the Nigerian economy positively and negatively the industry provide over 80 ppercent of the national income and revenue to the Federal Government. However, the industry is linked financially and structurally very little to the other sectors of the economy, because the oil industry is still too autonomous and too little linked with economy. This was seen to be caused by the MNOCS effort to optimize production factors differently than they would if they operated only in the Nigerian domestic economy a tendency which leads to sub-optimal use of local factors and causes considerable economic destortions.

The refining capacity of the country relative to domestic consumption is still very inadequate. Petrochemical, nitrogenous fertilizer and other petroleum-based processing ecomplexes that could derive from the industry are yet very much issues in speculation. Abundance natural gas still

goes to waste while an energy squeeze constitutes a great impediment to social and economic development.

5.3 SUMMARY.

In chapter one and two of this study an attempt was made to have a brief look at what might be termed multinational oil corporation and the development of petroleum industry in Nigeria while chapter three is the research methodology. Chapter four present a comparative analysis of a case study "The Shell Petroleum Development Company of Nigeria Limited".

Based on the findings in chapter four one would agree with the researcher that the multinational oil corporations has the following contributions to the development of petroleum industry in Nigeria.

5.3.1 THE ACQUISITION OF TECHNOLOGY AND THE DEVELOPMENT OF INDIGENOUS KNOW-HOW

The oil industry is the biggest industry in the country, thus, if is in the interest of the nation to have Nigerians fully conversant with all the facets of this complex industry. This is the role which is very difficult to accomplish without the co-operation of both the multinational oil corporations and the state owned corporation, the NNPC. Therefore, in monitoring the activities of the multinational oil corporations involved in our oil industry the NNPC also watches keenly the roles of Nigerians in these companies. It is not enough to have many Nigerians working in the industry at lower level grades but it is much more in the interest of the nation that those employed by the companies also have reasonable level of resonsibility and are technically capable to discharge their duties like any other expatriates in similar post.

At the begining of petroleum industry in Nigeria, MNOCS management resisted the transfer of technology to Nigerian for use. However, recent development between the MNOCS and NNPC has changed the policy. At present intensive overseas training programme are provided for staff in both technical and non-technical areas by the MNOCS in oil industry, for instance, it is stated in the Shell in Nigeria pamphlet of 1992 that for the last five years the company(ie Shell Petroleum Development Company of Nigeria Limited) has been sending an average of 255 staff a year on various overseas courses. It is also stated that in addition to former training the company send Nigerian staff on cross-posting to other Shell companies for a period of two to three years.

5.3:2 **PRODUCTION**

The Nigerian oil industry was established and developed by the multinational oil corporation who control the industry right from exploration to pricing. Over 80% of the Nigerian oil is produced by these MNOCS and over 80% of the government revenue is derived from the sell of oil.

The MNOCS also offer employment to Nigerian population of various working grade level in the oil industry. They provides income to Nigerian working in the oil industry.

To the community, the MNOCS contribute directly and indirectly to the local areas (communities) of their operations. For instance, historically, the rapid economic and industrial development of Port-Harcourt and Warri can be associated in amny ways with the activities and presence of MNOCS in both areas.

The adverse effect or major harzards cause by MNOCS in the areas of their operations are oil pollution of both the atmosphere and water as well as blow-outs (fire), spillages and sippages.

5.4 CONCLUSION

This eassy was started showing the need for this kind of study and went further to give the reason why the writer choose his topic Multinational Oil Corporation and The development of Petroleum Industry in Nigeria a case study of The Shell Petroleum Development Comapny of Nigeria Limited. A look at oil on a global perspective was taken in order to give the reader an insight into what the subject matter was all about. The aim and objectives of the study were then carefully defined, the scope and extent was given, and the data sources and methodology were put forward.

To guide the study, two approaches towards a better explanation of the conceptual variables used, were introduced. It was this stages that the actual study was delved into and it started by briefly viewing the history of the Nigerian oil industry. A carefuly analysis of the model was taken with an intermittent determination of the relationship between the multinational oil corporation and development of petroleum

industry in Nigeria, with a case study of the Shell Petroleum Development Comapny of Nigeria Limited.

The study proceeded to find out the role of multinational oil corporation and the development of petroleum industry with specific reference to Shell Petroleum Development Company of Nigeria Limited to the Nigerian economy since the introduction of petroleum industry in the country. It finally established the socio-economic contribution of the oil industry to Nigeria and the mulutinational oil corporation with specific reference to Shell Petroleum Development Company of Nigeria Limited in particular after having determined the physical output of its activities in the local community of its operations.

The findings of this work has indicated that Nigeria has not been maximixing her benefits from its gigantic petroleum industry established and maintained by the multinational oil corporations. Nigeria losses substantially in terms of foreign exchanges like payments to foreign personnels services accounts, imports of capital goods and unfavourable financial arrangements which tne successive Federal Government have had with the multinational oil corporation.

The researcher also discovered that NNPC the only state owned petroleum company is a sleeping giant which can not compete with the majors(MNOCS). This is due to many factors, some of which are the position of Nigeria with the world capitalist system and the superiority of the multinational oil corporation both in the sphere of Administration and technology required in the oil industry.

5.5 RECOMMENDATIONS

Nigeria must attempt to de-mystify oil politics. This can only be possible by encouraging indegenous enterpreneur to invest or establish oil companies to engage in oil exploration and production. Though NNPC is at present undertaking exploration and production as well as in the form of joint ventures with Shell and other MNOCS, she should be encouraged to do so without going into joint ventures with MNOCS.

Secondly, it must be remembered that most of the contracts treaties were drawn between British Colonial masters and MNOCS (before independence) or at the time when we have no qualified experts to help in the preparation of the contracts. All these treaties and contracts should be reviewed.

Though the oil companies bore enormous costs and risks in oil production and exploration, it is certainly unfair to the oil producing countries particularly Nigeria to allow oil companies absolute control and domination of the industry. This is certainly important if it is remembered that the oil they produce in most cases are not for local consumption but for consumption in the industrialised nations. Nigeria needs to make available to its own citizens cheap and abundant supply of sources of energy.

Fourtly, oil must not be seen as only a sources of foreign exchange but a valuable sources of energy that must not only be sold but used domestically for our industrialization.

Industrialization can not take place when large quantities of our oil are exported abroad and the money retained there. Nigeria's decision to build refineries is sensible for the fact that this could help to alleviate Nigeria's shortage for petroleum products. Furthermore, refineries can lead to growth of other industries such as petrochemicals, fertilizers and others which may be attracted to produce locally, very few other industries plants after such development potentials.

Finally and most important of all is the imperative of linkages. Looking at the relation between the oil sector on the one hand and Agriculture or other sector of economy on the other, it is of importance to suggest, as a part of the contribution of this thesis, for conscious policy geared towards the deliberate generation of linkages between the oil and other sectors of the Nigerian economy. Such structural intergration is inmeasurably crucial if the social and economic development of Nigeria is to be sustainable.

To sum up, most of our present experts are trained locally by the foreign oil companies(MNOCS) mainly in exploration and exploitation. Many of them have not acquired any skills in downstream operation. They are badly exposed of total "technical" know-how. It is necessary for Nigeria to proceed to train oil politicians, oil economist, oil public relations consultants, oil marketers, petroleum inspectors, petroleum engineers, petroleum lawyers and a lots of others for effective petroleum industry. This must be done as a deliberate policy.

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APPENDIx

Department of Business Administration,
Faculty of Administration,
Ahmadu Bello University,
Zaria,
Nigeria.

Dear Sir/Madam,

I am a student of the above institution writing a project tittled "Multination Oil Corporation and the Development of Petroleum Industry in Nigeria, A case study of the Shell Petroleum Development Company of Nigeria Limited". The purpose of this research work is to assess the impact of Multinational Oil Corporation and the Development of Oil Industry in Nigeria with specific reference to Shell Petroleum Development Company of Nigeria Limited.

The research is being conducted in partial fulfilment of the requirement for the award of Master of Business Administration (MBA) Degree of Ahmadu Bello University, Zaria.

Therefore, I would be indeed grateful if you could kindly answer the following questions. All information given by the respondent will be treated strictly as confidential and will be used purely for academic purpose.

Thanks for your anticipated co-operation.

Yours sincerely,

J. I. Isa.

QUESTIONAIRE CONSTRUCTED ON PETROLEUM INDUSTRY IN NIGERIA.

PART A.

INSTRUCTION: Indicate by filling in the space(s) provided.

1.01 Name of the staff.....

1.02 Position held.....

1.03 Level of Education.....

1.04 Age.....

1.05 Sex.....

1.06 Nature of job assigned to do.....

.....

1.07 Last course attend on the job assignment locally or overseas.....

.....

PART B.

2.01 Name of company.....

2.02 Address.....

2.03 Nature of Business.....

2.04 Year of Incorporation.....

2.05 How long has the company been in oil business(industry) in Nigeria.....

.....

2.06 Did your comapny registered with the Department of petroleum Resources(Petroleum Inspectorate)

.....

2.07 If yes state the year of registeration.....

2.08 To what group does your comapny belong(stick as appropriate)

☐ Exploration for oil

☐ Oil production

☐ Oil marketing

☐ Oil Refinning and Petrochemical

☐ Exploration and Production of Natural Gas

☐ Any other(state the group).....

.....

2.09 Is the company a multinational oil company or Nigerian oil company.

PART C.

3.

3.01 What is/are the type(s) of oil business activities does the company involve in.....
.....
.....

3.02 Is your companyqualify under the **Petroleum Act** to be in Nigeria oil industry?.....
.....

3.03 Evaluate the contribution of your company to the development of oil industry in Nigeria(Tick the appropriated one)

☐ Very satisfactory

☐ Satisfactory

☐ Unsatisfactory.

3.04 What are your view about the working relationship between Nigerian and non-Nigeria officials?.....
.....

3.05 How do you envisage the uilization of the Nigerian oil by your comapny?.....
.....

3.06 What do you consider to be the general problems of your company in oil industry in Nigeria?.....
.....
.....

3.07 Describe the operational frame-work of your company in the development of Nigeria oil industry.....
.....
.....
.....

PART D.

Evaluate and Appraise the contribution of your company if it is a multinational oil company in the development of oil industry in Nigeria under the following headings:-

4.01 Exploration.....
.....

4.02 Oil production.....
.....

4.03 Technology and Technology acquisition/transfer.....
.....
.....
.....

4.04 Training and Recruitment.....
.....
.....
.....

4.05 Safely, Health and Enviroment.....
.....

4.06 Community Development.....
.....
.....
.....

4.07 General comment according to your view **about multinational oil corporation in Nigeria oil industry**.....
.....
.....
.....
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