Deregulation of Nigeria’s Natural Resources Sector as a Catalyst for National Development

OKECHUKWU ILOBA-ANINYE
Ahmadu Bello University, Zaria, Nigeria

ABDULLAHI MOHAMMED KONTAGORA
University of Abuja, Nigeria

Abstract. For over 40 years Nigeria’s economy was driven by petroleum. During this period, her influence in Africa soared. It peaked in the 1970s and 80s, so much so that she spent oil money on the decolonization of certain countries in Africa. Natural Resource in Nigeria is owned by the people, but administered for the overall benefit of Nigerians by government. This precious natural gift lost its pride of place when the worth of petroleum dipped in the international market. Prior to this economic decline, Nigeria adopted a near socialist system by operating a subsidy regime. Because what belongs to government belongs to no specific person, Nigerian past leaders became profligate. A public property is nobody’s property and can be misused and mismanaged. So, Natural Resources is a gift from God to be used to develop a given area or country for the betterment of the people. Natural Resources can be better harnessed by private enterprise. Thus, deregulation in the least, or outright privatization is the best option in maximizing natural resources.

Keywords: Deregulation, Natural Resources, Exploitation of Natural Resources, National Development.

1. Introduction

Nigeria is endowed with a variety of natural resource, chief of which is oil and gas. Although the attitude of some Nigerians towards deregulation has been indifference as many hold the notion that such policies will lead to retrenchment and right sizing or job loss as well as high cost of living in the country. For the same reason some Nigerians are against deregulation, particularly the labour unions. Those that advocates and support deregulation usually cite the success achieved in the deregulation of the telecommunication sector. It is submitted that while it is true that some level of success has been achieved in the telecommunication sector, it is equally true that it has not been smooth saving in other sectors such as the power and steel sectors. Moreover the success in telecommunication is a global success resulting from technological development not solely as a consequence of deregulation.

However, while oil and gas are the major earners of foreign exchange, other natural resources do exist in Niger; gold, tantalite, coal, iron ore, etc. A nation endowed with natural resources is bound to experience upheavals, unrest and agitations. The agitations, which are not alien to Nigeria has given birth to the idea of deregulation in the least. The question of
deregulation has featured in public fora as a panacea for the multitude (myriad) of anti-social behaviours by groups that feel not properly taken care of.

1.1 National Development

National development has been submitted to be the outcome of economic growth, the models of which may include structural changes, savings and investments as the source of economic development and growth under the assumption that economic growth would generate funds for investment and infrastructural development that would guarantee better living condition of people.

National Development has also been defined from human centred perspective, it is thus defined as a transformation of the society in which the individual and the society interact with their physical, biological and inter human environment transforming them for own betterment and that of humanity at large and being transformed in the process; development therefore could be seen as the process of empowering people to maximize their potentials and the ability to exploit nature to meet daily human needs. It could also be seen as a process by which quality of human lives and capacity to surmount daily needs are considerably improved.

1.2 Deregulation

Deregulation may simply be defined as the removal of barriers, controls, restrictions, legislation and laws in an industry or sector by Government. Investopedia defined deregulation as the reduction or elimination of Government power in a particular industry, usually enacted to create more competition within the industry. While business dictionary defined deregulation as revision, reduction or elimination of laws and regulations that hinders free competition in supply of goods and services, thus allowing market forces to drive the economy. Hence Economic deregulation is said to occur when the government removes or reduces the restrictions in a particular industry to improve business operations and increase competition.

To deregulate therefore means to do away with the regulations concerning financial markets and trades. Basically, it has been posited that deregulation and privatization are elements of economic reform program charged with the ultimate goal of improving the overall economy through properly spelt out ways. For example, freeing government from the bondage of continuous financing of extensive projects which are best suited for private investment by the sale of such enterprises; encouraging efficiency and effectiveness in resource utilization; reducing government borrowing while raising revenue; promoting healthy market competition in a free market environment; improving returns from investment and broadening enterprises share ownership, thus engendering capital market development.

Deregulation has also been understood to refer to a gradual withdrawal or removal of regulations in the economy. It has been described as a way of liberating the economy or a way of removing impediments to trade, the movement of goods and services thereby allowing for the free interplay of the forces of demand and supply in the determination of the prices of commodity.

According to Bankole deregulation entails the following elements: privatization, removal of price control, to a large extent elimination of barrier to participation in all aspects of production, supply and distribution of goods and service by private businessmen. He believes that a regulated market can lead to shortage in supply which will give rise to hoarding and the existence of black market in the economy. Deregulation as accepted is sometimes used interchangeably with liberalization which has been defined as sector that promotes policy and institutional change designed to free internal and external markets for goods and services, improving efficient operations of markets, correcting markets, distortion, restructuring enterprise and institutions in public sector, and strengthening public revenue and expenditure planning and management.

1.3 Natural Resources.
There is generally no universally accepted definition of the term Natural Resources. However, what seems to be broadly acceptable is the definition of natural resources as all non-artificial products situated on or beneath the soil, which can be extracted, harvested, or used, and which extraction, harvest, or usage generates income or serves other functional purposes in benefiting mankind. Included in this are land, solid minerals, petroleum, water, water resources, and animal stock.

Natural resources are resources that exist without actions of humankind. This includes all valued characteristics such as magnetic, gravitational, and electrical properties and forces. On earth it includes: sunlight, atmosphere, water, land (includes all minerals) along with all vegetation and animal life that naturally subsists upon or within the heretofore identified characteristics and substances.

1.4 Exploitation of Natural Resources

Exploitation of natural resources has been defined as the use of natural resources for economic growth, sometimes with a negative connotation of accompanying environmental degradation. It started to emerge on an industrial scale in the 19th century as the extraction and processing of raw materials (such as in mining, steam power, and machinery) developed much further than it had in preindustrial eras. During the 20th century, energy consumption rapidly increased. Today, about 80% of the world’s energy consumption is sustained by the extraction of fossil fuels, which consists of oil, coal and gas. Another non-renewable resource that is exploited by humans is subsoil minerals such as precious metals that are mainly used in the production of industrial commodities. Intensive agriculture is an example of a mode of production that hinders many aspects of the natural environment, for example the degradation of forests in a terrestrial ecosystem and water pollution in an aquatic ecosystem. As the world population rises and economic growth occurs, the depletion of natural resources influenced by the unsustainable extraction of raw materials becomes an increasing concern.

1.5 The Legal Regime for Deregulation of Exploitation of Natural Resources in Nigeria

Deregulation and privatisation are now global phenomena. They are the offshoot of economic globalisation. Many developed and developing countries have experienced one form of economic reforms or the other as a result of the global economic system. Deregulation of a country’s economy could be conceptualized as privatization, divesture, and marketization of the economy. In essence no government but private participation in the Country’s economic activities. The corner stone of the Structural Adjustment Programme (SAP) of 1986 is the deregulation of the economy in other words called privatization of the economy.

The Privatization and Commercialization Act of 1999 established the National Council on Privatization, the policy body overseeing the privatization of state-owned enterprises, and the Bureau of Public Enterprises (BPE), the implementing agency for designated privatizations. The BPE has focused on privatization of key sectors of the economy, and calls for core investors to acquire controlling shares in formerly state-owned enterprises. Pursuant to which there is an ongoing privatization of government interests in commercial ventures and erstwhile government owned companies are being sold to the private sector. This is with a view to narrowing role of government as both regulator and participant in the industry. But it has been counter argued that privatization of the sector and withdrawal of state participation will simply translate to the exclusion of Nigerians from the industry in more ways than one. Notwithstanding this the Nigerian government has decided to go ahead with the policy even against widespread disapproval on the part of ordinary citizens. Section 9 of the Act established the National Council on Privatization and it shoulders it with the responsibility of determining the political, economic and social objectives of Privatisation and Commercialization of public enterprises and of approving the legal and regulatory framework for the enterprises to be privatised. Since 1999, the Bureau for Public Enterprises (BPE) has privatized and concessioned more
than 140 enterprises, including an aluminum complex, steel complex, cement manufacturing plants, hotels, petrochemical plant, aviation cargo handling companies, vehicle assembly plants, electricity generation and electricity distribution companies. Additionally, more public enterprises were privatised pursuant to the Public Enterprises (Privatisation and Commercialisation) Order. The public undertakings privatize is in the power sector by the unbundling of the Power Holding Company of Nigeria. The Order also contains additional public enterprises to be partially or fully privatized and commercialized through concession.

1.6 Legislations Governing Exploitation of Natural Resources in Nigeria

a. Constitution
The starting point for discussion on the relevant legislations in the area is the Constitution, which is the grundnorm. Section 16 of the Constitution obliges the state to harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy. The state must also control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice, equality of status and opportunity. It should also manage and operates the major sectors of the economy. By virtue of section 44 (3) of the Constitution the ownership of all natural resources in the country are vested interest in the Federal Government. The Constitution provides interalia, “the entire property in and control over all minerals, mineral oils and natural gas in, under or upon any land in Nigeria or in, under or upon the territorial waters and the Exclusive Economic Zone of Nigeria shall vest in the government of the Federation In AG. Adamawa State v. AG. Federation, the Supreme Court held that section 44(3) of the Constitution of the Federal Republic of Nigeria 1 999 is concerned with the ownership, control and management of natural resources by the government of the Federation.

b. The Land Use Act
A lot of malpractice characterised the land tenure system existing before the promulgation of the Land Use Act. A lot of land speculators swooped on hamlets and villages buying up land at pittance. Such speculators often held such land and collected heavy compensations from Government if such land was needed for some public institution. Additionally, because of high commercial value placed on private land, in many acquisition government was made to pay huge sums as compensation to land owners. The Act was promulgated to reform and bring serenity into the chaotic land tenure system in part of Nigeria where the position was unacceptable. Also the Act was enacted to curb the problem of uncertainty of title and the difficulty encountered by government in getting land for development as a result of this it became very imperative that the government must intervene through legislation to court and reform these and other areas of the customary land tenure that needs to be reform. The preamble to the Land Use Act provides for an “Act to vest all land comprised in the territory of each state (except land vested in the Federal Government or its agencies) solely in the Governor of the State. The bracket portion of the preamble contains an importance proviso which makes an exception with respect to federal ownership of land. Additionally, the Act nationalised land through a combination of two approaches. It vested all land in the state, and abolished private ownership of it which was accomplished by making a right of occupancy the largest interest capable of existing in favour of a private person or body.

c. The Petroleum Act
The Petroleum Act, for all intent and purposes, remains the principal legislation that governs all activities pertaining to petroleum exploration and marketing within Nigeria. The Act vests inthe Federation “the entire ownership and control of all petroleum in, under or upon any lands” in the country. The Act governs petroleum matters in Nigeria, its territorial waters and Exclusive Economic Zone. Its provisions cover issues such as oil exploration, prospecting and mining licences, establishment of petroleum refineries, control of petroleum products, etc. Thus it is discernable from the
above that the main thrust of the Act is on the downstream sector of the petroleum industry. Hence it dwells on such issues as oil exploration and production refineries and their establishment, and powers of the Honourable Minister of Petroleum in that respect. Likewise, the consequences of the provisions in the Petroleum Act, is that no person may undertake any activity for the exploration or production of oil and gas without written authorisation of the Federal Government. Such authorisation would usually be by grant of oil prospecting licence and/or mining lease. This approach to ownership is adopted in Nigeria so as to assert national sovereignty over territorial natural resources, which allows the nation needs to be satisfied.

d. The Oil Pipelines Act.
The construction of oil pipelines in Nigeria as a medium of transporting petroleum and its products is regulated by the Oil Pipelines Act. The Act makes provision for licences to be granted for the establishment and maintenance of oil pipelines incidental and supplementary to oil fields and for the purpose ancillary to such pipelines. The Oil Pipelines Act requires permission to survey as a pre-requisite to engaging in construction of pipelines. A permit to survey legitimizes (which otherwise would be illegal) all actions pursuant to the laying of the pipelines. It should be noted that the Act regulate laying of pipelines generally and is not restricted to pipes carrying petroleum and allied products.

e. The Nigerian Minerals and Mining Act.
The principal legislation on mining and mineral resources in Nigeria is the Mineral and Mining Act of 2007. The Act, is enacted for the purpose of regulating all aspects of the exploration and exploitation of solid minerals in Nigeria and for related purposes. The Act defines “mineral resources” to mean any substance whether in solid, liquid, or gaseous form occurring in or on the earth, formed by or subjected to geological processes including occurrences or deposits of rocks, coals, cola bed gases, bituminous shales, tar sands, any substance that may be extracted from coal, shale or tar sands, mineral water, and mineral components in railing and waste piles, but with the exclusion of petroleum and waters without mineral content. The Act opens with a noteworthy provision which vested the entire property in and control of all mineral resources in, under or upon any land in Nigeria, its contiguous, continental shelf, and all rivers, streams and water course throughout Nigeria, any area covered by its territorial waters or constituency and the Exclusive Economic Zone in the Federal Government.

The legislations highlighted above are the most significant in the area, even though, except those in the petroleum sub-sector there seems to be not much legislations devoted to other sectors of exploitation of natural resources in Nigeria. Similarly, the Privatization and Commercialization Act of 1999 contains only scanty guidelines on the nature of the sector of the economy to be privatize, leaving much discretionary powers on the policy and implementing bodies.

2. Ownership and Control of Natural Resources in Nigeria

The ownership and control of natural resources in Nigeria, has become topical, sensitive; sensational, preponderant and vexatious. This is so because, natural resources earn national wealth. In the world, two main types of natural resource ownership exist; viz private and public ownership. There is, however, a third type of natural resource ownership which is a hybrid of both public and private. Nigeria and the United States of America are countries where public and private ownerships of natural resources are obtained/practiced respectively.

In most definitions of ownership, land is distinguished from other types of property ownership. This is so because under Common Law, land is inclusive of quic quid plantatur solo solo cedit. By implication, therefore, in a capitalist economy, where individuals own land, the mineral resources located therein belong to the landowners.

2.1 Ownership Theories of Natural Resources in Nigeria
In Nigeria, the permanent sovereignty over natural resources theory is practiced. This theory is one that totally confers on the host country sovereign rights to the permanent ownership of natural resources found within its geographical location. The theory is traceable to the various United Nations Resolutions which have helped some countries which hitherto had no ownership theories to lay legal claims to deposits within their geographical continental shelves, territorial zones and exclusive economic zone areas. Under this category are former colonies of developed countries which at independence mounted pressure for economic emancipation such as Nigeria. In Nigeria, for instance, ownership of natural resources is vested in the federal government.

Surely, the international law position is that every nation has the sovereign control of its natural resources. This practice is based on the Latin maxim: *quic quid plantatur solo solo cedit*. This means he who owns land, owns what is in it deep down the earth and he also owns what is on top of the earth space up to the sky and beyond for example, mountains, forests, rivers, grasses, stones and minerals. It is because of this principle that the Niger-Delta people are agitating for the ownership of mineral oil in their land and is the basis upon which the Niger Delta region of Nigeria gave birth to the issue of resource control which culminated in the case of A-G Federation v. A-G Abia & 35 ors. However, the maxim has been qualified by the Constitution of the federal Republic of Nigeria, in Section 44(3) which provides that:

> Notwithstanding the foregoing provisions of this section, the entire property in and control of all minerals, mineral oils and natural gas in. under or upon any land in Nigeria or in. under or upon the territorial waters and the Exclusive Economic Zone of Nigeria shall vest in the Government of the Federation and shall be managed in such manner as may he prescribed by the National Assembly.

This exclusion of the application of the Common Law rule by the constitution is re-emphasized by some other Acts of the National Assembly for example, the Minerals and Mining Act, Water Resources Act, National Inland and Waterways Authority Act, the Exclusive Economic Zone Act and the Petroleum Act. In all these Acts, the ownership of mineral deposits exclusively belongs to the Nigerian State:

### 2.2 Ownership Theory under the United States Law

Ownership of natural resources in the United States of America is a bit more complex. This is because of the fact that the United States practices proper or “true” federalism in which states control all activities except foreign policies, military and monetary. Since the inception of the petroleum industry in the United States, there has been private ownership.

In many parts of the United States where natural resources are found, there has been freedom of exploitation. This is so because of the rule that applies in some of the states that the owner of the land in which natural resources are found may lay claim to it to some extent.

Ownership of natural resources is vested in individuals upon whose land the products are discovered. This means individuals own oil wells and other mineral deposits. However, where these individuals explore and exploit these deposits, taxes and royalties are paid to the government of the state where the reservoirs exist. Moreover, some level of authority is exercised by individual coastal states where mineral oil is found. Under this situation the federal government of the U.S. and the coastal states jointly own and/or exploit natural resources.

It is to be noted however, that in certain jurisdictions, ownership of natural resources is not recognized unless and until the oil has been produced and reduced to possession. This is referred to as the Qualified Ownership Theory. Under this theory, the land owner or lessee, whilst not having full property rights in situ to the resources, does have a recognized right to acquire such absolute title by reducing the hydrocarbons into possession. This theory which obtains in California and Indiana is also known as the Capture Rule which rule is founded upon the belief that as migratory properties,
ownership of natural resources can only crystallize if and when it is captured and brought into possession. Therefore, possession of the land does not necessarily involve possession of the gas. If someone drilling on his own land reaches the common deposit and obtains through those wells the hydrocarbon (gas) of neighbouring areas, the ownership of that natural resource passes to whoever produced it.

Likewise, there is what another type of ownership that is popularly referred to in the oil industry as the “Texas theory” on account of its origin, exists in the states of Texas, Pennsylvania and Arkansas. Under this variant of ownership, the land owner is regarded as having legal title in the natural resources beneath his land, he is not a co-owner when the reservoir cuts across lands owned by different persons. However, the limitation to the absoluteness is when the owner loses title if the oil migrates to an adjacent land. Thus, in Barnard v. Monongahel Natural Gas Co. the court refused to restrain drilling by an adjacent land owner aliened to be drilling from a reservoir under the plaintiff’s kind, holding that the plaintiffs remedy was self-help by drilling his own well.

The rule of capture, and or ownership-in-place, though qualified by capture rule, if allowed its full run, will lead to a dangerous preponderance of natural resources wells as a result of the fact that even landowner and/or oil seeker will drill as many wells as possible. This undesirable state of affairs will have negative effect on the environment as well as the quantity and quality of captured natural resources. The rate of dissipation and waste may increase while reserves may dwindle. It was in a bid to stem and checkmate this that the Conservation Act was passed by the US Government which has been domesticated by individual states. The State of Pennsylvania has passed this law which is now known as Pennsylvania Oil and Gas Conservation Law.

 Principally, this law prohibits the waste of natural resources which waste includes physical waste as well as drilling more wells than are necessary. It authorizes the Department of Environmental Protection to issue spacing orders which determine where wells can be drilled. This means that when multiple landowners own interests in a drilling unit, the landowners will share in the royalties from the oil or gas well in proportion to their ownership of the land contained within the drilling unit regardless of whose land the well is drilled upon. The law also prohibits over productivity through unitization. Sometimes, several oil wells are owned by different people, each well producing oil and gas from a common reservoir. To minimize the production of the reservoir, the different wells may be operated jointly, as one unit.

3. A Comparative Analysis of Ownership Theories in Nigeria and USA

When presented with natural resources cases, early common law jurists were somewhat reluctant to recognize corporeal possessory interest in substances they considered to be fugacious or “wild and migratory” and therefore subject to loss by drainage or capture. In the US, two different theories of natural resources arose. First, some states, such as Texas, have adopted the “ownership-in-place” theory for natural resources that a land owner owns a corporeal possessory interest (similar to a fee simple) in the substances beneath his land but his ownership is a determinable fee subject to the rule of capture. Second, other states, like Oklahoma, have adopted the “exclusive-right-to-take” theory that a land owner does not own substances that underlie his land but merely retains the exclusive right to capture the substances, a non-corporeal interest. The difference between the two theories is primarily of import in determining remedies.

Subsurface ownership boundaries are the same as those upon the surface, projected downward to the centre of the earth. This concept is based upon the Roman (Latin) legal principle of property law, quic quid plantantur solo solo credit (that whatever is affixed to the soil belongs to the soil).

Under the Nigerian system, the government owns all mineral deposits. This, therefore, excludes completely the application of the capture rule, but admits of conservation as
encouraged in the United States. The right of action in Nigeria lies with the Federal Government: in the United States, the right of action lies with the individual upon whose land there is trespass by another for the purpose of capturing natural resources.

Several legislations besides the Nigerian constitution invest ownership of natural resources in the Federal Government on behalf of all Nigerians. Particularly, Section I of the Nigerian Minerals and Mining Act provides that the entire property in and control of all mineral resources in, under or upon any land in Nigeria, its contiguous zone, continental shelf and all rivers, streams and water courses throughout Nigeria, any area covered by its territorial waters or constituency and the Exclusive Economic Zone is and shall be vested in the Government of the Federation for and on behalf of the people of Nigeria.

4. Effect of Deregulation of Exploitation of Natural Resources on Nigerian Polity

Under the Nigerian Oil and Gas Law, the word “deregulation” has two interpretations the ordinary meaning and the Nigerian technical meaning. Under the ordinary context, it means the removal of regulation into, within and exiting from the economic sector. On the Nigerian technical side, the word “deregulation” means the legal right of the government to remove subsidy it expends in getting the products available at uniform price throughout the country.

Additionally, deregulation to the federal government means reducing government borrowing, raising revenue through taxes, promoting healthy competition in a free market environment and improving returns from investment. The main objective of deregulation is to introduce a market economy thereby increasing economic efficiency, deepening democracy and guaranteeing political freedom as well as increasing government revenue.

According to Funsho Kupolokun, the Nigerian government embraces of privatization and liberalization is influenced by the successes of other countries (Asian countries) in doing same. According to the former Group Managing Director, the intended goals of privatization deregulation are to dismantle the natural monopoly of state-owned enterprise by privatizing and deregulating price controls: creating competition in the downstream sector by encouraging more companies to get involved and eventually supplying the market at competitive pricing levels: reducing the cost government spends on subsidizing the sector which runs as high as S1.5bn annually, and can subsequently use the resources freed to cater for the socio-economic and welfare needs of the Nigerian people; boost Foreign Direct Investment (FDI) to the Nigerian economy and to reduce transportation costs of products.

Deregulation demands that government restrict itself to the areas of governance and provide guidelines for the operation of economic activities by private individuals. The deregulation of the Nigerian downstream petroleum sector in particular and the Nigerian economy in general is an idea packaged and sold by metropolitan agencies such as the World Bank and the International Monetary Fund (IMF). The aim is to remove encumbrances placed by Neo-Socialist governments on the free operation of a market economy with its claim to efficiency.

Government argues that deregulation of the downstream oil sector is premised on the expectation that it will improve the efficient use of scarce financial resources by subjecting decisions in the sector to the operations of the forces of demand and supply.

Economic pricing of petroleum products is one of the major factors that will attract private investors into the downstream petroleum sector thereby increasing competition and promoting overall productivity which will lower prices overtime. Independent Oil Marketers will be free to set their prices based on their investment. Deregulation, through subsidy removal, will lead to adjustments that will push prices towards its market determined value. Appropriate pricing achieved through this policy will make activities
in the sector more profitable and attractive to private, domestic and foreign investors. The ultimate effect of this chain of activities is increased gains for the citizens who would be getting the most out of their natural resources.

The success in the telecommunications deregulation prompted the government to venture into the natural resources sub sector. Government expects deregulation to reduce economic waste and lighten social burdens caused by government involvement in economic activities. For several years, Nigeria experienced scarcity of petroleum products that almost crippled national economic activities and increased the cost of doing business. The scarcity inevitable led to a flooding of the market with adulterated products which caused damage to vehicles and machines. In many parts of the rural areas, some were forced to buy fuel (in the black market) at 30% higher than their original price. The government, therefore, believes that the deregulation of the downstream sector of the petroleum industry remains the only viable option in expanding opportunities for economic growth and competitive downstream sector. In rationalizing deregulation, the government believes that if regulation is limited to oversight and regulatory functions aimed at guaranteeing quality of products and preventing consumer exploitation, then the process of deregulation could help achieve greater cost effectiveness. Even if all the countries’ refineries were to operate at full capacity, there would still be a petrol supply deficiency due to population increase and increased industrialization. Therefore, it is submitted that importation will remain inevitable until additional refining capacities are built through the ongoing green field refinery project. Thus, presently Dangote is constructing a refinery in Lagos State that may be the largest in Africa.

However, discussions are currently under way with prospective investors who are willing to provide Foreign Direct Investment (FDI) to build additional refineries in the country to ensure domestic self-sufficiency and the export of refined petroleum products within the next few years. The Petroleum Industry Bill contains special fiscal incentive to encourage the establishment of new refineries around the country. A viable local refining sector will, in the long term, bring down the pump price of petroleum products below the current import parity.

Many governments in developing countries including Nigeria control petroleum products prices. This is so because it has become an instrument of political reward and patronage. This political inroad into economic sphere has derailed an otherwise good government.

Nigeria, with its heavy reliance on the global market is inexorably caught in the web of global market price intrigues. To reduce the direct impact of the global price conundrum, Nigeria has adopted a subsidy regime to keep prices at a determined level while bridging the gap between the petroleum price at the international market and the landing cost. Borno state for instance is over 1,500km from the Lagos port where imported petroleum products are discharged. With the distance between the two states, it is only logical that transportation costs of conveying petroleum products to Maiduguri in Borno State must come to bear on the cost per liter of petroleum products in Borno State. In other words, where a marketer discharges petroleum at Apapa Port in Lagos at a landing cost of N120.00 per litre, he might decide to sell at N125.00 or N130.00 within Lagos and its environs, while after transporting the products to Maiduguri, he may be forced to sell at N140.00 per litre. He might also decide to sell at N135.00 per litre at Ibadan, where he had incurred minimal transport cost from Lagos, compared to Maiduguri. Given this scenario, there is bound to be a haphazard situation that could create chaos and an unprecedented economic crisis. This is why the uniform pricing policy/model was adopted to principally ensure uniformity of petroleum products prices across the country.

Uniformity in the pricing of petroleum products throughout the country has been ensured and sustained because of the control and regulation of the industry by the government. Thus, the current proposals on the deregulation of the natural resources sector will not only bring
heterogeneity in the prices of these products but will also bring about wholesome competitive activities in the marketing of these products.

5. Conclusion

Nigeria adopted the theory and practice of public ownership of natural resources, which is constitutionally provided for other legislations. This public ownership of natural resources is vested in the federal government without any tangible or real exception and administered for the benefit of the citizenry.

The globalization trend carries with it a component of deregulation of public enterprises in all sectors of the economy, which requires divesting government of ownership and control of the economy in favour of private sector. This idea of globalization together with other national challenges resulted in the Structural Adjustment Programme in Nigeria since 1986, which has as its major component the deregulation of the economy. This policy is now being gradually extended to the area of exploitation of natural resources that the nation is endowed with.

References

Books


Journals


Godwin, D. T. & Dagogo, O. (nd) “Deregulation of the Nigerian Economy: The

Ibanga, I. The Economics of Privatizing and Deregulating the Nigerian Downstream Oil Sector, Valore International, p.1.


Newspapers


Internet Materials


www.investopedia.com/terms/d/deregulation.asp, visited 22/05/017

www.businassdictionary.com, visited 22/05/017