



# CODESRIA

# 13

ème

Assemblée générale  
General Assembly  
Assembleia Geral  
الجمع العام الثالث عشر

**L'Afrique et les défis du XXIème siècle**  
**Africa and the Challenges of the Twenty First Century**  
**A África e os desafios do Século XXI**  
**إفريقيا وتحديات القرن الواحد والعشرين**

**DRAFT VERSION**  
**NOT TO BE CITED**

**Unscrambling the Struggle for Nigeria's Oil: What  
Developmental Options for an 'African Giant'?**

*By Cyril I. Obi*  
*Uppsala, Sweden*

**5 - 9 / 12 / 2011**

**Rabat Maroc / Morocco**

## **Introduction**

The growing competition involving the world's established and emerging powers over oil reserves in Africa has been likened to the 19<sup>th</sup> century scramble for territories in the continent by European Imperial powers (Obi 2009: 196-197). This 'new scramble' for Africa's resources, particularly oil and gas, has occupied the interests of many scholars, policy makers and strategists. It has also been the object of a growing literature on the implications of the new trend—both for Africa and the world's powers. At its centre is the growing challenge to the dominance of Africa's oil sectors by Western oil multinational corporations by the increased investments by state-owned oil corporations from the emerging powers (Brazil, Russia, India and China) or BRIC countries. The point of departure of this paper is a clear analysis of the complex dimensions of the critical place of Africa's oil and gas resources in the competing energy security calculations of the world's established and emerging powers, and the opportunities and risks that these new trends portend for the continent's development.

The focus of this paper is to explore the implications of the growing competition between oil multinationals from the established powers and state-owned oil enterprises from emerging powers and the prospects that with the 'new oil boom', African petro-states such as Nigeria, can seize the moment and use 'oil power' to achieve radical socio-economic transformation. The entry of state oil enterprises from the BRIC countries (collectively the world largest emerging markets) into the African oil scene has transformed African place in the international political economy of oil. It has increased the strategic clout of African petro-states and placed them in a position of advantage to tap into an energy diplomacy framed around southern solidarity and multilateralism. African states are also much better placed to explore an alternative to the dominance of Western oil multinationals and technology and tap into new opportunities to build stronger linkages between energy and other sectors of their economies and tap the immense growth potential. However, two questions arise from the new conjuncture: will African petro-states merely exchange Western dominance of their oil sectors with BRIC dominance, in which the control of oil production (as opposed to ownership) will remain in the hands of external powers, or will African engagements with the BRICs lead to the transfer of the control of oil production in ways that uplift the lives of the majority of African people, and create a new impetus for Africa's rapid transformation?

This paper does not limit itself to the likely developmental spin-offs that may accrue to oil-endowed African states on the basis of receiving increased revenues for oil as a result of the new scramble. Rather, it goes beyond the well-worn debates on the 'oil curse' (Obi

2010) to locate the developmental potential of oil in terms the control of the capacity to produce oil and connect it to a thoroughgoing project of national political and economic transformation.

Although Africa is estimated to hold about 9 per cent of the world's oil reserves, it is regarded as the latest frontier in the global race for oil supplies (Cheru and Obi 2011: 100), in the face of growing demand from the West and the emerging powers in Asia and South America. In spite of the relatively smaller size of its oil reserves, Africa is viewed as an alternative to the volatile Arabian Gulf/Middle East which holds the world's largest oil reserves, but also uses oil as a tool of resource nationalism. Africa with its more liberal (less tightly regulated) oil investment environment has therefore become critical to the energy security calculations of the world's established and emerging powers, particularly China, India, Brazil and Russia.

The competition over Africa's oil is also fueled by the speculation that global oil production is nearing its peak, as oil companies are finding it difficult to replace every barrel of oil consumed and new large oil finds are becoming increasingly scarce. As a result of Africa's proximity to oil markets, the fine quality of its light crudes (easier and cheaper to refine, less polluting), the immense potential for off-shore exploration in Africa's continental shelf, relatively easier investment terms, and new offshore oil discoveries, the continent has become one of the most attractive destinations and an arena for the global search for prolific oil reserves, stable oil supplies and profits.

As noted earlier the oil sectors of most African oil producing states is dominated by oil multinationals or international oil companies from the West: Chevron Texaco, Royal Dutch Shell, Exxon Mobil, BP and Total. Apart from the oil giants, there are many smaller oil companies or 'independents' that operate in smaller high-risk exploratory arenas. The past decade and the half have witnessed the emergence of new actors on the global oil scene: state oil corporations from South America and Asia, sourcing for oil from all parts of the world, but particularly keen to establish a foothold in Africa's largely untapped huge hydrocarbon reserves estimated at about 1.2 trillion barrels of oil and 181.6 trillion cubic metres of natural gas deposits (African Economic Brief, May 2011: 6).

In the past decade, China, India, and Brazil have imported substantial amounts of oil from Africa, and their state oil corporations have acquired exploratory rights to oil blocks in the continent with varying degrees of success. In some cases these state oil corporations have either joined international oil consortiums operating in African oil states or gone into joint ventures with African state oil corporations. The form of energy diplomacy used by the BRIC

countries in which they leverage historical ties and a mix of incentives: low interest loans, capacity and knowledge transfer and infrastructure for oil deals to gain access into the African oil sector, opens up new possibilities for African states and has redefined their relations with the world's oil-importing powers.

In this paper, the introduction is followed by an analysis of the scramble over oil wealth within Nigeria, Africa's largest oil producer. The third section focuses on the international scramble for Nigeria's oil, including the competition between western international oil companies and state oil corporations from the emerging powers of China, India and Brazil, and the competition between some of the oil corporations of the emerging powers. In the concluding section, the fundamental questions addressed are: can oil be the catalyst for Nigeria and Africa's 'rise' on the basis of an alternative developmental model or will lead to the replacement of old oil exploiters by new ones? What is most viable option for transforming oil endowment into development?

### **The Politics of Resource Control in Nigeria: a scramble within?**

The internal 'scramble' for oil in Nigeria is connected to the state's monopoly of oil power, including the power to allocate oil revenues to the various tiers of government—and the relations of inclusion and exclusion corresponding to this. It is a struggle involving rather complex and fluid groups and alliances locked in an intense struggle for power, which more often than not translates into a volatile mix of collaboration, competition and conflict at the fractional, class and ethno-political levels (Obi 2011a: 73-76). Thus, various factions of the ruling elite jostle for power, or lucrative niches within the Nigerian petro-state. This much could be partly gleaned from the post-1970 military coups, the nature of politics in the second republic when the ruling elites of the National Party of Nigeria (NPN) used the leverage of state power incumbency to subdue the opposition and manipulate elections.

Since 1999, the ruling elites of the ruling People's Democratic Party (PDP) have also used the power of incumbency to consolidate their hold on power, with the former President Obasanjo quoted as describing the controversial 2007 Nigerian elections as a 'do or die' affair (Obi 2011b: 327), underscoring the zero-sum approach to politics. The high premium placed on controlling the levers of the oil-rich state is manifest both in the highly fractious nature of the Nigerian ruling elites and the political instability that flows there-from, and the ways they seek to manage the competition and conflicts, through compromises, power-sharing, and 'the stepping back from the brink' routine that appears to be a feature of Nigerian politics.

However, the more pronounced aspect of the contestations over oil power is embedded in the struggle for “resource control” – the historical quest of the ethnic minorities of the Niger Delta for local autonomy and the right to control the natural resources in the region for their development (Saro-Wiwa 1995; Ukoha 2007; Ukeje 2001; Okonta 2008; Obi 2007; Omotola 2009). It stems from two issues: the domination of Nigeria’s political space by ethnic majorities, and the quest of the ethnic minorities of the North and South to create autonomous spaces (regions/states) within the federal framework to prevent their further marginalization.

This was particularly significant in the case of the ethnic minorities of the Niger Delta. Oil served as a catalyst for sharpening the claims of the Niger Delta minorities for their local autonomy, and a greater share of the oil wealth, which from 1969, had been appropriated by decree by the federal military government. Indeed, as early as February 1966, a short-lived rebellion by ethnic minority Ijaw youth, tried unsuccessfully to secede from Nigeria by declaring the Niger Delta Republic (Kaemi 1982). Although the leader of that rebellion Isaac Adaka Boro later cast his lot with the federal side during the civil war as a strategy for preventing the secessionist Biafra (Igbo ethnic majority of Eastern Nigeria) from claiming the oil in the Niger Delta, and three new states were created in the region, it did not translate into ethnic minority control of the oil revenues generated from the region.

In post-civil war Nigeria the struggle between the oil producing ethnic minorities of the Niger Delta and the federal government dominated by the non-oil producing majority groups has been based on several deep-seated grievances of Niger Delta ethnic minorities. These include the view that the federal (oil) revenue allocation principles (particularly derivation) are unjust and skewed against them—even though they contribute the most to the federal purse, they get much less in proportion to what they contribute (85% of federal revenues), and they bear the full environmental brunt of oil production, which destroys their livelihoods, with no compensation or comprehensive remedial policies/actions.

After a series of petitions and complaints in the 1970s and 1980s, the harsh effects of the economic crisis and structural adjustment programme (SAP) worsened living conditions in the region, and new social forces emerged to channel the grievances into protests that were framed to appeal to an post-Cold war international community committed to human, environmental, minority and indigenous peoples rights. Of note was the campaign of the Movement for the Survival of Ogoni People (MOSOP) which addressed the 1990 Ogoni Bill of Rights to the federal government demanding among others local autonomy for the Ogoni ethnic minority, control of oil produced from Ogoniland and compensation for oil pollution

and damages to Ogoni livelihoods (Saro-Wiwa 1995). A key demand was to increase the revenue allocation principle of derivation (which provided that the revenue given to a state should be proportional to its contribution to the federal purse) from the very low level (3 per cent), which was seen as unfair and discriminatory against the people of the region. Beyond this, MOSOP and other ethnic minority movements also campaigned for a “return to the principles of true federalism” or a restructuring of the federation (perceived as being dominated by an ethnic majority oligarchy) based on local autonomy and the decentralization of central power.

MOSOP’s struggle of local resistance against federal domination of oil and the exploitative and polluting activities of oil multinationals, particularly Shell are well-studied and will not be repeated here. What is important, however, is that the MOSOP campaign suffered severe setbacks as a result of internal rifts, and sustained military repression, which culminated in the execution of nine of its leaders, including the charismatic writer, Ken Saro-Wiwa in November 1995, who had played a key role in internationalizing the Ogoni cause, and the militarization of the entire region (Okonta 2008).

In spite of the setbacks that MOSOP suffered, other groups emerged to resist federal control of oil and demand resource control for the ethnic minorities of the Niger Delta. In December 1998 the Ijaw Youth Council (IYC) drawing on ethnic minority Ijaw from the Niger Delta states made the Kaiama Declaration, which among others, demanded for Ijaw control of the oil produced from its region and ordered oil multinationals to leave the Niger Delta until IYC resource control demands was addressed by the Nigerian state.

Although the IYC protests were crushed by the Nigerian military, Nigeria’s return to democratic rule only served to deepen the tensions in the Niger Delta, as the initially high expectations of the people that democracy would deliver social justice, redress and resource control were dashed. Worse, a fraction of the Niger Delta associated with the ruling PDP elite co-opted and armed certain elements and groups from the region to use violent means to subvert elections, thereby legitimizing the use of force as a political weapon.

This neglect of the roots of the grievances in the region, and the refusal of the federal government to accede to an incremental increase in the derivation principle from 13 to 25% later pushed hardliners to the front of the resistance campaign, moving it tragically, from a largely non-violent to a full blown insurrectionist phase led by the Movement for the Emancipation of the Niger Delta (MEND) in early 2006.

According to the MEND’s spokesperson, Gbomo Jomo, “the Movement for the Emancipation of the Niger Delta (MEND) is an amalgam of all arm bearing groups in the

Niger Delta fighting for the control of oil revenue by indigenes of the Niger Delta who have had relatively no benefits from the exploitation of our mineral resources by the Nigerian government and oil companies over the last fifty years (Quoted in Ross 2007). MEND's exploits directed at crippling the Nigerian oil industry: kidnapping foreign oil workers, targeting oil installations and the production facilities of oil companies, and its engaging of the Nigerian military in combat has been an object of great media attention locally and internationally. At the peak of the MEND insurgency in 2007-2008, Nigeria lost a third of its daily oil production as a result of forced oil company shut-ins of production either as the result of the abduction of key oil personnel, or acts of the sabotage on critical oil installations/pipelines.

In the struggle for oil between the oil multinationals, ethnic oil minority militias and the state, the latter has often mediated the ensuing conflict by siding with its transnational extractive partners against local forces of resistance in the Niger Delta. Thus, for strategic security and oil analysts, the real concern has been the cutting off or shutting in of an estimated one third of Nigeria's oil production as a result of the activities of militias and armed groups in the region. What this has meant is the further securitization and militarization of the region, as the Nigerian state seeks to rout the militias operating in the Niger Delta, which continue to insist on the rhetoric of resource control in the insurgency against the state. However, the announcement of an Amnesty programme by the president in 2009 led to a de-escalation of insurgent violence after leading militia leaders handed in their weapons and thousands of their foot-soldiers signed on to a post-amnesty transformative training programme (Obi and Rustad 2011: 204-207; Newsom 2011: 2). In spite of the post-amnesty programme, internal wrangling within the Niger Delta elite and the continued protests from factions of MEND opposed to the amnesty deal have meant that tensions continue to seethe beneath the appearance of calm in the region.

### **The Global Struggle for Nigeria's Oil**

What is currently being experienced is a new phase in the global struggle for the oil and gas in the Niger Delta, involves established and new international oil players in the region. There is a sense in which the struggle for Nigeria's oil was embedded in the colonial enterprise. As noted elsewhere, Imperial Britain had in 1889, 1907 and 1914 passed a series of laws by "that gave the monopoly over oil concessions to 'British or British-allied capital'" (Obi 2006: 16, Obi 2009a: 197).

Using these laws 'Shell D'Arcy was granted an Exploration license in November 1938 to prospect for oil throughout Nigeria' (Shell.com 2009). According to the Shell website, Shell D'Arcy went on the strike oil in January 1956 in Oloibiri, (in present Bayelsa state) in the Niger Delta, and changed name in April of the same year to Shell-BP Petroleum Development Company of Nigeria, Limited. Shell-BP commenced oil exports in February 1958.

It was not until 1959, just a year before independence that the 'British monopoly' of Nigeria's oil reserves was broken, and the first global oil scramble for Nigeria commenced. But this 'scramble' commenced only after Shell-BP had identified the most promising oil reserves and established a clear head start over other Western Oil Multinationals such as Mobil, Texaco, Agip (now ENI), Esso (now Exxon), and Safrap (now Total) that later come on the scene (Obi 2009a: 197).

This scramble took place in the context of a Nigerian state that had very limited knowledge of the oil industry, and reduced to a mere collector of oil taxes, as the foreign companies took advantage of the situation to dominate the early history of the industry. Indeed Nigeria's first oil refinery and oil export terminals (Bonny and Forcados) were built by Shell-BP. It was not until the outbreak of the civil war in 1967 and the 'OPEC revolution' of the 1970s that the Nigerian state stepped up the effort to re-negotiate its relationship with the Western Oil Multinationals through asserting its ownership of Nigeria's oil and setting up of a national oil corporation the Nigerian National Oil Corporation (NNOC), which later became the Nigerian National Petroleum Corporation (NNPC), and the signing of a series of participation agreements: joint venture and production sharing contracts. These reforms stopped short of the nationalization of the oil industry, and only provided for reforms that gave the Nigerian state and indigenous ruling class greater access to oil profits and cementing their partnership with the oil multinationals.

Although the Oil Multinationals struggled among themselves to get lucrative stakes in the Nigerian oil industry, Shell by all standards remained the frontrunner, declaring that it had crossed the 1 million barrels per day production threshold in 2003 (Shell.com 2009), the highest by any multinational oil company operating in Nigeria. Although Shell again modified its name in 1979 to Shell Petroleum Development Corporation (SPDC) after the Nigerian government 'nationalised' the BP shares, it later metamorphosed (and multiplied) into the Shell group in Nigeria: Shell Production Exploration Production Company (SNEPCO, in 1993), Shell Nigeria Gas Company (SNG, in 1998), and Shell Nigeria Oil Products (SNOP in 2000). These were separate from Shell interests in the Nigerian National Liquefied Gas Limited (NNPC has controlling participation of 49%), where the company



holds 25.6% participation interests, compared to Total's 15% and ENI's 10.4%. Shell dominance is evident in the Nigerian oil industry and it provides almost half of Nigeria's daily oil production, exports and external oil receipts.

Yet, its dominance has not gone unchallenged by other Western Oil multinationals that have adopted other strategies of gaining access to lucrative niches in the Nigerian oil reserves, as well as the upstream and downstream sectors of the oil industry. Some of the strategies used by companies include seeking new concessions in offshore locations, engaging in 'sweet heart' oil deals or bribing members of the Nigerian ruling elite as the US Halliburton bribery scandal has shown (Mojeed and Olorunpomi 2009), or by tapping into strategic relations at the state to state level.

Shell's dominance is however not replicated in the case of the West African Gas Pipeline Company (WAPCO) a public-private enterprise planned to transport natural gas from the Niger Delta to neighbouring West African states: Benin, Togo and Ghana. The largest shares in WAPCO, 36.7% are owned by Chevron West Africa Pipelines limited, NNPC holds 25%, Shell Overseas Holdings Limited holds 18%, Takoradi Company Limited holds 16.3%, Societe Togolaise de Gaz holds 2% and Societe Ben Gaz holds 2%.

Shell, Chevron Texaco, Exxon Mobil, Total and ENI account for almost all of Nigeria's oil production with access to about 98 per cent of the country's oil reserves. Although they operate within a transnational alliance with the Nigerian state and ruling elite, they, backed by their home governments have considerable leverage over the Nigerian government by virtue of their international clout within the industry, their knowledge and control of the oil technology, and strategic alliances that they have woven with strategic members of the Nigerian ruling elite and public bureaucracy.

In more ways than one, the position of the Nigerian state is ambivalent. At one level, it is embedded in the global scramble for oil in the Niger delta as a partner of the oil multinationals operating within its territorial space. But it could also be seen as distinct and separate from the scramble as the "owner" of the oil—a 'gate-keeping' role of power, which is also paradoxically defined if its status is clearly understood as one of ownership-without-full-control. Given that the state is also embroiled in the 'scramble within', its ability to mediate the competition is partly compromised because it is also an object and space for multiple scrambles underlined by oil, upon which it is entirely dependent, a situation that further complicates state politics and Nigeria's developmental prospects.

## **The New Entrants: Asian National Oil Corporations**

The latest 'big' entrants into the 'scramble' for Nigeria's oil are the Asian National Oil Corporations (ANOCs). This is against the background of growing energy demand and dependence by the rapidly expanding Asian economies (that have emerged as formidable global economic players), greater resource diplomacy and engagement with Africa by the emerging powers from Asia, and the quest of African ruling elites to diversify their dependence on the West—particularly its (interventionist) aid conditionalities, double standards and perceived condescending treatment of Africans.

### **China**

A critical aspect of China's trade with Africa, currently estimated at \$114 billion (overtaking Europe as Africa's second largest trading partner. And the world's second largest economy) relates to its quest for African oil as part of its global energy security strategy (Obi 2010: 181-186; Cheru and Obi 2011: 100-104). This was against the background of China's transformation since 1993 from being an oil exporter to an oil importing country, growing energy demand in the face of record economic growth levels and the expansion of the middle class, and a desire to diversify the country's dependence on Middle East oil. With China's emergence as the world's second largest consumer of oil, its quest to diversify and expand its sources of supply has become a central focus of its energy security strategy.

In this regard, Africa's place is writ large in 'China's oil diplomacy and energy security calculations as an emergent power in a rapidly globalizing post-Cold War world' (Obi 2010: 182). China has put in a lot of effort in developing close ties with oil and gas producing countries in the world, and in Africa in particular. These are largely aimed at guaranteeing uninterrupted access to oil (through exploration and extraction rights). Thus, relations with its leading African suppliers: Angola, Sudan, Republic of Congo (Brazzaville), Equatorial Guinea and Nigeria, and other African oil producers occupy a special place in evolving Sino-African relations. A key component of China's oil diplomacy in African petro-states has been the use of "generous investment in infrastructure projects, for which African states give oil as payment" (Zhao 2011).

'China's entry into the lucrative Nigerian oil sector was attendant to visits by President Olusegun Obasanjo to China in 2001 and 2005, and a reciprocal visit by the Chinese President in 2006' (Obi 2009a: 201), followed by several investments by Chinese oil companies, some of which were tied to specific oil-for-infrastructure development projects related the railways, civil construction, and the oil industry. According to Mbachu (2006: 79),

Petro-China signed an \$800 million deal with the NNPC to supply 30,000 barrels of oil per day to China in 2004. It is also reported that in the same year, SINOPEC signed a deal with the NNPC and the Nigerian Agip Oil Corporation (a subsidiary of ENI) to develop two oil wells (Taylor 2007: 636).

However the real inroad by China into the Nigerian oil scene was in 2005, when the China National Offshore Oil Corporation (CNOOC) bought a 45% stake valued at \$2.27 billion in an offshore oil field (Akpo) and also acquired 35% interests in an oil exploration license valued at \$60 million in the Niger Delta. This was after the CNOOC 'outbid' India's Oil and Natural Gas Corporation Limited (ONGC) to seal the Akpo oil deal. India's ONGC had been interested in the same oil block, but had been constrained by the Indian government that felt that the investment would involve too much risk (Obi 2010: 188).

Following the visit by President Hu Jin Jintao in 2006, other Chinese oil companies such as the China National Petroleum Corporation (CNPC) and the China Petroleum and Chemical Corporation (Sinopec) were offered the offered the right of first refusal on four oil blocs valued at \$4 billion as part of an oil-for-infrastructure deal (Taylor 2007). Sinopec was also part of 'an oil consortium that was granted an oil concession over block 2 in the Nigeria-Sao Tome and Principe Joint Development Zone (JDZ) that commenced exploration in 2009' (Cheru and Obi 2011: 101). Also following its acquisition of the Swiss oil company Addax in 2009, the new Sinopec-Addax announced the striking of oil in its offshore Udele oil block 137 in the Niger Delta.

In another development, the China State Construction Engineering Corporation (CSCEC) in July 2010 signed an agreement with the Nigerian National Petroleum Corporation (NNPC) and the Lagos State government to build a refinery and a liquefied petroleum plant in Lagos State with the CSCEC providing 80 per cent of the financing. The CSCEC had reportedly outmaneuvered the Indian ONGC-and Mittal Energy Limited (OMEL) which had earlier failed to reach an agreement with the Lagos state government (Cheru and Obi 2011: 101). In terms of the competition between Chinese and Indian state oil corporations for Nigeria's oil, the Chinese have so far had the upper hand. Several reasons explain the Chinese edge. These include the huge financial backing of the Chinese state, the relative independence of Chinese state oil enterprises that reduces red tape and facilitates quick decision-making.

## **India**

In spite of the achievements of Chinese state-owned enterprises within a short period, Indian companies have also managed to establish some presence in Nigeria. Nigeria is the second largest oil supplier to India after Saudi Arabia, and supplies about 15 per cent of India's crude oil imports. India's approach to its energy security much like that of China and the other powers depended to a large extent of diversifying its sources of supply from the Middle East and looking for new stable sources of supply for its rapidly growing economy. As a recent entrant into the African oil scene, it had to contend with the oil multinationals and state oil corporations from emerging powers. Of concern is the growing presence of Chinese oil corporations that have outbid those from India in Nigeria and Angola. Lacking the financial muscle to outbid the Chinese companies and given the relatively slow pace of decision-making within the state bureaucracy, India has resorted to an oil diplomacy that emphasizes mutual benefit, providing assistance to Africa's oil sectors, by noting that its oil companies are not in Africa to exploit the continent, but to help it develop its energy resources for the benefit of Africans.

In 2006, an Indian company ONGC-Mittal (OMEL) secured a \$6 billion investment deal to build a refinery, and railway lines in exchange for oil concessions. In 2007, the Indian prime minister visited Nigeria (the first by an Indian prime minister in 45 years) in what was seen as strategic move partly motivated to pursue India's energy security interests in Nigeria. Indian oil companies such as ONGC-Mittal (OMEL), ONGC-Videsh (ONV), Indian Oil Corporation (OIC), Gas Authority of India Limited (GAIL), have variously expressed interest in investing in the oil sector in exchange for infrastructure projects. However, these efforts have met with much success as the oil blocks earlier allocated to OMEL in 2006 were later reallocated by the Yar'Adua presidency (Cheru and Obi 2011: 103).

However, Indian oil companies are still struggling to gain a foothold in the Nigerian oil industry, with a lot of focus on the downstream sector. The OMEL and GAIL are actively engaged in seeking opportunities for oil investments, and the outcome of high level contacts and discussions, including the outcome of bidding for oil blocks in the upstream sector.

In spite of the great attention that the entry of Asian National Oil Corporations into Nigeria generated within the country (Obi 2008b) and Western capitals, it has not in any way threatened the dominant position of the Western Oil Multinationals nor has it affected oil exports to the West. Nigeria has not 'turned East' and the influence of the emerging powers on the country's policies remains marginal. Indeed, the euphoria that greeted the deals between the Asian oil companies and the Nigerian government is beginning to wane in the

face of unfolding realities. Specifically most of the oil-for-infrastructure deals have either been suspended or cancelled by the current Nigeria administration (Africa-Asia Confidential 2009; Wong 2008). In a recent curious twist, two oil blocks originally allocated to the Korean National Oil company (KNOC) were withdrawn by the NNPC and handed over to ONGC-Videsh in January 2009, prompting the KNOC to go to court to contest the decision (Bala-Gbogbo 2009). Chinese, Indian, Russian, and Brazilian oil companies are believed to be interested the acquiring oil blocks in Nigeria, with some media speculations linking some of them with the quest for oil in Ogoniland in the Niger Delta.

### **Enter Russia's Gazprom: a new 'Cold' war?**

Russia is the world's largest producer of oil, but at the current rates of extraction, its oil reserves are being depleted at a rate that is faster than they are being replaced. Thus, Africa features in its strategic energy calculations on terms that are rather different from those of the world's powers which seek access to uninterrupted oil and gas supplies. For Russia, the turn to Africa is both an opportunity for its oil companies to make profit as well as provide 'extra' oil that will slow down the rate of depletion of its own oil reserves. It has been noted that "Africa's rich untapped oil and natural gas reserves provide an opportunity for Russia's outbound exploration drive and strategic goal of remaining the world's largest exporter of oil (second to Saudi Arabia) and natural gas, and maintaining Europe's dependence on its export of gas" (African Economic Brief, May 2011).

Thus, speculations that Gazprom, the Russian energy giant had been in discussions with Nigeria and the French oil giant, Total, to build a Trans Sahara gas project to pipe gas from Nigeria to Europe via Niger and Algeria fueled the view that Russia has entered the oil-rush for Nigeria. This development has also been viewed with concern by those that feel that Russia's 'resource nationalism' and entry into Nigeria could give Gazprom control over a large amount of gas, with which would increase Europe's dependence of Russia (Wittman 2008). Another factor is that Gazprom—a partly state-owned corporation and the world's largest gas company would compete against, and may hurt the interests of Western Oil Multinationals in Africa and across the world (Hoedt 2008: 46-49).

However, while a final decision has not been taken on the Trans Sahara gas pipeline, Gazprom signed a Memorandum of Understanding (MOU) in early 2009 with the New Nigeria Development Company (NDDC) owned by the 19 northern state governments, to explore for oil in three oil blocks (2 in Lake Chad, 1 in the Benue Trough) in northern Nigeria (Campbell 2009). These oil blocks had been earlier explored by Shell and Chevron without encouraging results. The new deal was sealed in the wake of the selection of Gazprom as one

of 15 companies mandated by the Nigerian government to invest in the gas sector (Stadnyk 2009). There have also been negotiations between NNPC and Gazprom officials on a \$2.5 billion joint-venture investment in the Nigerian energy and gas sector which are expected to be concluded later in 2009. Since then Russian oil companies particularly LUKoil and Gazprom have continued to seek oil concessions in Nigeria while the results of the modest gains made in 2009 are yet to be seen.

While some observers view Russia's Gazprom's growing interest in the Nigerian energy sector, much in the same way as the interests of Chinese, Indian, and Korean oil companies – as a growing threat to Western energy interests in the country, others see it as a signal by the Nigerian elite to the West, that it will no longer be 'business-as-usual', as Nigeria can find alternative buyers for its oil and gas. Either way, the premium of Nigeria's oil as an object of intensifying international economic, energy and strategic interest and competition is a reality that includes much wider ramifications of which development remains a key element.

## **Brazil**

Brazil first struck oil in 1974 off the coast of Rio de Janeiro. However it was the discovery of the (pre-salt) Tupi oil reserves in 2006 that marked Brazil's ascendancy as an oil producer of note. Before this 'pre-salt' oil discovery the country had mainly relied on oil imports from the Middle East and built up its refining capacity to handle imported crudes. At the same time the strategy to reduce dependence on imported crude as well as environmental considerations contributed to the establishment of the National Alcohol programme "to subsidize and standardize national production of ethanol fuel from sugarcane to supplant production and supplies of transport fuels" (Langevin 2010).

However, the combination of steady growth rates, global leadership in the knowledge of ethanol production as a viable source of energy, and the continued need for oil imports as an important part of the energy mix have impelled an external thrust in Brazil's quest for access to Africa's crude oil and gas.

Brazil's trade with Africa in 2008 has grown steadily from \$4.2 billion in 2000 to an estimated \$25.9 billion in 2008 (Africa Economic Digest 2011: 1-2). Of this figure "more than 80 per cent of Brazil's imports from the African continent are mineral products and crude materials (oil and gas)" (Ibid). The main African suppliers of oil to Brazil are Nigeria, Algeria and Angola" (Lapper 2010). Of these three countries Nigeria is Brazil's largest trading partner in Africa.

Brazil's state oil corporation commenced business in Nigeria in 1999 and since then it has gained a foothold in the Nigerian oil sector. This includes a 13 per cent stake in the offshore Agbami oil field (Chevron Texaco-68.15 per cent, Statoil 18.85 percent) believed to be Nigeria's largest deep-water oil field, and 20 per cent interests in the Akpo offshore oil field. Referring to the significance of Brazil's oil investments in Nigeria, the managing director of Petrobras, Nigeria, Rudy Ferreira has been quoted as saying that "Nigeria is one of the most important areas outside of Brazil to Petrobras' investment plan" (Fabi 2009). It was also reported that he identified 'Nigeria as being only second to the Gulf of Mexico for the company's foreign investment plans of \$15.7 billion over the next five years'.

Apart from Brazil's foray into the Nigerian oil industry, it has also extended its "bio-fuels diplomacy" in Africa to Nigeria, with the signing of an agreement to construct a 'Biofuel town' near Lagos in Nigeria for the production of Ethanol. This is similar to agreements to build such projects in Mozambique, Angola, and Republic of Congo (Africa Economic Brief). By seeking to expand Brazil's presence in Africa, a continent to which it is historically connected and with which it shares a lot of cultural affinities, Brazil as an emerging southern power, together with China and India are engaged in the struggle for access to the oil and gas resources of the continent.

Their approach however has been different from those of the oil multinationals that came before them, which ruthlessly expropriated the continent's oil resources without much development to show for it. The question that remains to be answered is if the 'new kids on the block' are really committed helping Africa to develop its energy resources for socio-economic transformation the benefit of its people, or whether the current opening up of opportunity will end up in a situation of having 'old wine in new skin.'

### **Conclusion: options for development?**

Several issues are fundamental to the scramble for oil in Nigeria. The first is that the scramble—if it can be called that is rather uneven and unequal, with Western oil multinationals, particularly the Shell Group as the front runners. While the oil multinationals which are wedded in an unequal partnership with the Nigerian state (and the faction of the elite that has captured state power) have the larger share of the allocated oil blocks, the new entrants—Chinese, Indian and Brazilian state oil corporations are competing for a foothold in the Nigerian oil scene, with the Chinese and Brazilians appearing to be more successful, even though their presence in the Nigerian oil sector remains marginal. The second issue relates to the complex dimensions of the scramble, which is simultaneously played out in the

transnational, national and local levels, with the state and fractions of the ruling elite as key players at all levels. The third issue relates to the ways the opportunities opened up by the increased competition for access to Nigeria's oil can become a catalyst for radical socio-economic transformation for the benefit of majority of Nigerians.

In seeking to unpack the various complex dimensions of the new scramble, a lot depends on which logic is dominant at a given point in time, as the situation is rather fluid and contingent on calculations of personal, national and group gain, and the balance of power between the various groups. Therefore the interaction and struggles between the various forces has far reaching implications for the development project in Africa, which has since the 1980s followed a fully-fledged market-led model characterized by the retreat of the state from the economy in line with the principles of the 'Washington consensus.' Rather unfortunately, this model has not translated into any real development, but has rather engendered the taking over of the African policy space by hegemonic Western interests. While a lot of emphasis in explaining the failure of development in spite of huge oil revenues that accrued to Nigeria over the decades is placed at the door steps of an "oil curse" (Obi 2011a: 65), what is not often mentioned is that while the Nigerian state 'owns' the oil, it lacks control of the technology of oil production. Worse, the oil industry has remained an enclave economy with little backward or forward linkages to other sectors of the economy, with the benefits of oil wealth circulating within a narrow segment of society or the elite.

The fundamental question that arises is whether the coming of state oil corporations from China, India and Brazil will contribute to the transformation of the oil industry, and by extension, Nigerian society and economy. So far the evidence suggests that the primary objective of these corporations is to extract oil and make profits. However, there is a lot that African states can learn and benefit from them particularly in the downstream sector of the oil industry in terms of strategic investments by the BRIC countries. Nigeria can benefit from investments and skills transfer programmes in the areas of research and technology on hydrocarbons, and alternative energy sources or renewables of which China, India and Brazil have considerable expertise. Given the fact that oil is a wasting non-renewable asset, African states must acquire the technology on renewables both to slow down the rate of exhaustion of their oil reserves and as a strategy of survival and sustainable development in a future post-oil age.

It is also important to mention that the BRICS so far lack the sophisticated technologies to explore for oil in the deep offshore oil blocks where most of Africa's new oil discoveries lie. What this implies is that for the foreseeable future, African oil states will



continue to depend on Western oil companies that still enjoy the monopoly of deep-water offshore oil technology. While the BRIC countries are making a lot of effort to acquire this technology, they lag behind the Western oil giants that still have a substantial influence over the global oil industry.

For oil to be a factor of development in Nigeria and Africa, certain changes need to take place at several levels. The present iniquitous power relations spawned by transnational-state oil extraction, dispossession and accumulation would have to be deconstructed and transformed along socially equitable, democratic and people-centred lines.

If the opportunities presented by the conjuncture of the new scramble for African oil in countries like Nigeria are to lead to genuine participatory and sustainable development, the most viable option is to have a clear coordinated energy strategy for 'selective' engagement with the BRIC countries as well as Western oil multinationals. This can likely take place only under a visionary leadership and a transformed democratic developmental Nigerian state that can take advantage of the favourable conditions and terms being offered by the oil corporations from the BRIC countries and access to their markets, to build self-reliant national oil industries that are well integrated into national economies as catalysts of growth and participatory people-centred sustainable development.

A developmental Nigerian state and a revolutionary leadership can combine elements of equal representation and participation, social justice and equity with heterodox economic policies that can tap into, and release the creative energies of Nigeria's entrepreneurial and productive classes, and successfully re-negotiate the country's position in the transnational capitalist order. It is on the basis of such radical change that African states can use the opportunities presented by the entry of state oil corporations from the global South into its oilfields to transform their oil sectors and political economies. The other option—the persistence of current inequitable power relations that have characterized Africa's position in the global political economy of oil, will only invite Africa's dependency, this time, on a new set of global oil powers, with adverse implications for the development of the continent's petro-states.

## Bibliography

- AFRICA-ASIA CONFIDENTIAL (2009), "NIGERIA/ASIA: From win-win to lose-lose", April, Vol. 2, No. 6, <http://www.africa-asia-confidential.com/article-preview/id/222/From-win-win-to-lose-lose> (accessed June 19, 2009).
- Africa Economic Brief* (2011), Brazil's Economic Engagement with Africa, vol. 2, issue 5, May 11.
- Africa Economic Brief* (2011), Russia's Economic Engagement with Africa, vol. 2, issue 7, May 11.
- Bala-Gbogbo, E. (2009), "Korea National Oil Corporation: Asian Tigers Continue Battle for plum oil blocs", next, May 4, <http://www.234next.com/csp/cms/sites/Next/Home/5410663-146/story.csp> (accessed June 19, 2009).
- Billion, P. (2001), "Angola's political economy of war: the role of oil and diamonds 1975-2000", *African Affairs*, No. 1000, Issue 318.
- Campbell, K. (2009), "Russian Gas Major Broadens its Interests in Nigeria", *Creamer Media's MINING WEEKLY*, April 10, <http://www.miningweekly.com/print-version/gas-major-broadens-its-interests-in-nigeria-2009-04-10> (accessed June 16, 2009).
- Cheru, F; and C. Obi (2011), "Chinese and Indian Engagement in Africa: Competitive or Mutually Reinforcing Strategies?" *Journal of International Affairs*, Vol. 64, No. 2.
- Clark, J. (1997), "Petro-politics in Congo", *Journal of Democracy*, Vol. 8, No. 3.
- Eberlein, R. (2006), "On the road to the state's perdition? Authority and sovereignty in the Niger Delta, Nigeria", *Journal of Modern African Studies*, 44: 4.
- Downs, E. (2007), "The fact and fiction of Sino-African Energy Relations", *China Security*, Vol. 3, No. 3.
- Fabi, R. (2009), "Petrobras to invest \$2 billion in Nigeria oil", February 25, *Reuters*, <http://af.reuters.com/article/investingNews/idAFJOE51O01320090225> (accessed June 12, 2011).
- Hoedt, R. (2008), "Gazprom joins scramble for Africa", *European Energy Review Monthly*, March/April.
- Human Rights Watch (2005), *Rivers and Blood: Guns, Oil and Power in Nigeria's Rivers State*, New York: Human Rights Watch Briefing Paper, February.
- Human Rights Watch (2002), *Niger Delta: No Democracy Dividend*, New York: Human Rights Watch.
- Kaemi, T. (ed.), (1982), *Isaac Boro: The Twelve Day Revolution*, Benin city: Udodo Umeh Publishers.
- Key, M. (2002), *Oil and Governance: Focus on West Africa*, BRIEFING PAPER, London: Royal Institute of International Affairs, July.
- Ianaccone A. (2007). *Toward a Reform Agenda for the Niger Delta: A Report of the Africa Program Center for Strategic and International Studies (CSIS)*, Washington DC, April.
- Ikelegbe, A. (2006), "The Economy of Conflicts in the Oil Rich Niger Delta Region of Nigeria, *African and Asian Studies*, Vol. 5, No. 1.
- International Crisis Group (2009), *Nigeria: Seizing the Moment in the Niger Delta*, Africa Briefing No. 60, April 30.
- Langevin, M. (2010), "Brazil's Big Oil Play: How this Nation is Charting National Energy Security", [http://www.ensec.org/index.php?option=com\\_content&view=article&id=264:brazils-big-oil-](http://www.ensec.org/index.php?option=com_content&view=article&id=264:brazils-big-oil-)

[play-how-this-nation-is-charting-national-energy-security&catid=110:energysecuritycontent&Itemid=366](#) (accessed June 12, 2011)

- Lapper, R. (2010), "Brazil accelerates investments in Africa", *Financial Times*, February 9, <http://www.ft.com/cms/s/0/e9550408-1519-11df-ad58-00144feab49a.html> (accessed June 12, 2011).
- Lewis, P. (2007), *Growing Apart: Oil, Politics and Economic Change in Indonesia and Nigeria*, Ann Arbor: University of Michigan Press.
- Mbachu, D. (2006), "Nigerian Resources: Changing the Playing Field", *South African Journal of International Affairs*, Vol. 13, No. 1.
- Mojeed, M and G. Olorunpomi (2009), "We bribed Nigerian officials-pleads Halliburton offshoot", *next*, March 23, [http://www.234next.com/csp/cms/sites/Next/News/3841479-147/We\\_bribed\\_Nigerian\\_officials\\_-\\_pleads.csp#](http://www.234next.com/csp/cms/sites/Next/News/3841479-147/We_bribed_Nigerian_officials_-_pleads.csp#) (accessed June 19, 2009).
- Newman, E. (2009), "Securitizing vs. Desecuritizing African Problems," *Contemporary Security Policy*, Vol. 30, No. 1.
- Newsom. C. (2011), "Conflict in the Niger Delta: More Than a Local Affair", *Special Report 271*, Washington DC: United States Institute for Peace, June.
- Obi, C. (2011a), "The petroleum Industry: A paradox of (sp)oiler of development?" in E. Obadare and W. Adebawo (ed.), *Nigeria at Fifty: The Nation in Narration*, London and New York: Routledge.
- Obi, C. (2011b), "Taking back our democracy: The trials and travails of Nigerian elections since 1999", *Democratization*, vol. 18, no. 2.
- Obi, C; and S. Rustad (2011), "Conclusion: amnesty and post-amnesty peace, is the window of opportunity closing for the Niger Delta? In C. Obi and S. Rustad (eds.), *Oil and Insurgency in the Niger Delta*, London: Zed Books (in association with the Nordic Africa Institute).
- Obi, C. (2010), "African oil in the energy security calculations of China and India", in F. Cheru and C. Obi (eds.), *The Rise of China and India in Africa*, London: Zed Books (in association with the Nordic Africa Institute).
- Obi, C. (2009a), "Scrambling for Oil in West Africa?" in R. Southall and H. Melber (eds.), *A New Scramble for Africa? Imperialism, Investment and Development*, Scottville: University of KwaZulu-Natal Press (in collaboration with the Nordic Africa Institute and Dag Hammarskjold Foundation).
- Obi, C. (2009b), "Nigeria's Oil in Global Energy Security: Critical Issues and Challenges", in R. Beri and U. Sinha (eds.), *Africa and Energy Security: Global Issues, Local Responses*, New Delhi: Academic Foundation.
- Obi, C. (2008a), "Nigeria's foreign policy and transnational security challenges in West Africa," *Journal of Contemporary African Studies*, Vol. 2, No. 2.
- Obi, C. (2008b), "Enter the Dragon? Chinese Oil Companies and Resistance in the Niger Delta", *Review of African Political Economy*, Vol. 35, No. 3.

- Obi, C. (2007), "The Struggle for Resource Control in a Petro-State: A Perspective from Nigeria", in, P. Bowles, H. Veltmeyer, S. Cornilissen, N. Invernizzi and K. Tang (eds.), *National Perspectives on Globalisation*, Hampshire and New York: Palgrave/Macmillan.
- Obi, C. (2006), "Terrorism in West Africa: Real, emerging or imagined threats?" *African Security Review*, Vol. 15, No. 3.
- Okonta, I. (2008), *When Citizens Revolt: Nigerian Elites, Big Oil and the Ogoni Struggle for Self-determination*, Trenton, NJ and Asmara: Africa World Press.
- Omotola, J. (2009), "Dissent and State Excesses in the Niger Delta, Nigeria", *Studies in Conflict & Terrorism*, Vol. 32, No. 2.
- Pham, P. (2007), "Next Front? Evolving United States-African Strategic Relations in the "War on Terrorism" and Beyond," *Comparative Strategy*, Vol. 26, No. 1.
- Rice, S; and S. Patrick (2008), *Index of State Weakness in the Developing World*, Washington DC: The Brookings Institution.
- Ross, B. (2007), "News Exclusive: Online Interview with a Terrorist", *ABC NEWS*, January 3, <http://i.abcnews.com/Blotter/BrianRoss/story?id=2778701&page=1> (accessed June 19, 2009).
- Saro-Wiwa, K. (1995), *A Month and a Day: A Detention Diary*, London: Penguin Books.
- Shaxson, N. (2007), *Poisoned Wells: The Dirty Politics of African Oil*, New York and Hampshire.
- Shell.com, *Shell in Nigeria* - History, [http://www.shell.com/home/content/nigeria/about\\_shell/who\\_we\\_are/history/history.html](http://www.shell.com/home/content/nigeria/about_shell/who_we_are/history/history.html) (accessed June 15, 2009).
- Stadnyk, A. (2009), "Gazprom signs agreement to study oil blocks in Nigeria," *Energy Digital*, January 4, <http://www.energydigital.com/MarketSector/Oil-and-Gas/Gazprom-signs-agreement-to-study-oil-blocks-in-Nigeria-20782.aspx> (accessed June 16, 2009).
- Taylor, I. (2007), "China's oil diplomacy in Africa", *International Affairs*, Vol. 82, No. 5.
- Ukeje, C. (2001), Oil communities and Political Violence: The Case of Ethnic Ijaws in Nigeria's Niger Delta," *Terrorism and Violence*, Vol. 13, No. 4.
- Ukiwo, U. (2007), "From "Pirates" To "Militants": A Historical Perspective on Anti-State and Anti-Oil Company Mobilization among the Ijaw of Warri, Western Niger Delta", *African Affairs*, 106: 425.
- Watts, M. (2007), "Petro-Insurgency or Criminal Syndicate? Conflict & Violence in the Niger Delta", *Review of African Political Economy*, 24: 114.
- Wittman, G. (2008), "Russia's Power Play," *The American Spectator*, January 17, <http://spectator.org/archives/2008/01/17/russias-power-play> (accessed June 16, 2009).
- Wong, L. (2008), The Impact of Asian Oil Companies in Nigeria, December 12, [http://www.ocnus.net/artman2/publish/Analyses\\_12/The\\_Impact\\_Of\\_Asian\\_National\\_Oil\\_Companies\\_In\\_Nigeria.shtml](http://www.ocnus.net/artman2/publish/Analyses_12/The_Impact_Of_Asian_National_Oil_Companies_In_Nigeria.shtml) (accessed June 19, 2009).

- Wurthmann, G. (2006) "Ways of Using the African Oil Boom for Sustainable Development, *Economic Research Working Paper*, No. 84, Tunis: African Development Bank.
- Zalik, A; and M. Watts (2006), "Imperial Oil: Petroleum Politics in Nigerian Delta and the New scramble for Africa", *Socialist Review*, April.
- Zhao, S. (2011), "China's Energy Strategy and the Role of Government Oil in Africa", *China Briefing*, May 3, <http://www.china-briefing.com/news/2011/05/03/chinas-energy-strategy-and-the-role-of-govt-oil-in-africa.html> (accessed September 14, 2011).