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IF THE NIGERIAN GOVERNMENT-OWNED REFINERIES WERE A PRIVATE BUSINESS

1. Introduction

If the Nigerian government-owned refineries were private businesses, the refineries would have been voluntarily wound up, liquidated, acquired by or merged with other viable refineries, or foreclosed by the creditors. The workers in the refineries would have been laid off or 'promoted out' of the business. The regulator(s) of the industry would have investigated the operation and management of the refineries and maybe prosecuted individuals or groups found culpable of any crime or wrongdoing. In this article, the authors seek to review, in brief, the historical and ongoing debate about whether the refineries should be privatized or whether the government should continue to retain the ownership and operation of the refineries that some people like to refer to as 'national assets' and to lend our voices to the recurring age-long and ongoing debate.

2. Brief History of Oil Production and Refining in Nigeria

Under Nigeria's colonial government, petroleum administration matters were handled by the Hydrocarbon Section of the Ministry of Lagos Affairs, which reported directly to the Governor-General. This Unit kept records on matters relating to exploration, and importation of petroleum products and enforced safety and other regulations on matters which were then mostly products importation and distribution. As the activities of the petroleum industry expanded, the Unit was upgraded to a Petroleum Division within the Ministry of Mines and Power.[3] The oil refining subsector has gone through series of transformation over the years.

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3 Nigerian Upstream Regulatory Commission, <https://www.nuprc.gov.ng/history-of-nuprc/>, accessed 29th August 2025.

The early phase of crude oil exploration commenced in Nigeria in 1937 when Shell D'Arcy was granted the concessionary rights to drill oil in various parts of the territory, now called Nigeria.[4] Shell's effort paid off when it eventually discovered oil in a commercially viable quantity in Oloibiri, Bayelsa State, in 1956.[5] Since that discovery, Nigeria has moved from a heavily reliant agrarian economy to an oil-based economy. In quick succession, four refineries were constructed with a total of 440,000 BOPD. Two (in one location) in Port Harcourt in 1965 with an installed capacity of 60,000 BOPD production, which was increased to an installed capacity of 210,000 BOPD upon completion of the new refinery at the estimated cost of $850 million in 1985. The third refinery was built in Kaduna in 1976 with 111,000 BOPD installed capacity at a construction cost of $525 million. The fourth was located in Warri in 1978 with 125,000 BOPD[6] at an estimated cost of $478 million.[7] These refineries were built to, amongst others, stem importation, cater to the growing energy needs of the burgeoning population, attain energy self-sufficiency, and generate revenue for the government. They were substantially government-owned but with the refineries' management maintaining significant autonomy and control over its affairs.[8]

3. Poor Performance and Financial Sad Tale of the Refineries

The insipient decline in the performance of Nigeria's refineries is recorded to have begun in the early 1990s after the military government ordered the Nigerian National Petroleum Corporation (NNPC),[9] now NNPC Limited,[10] to close its accounts in commercial banks, transfer them to the Central Bank of Nigeria, and bought more shares of the refineries. These were ostensibly done partly to ensure a firmer grip of the affairs of the NNPC and the refineries, and make the refineries better serve the citizens. These were counterproductive measures, which divested the NNPC of its

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4 Dr Raji, A Yusuf and Dr Abejide, T Samuel, 'Shell D'Arcy Exploration & The Discovery of Oil as Important Foreign Exchange Earnings in Ijaw Land of Niger Delta', C. 1940s-1970, Arabian Journal of Business and Management Review (OMAN Chapter) Vol. 2, No.11; June 2013; NNPC archives (2018) <https://www.arabianjbmr.com/pdfs/OM_VOL_2_(11)/4.pdf>, accessed 27th August 2025.

5 Ministry of Petroleum Resources, Federal Republic of Nigeria, <https://petroleumresources.gov.ng/our-history/>, accessed 25th August 2025.

6 See, <https://africaoilgasreport.com/2020/09/refining-gap/our-archive-nigerias-refining-gap-the-road-to-privatisation-and-back/> accessed 25th August 2025.

7 Ogbuigwe, A., 'Refining in Nigeria: history, challenges and prospects', *Appl Petrochem Res* 8, 181–192 (2018).<https://doi.org/10.1007/s13203-018-0211-z>. accessed 25th August 2025; See also, <https://nairametrics.com/2024/06/20/ten-completed-refineries-in-nigeria-and-their-production-capacity/>, accessed 25th August 2025.

8 Ogbuigwe, A., 'Refining in Nigeria: history, challenges and prospects', *Appl Petrochem Res* **8**, 181–192 (2018), available at <https://doi.org/10.1007/s13203-018-0211-z > accessed 25th August 2025.

9 The NNPC was established by the merger of the Ministry of Petroleum Resources and the Nigerian National Oil Corporation (NNOC) in April 1977.

10 See, section 53(1) of the *Petroleum Industry Act* 2021, which mandates the incorporation of the NNPC into a limited liability company with the Corporate Affairs Commission (CAC).

hitherto significant autonomous status and subjected it to increased government interference. Resultantly, decisions on when to carry out critical turnaround maintenance (TAM) and which contractor to execute same came under the influence of the government rather than by the professionals within the Corporation[11] who themselves have been accused of inefficiency. Nationalization, inefficient and ineffective management, ill-designed policies, economic sabotage, and corruption are some of the challenges affecting the refineries' management.[12]

Apart from oil exploration, mining, and refining-induced environmental degradation, oil refining has induced tales of catastrophic economic woes on Nigeria's treasury. Bogus, hard-earned taxpayers', monies have over the years been budgeted and expended on these unproductive TAM exercises. The capacity utilization margin in these refineries has remained abysmally low since the 1990s. It has hardly achieved a utilization level of 25% or 30% of its capacity.[13] This is more concerning considering that Nigeria, a member of the Organisation of Petroleum Exporting Countries (OPEC),[14] dominates as Africa's largest producer of crude oil, boasting a proven reserve of 37.50 billion barrels and a production capacity of approximately 2.19 million barrels per day (mbpd).[15]

In 2017, statistics obtained from the Department of Petroleum Resources, Nigerian Oil and Gas Industry Annual Report indicate that Nigeria's four refineries worked at a combined 8.67 percent capacity.[16] This operational inefficiency has worsened over time.[17] Despite these deplorable data, its over-bloated workforce continues to receive mouth-watering emoluments packages unhindered, while the regulators and the government turn a blind eye with little or no sanctions imposed on these undertakings that continue to bleed the Nation's treasury.

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11 Ogbuigwe, A., 'Refining in Nigeria: history, challenges and prospects', *Appl Petrochem Res* 8, 181–192 (2018), available at <https://doi.org/10.1007/s13203-018-0211-z> accessed 25th August 2025 See also, <https://nairametrics.com/2024/06/20/ten-completed-refineries-in-nigeria-and-their-production-capacity/>, accessed 25th August 2025.

12 Abraham Wapner, 'Downstream Beneficiation Case Study: Nigeria', Columbia Centre on Sustainable Development, *CCSI Policy Paper*, March 2017.

13 Lizabetha Agbakahi, 'Petroleum Refineries in Nigeria: Why do they perform so poorly?' University of Dundee, Centre for Energy, *Petroleum and Mineral Law and Policy, Annual Review* 2022.

14 See, <https://www.opec.org/nigeria.html>, accessed 25th August 2025.

15 See, <https://www.nuprc.gov.ng/nigeria-leading-crude-oil-producer-in-africa/> accessed 25th Augst 2025.

16 Lizabetha Agbakahi, 'Petroleum Refineries in Nigeria: Why do they perform so poorly?' University of Dundee, Centre for Energy, *Petroleum and Mineral Law and Policy, Annual Review* 2022.

17 See, <https://www.icirnigeria.org/nnpc-seeks-1-billion-to-refurbish-port-harcourt-refinery-which-posted-losses-5-years-in-a-row/>, accessed 25th August 2025.

In 2018, the NNPC (Now NNPC Limited)'s annual financial accounts showed that Nigeria's three major refineries reported a combined loss of ₦154.4 billion, with Kaduna refinery posting zero revenue! At least, from 2013 to 2023, Nigeria has spent more than 11.35 trillion naira ($25 billion) on fixing three moribund refineries.[18] Despite these humongous amounts spent on regular TAM exercises, there is little or no positive result. The Group Chief Executive Officer (GCEO) of NNPC Limited, Mr. Bayo Ojulari, was reported to have said that the Port Harcourt Refinery lost $300-500 million monthly while producing less than 40% output; hence he halted the operation of the refineries to prevent further losses and to work towards a sustainable arrangement.[19]

While it is conceded that in-country refining of crude oil by government-owned refineries would significantly guarantee Nigeria's energy sufficiency,[20] this optimism continues to elude Nigeria. The hopes of energy sufficiency by dependence on the current state of the government-owned refineries are now drowned by a high level of corruption, mismanagement, poor maintenance, an unproductive workforce, and, recently, technological advancements, outmarching competition from Dangote Refinery, and the global drive to divest from oil and gas to renewables.

4. Calls for Privatization for better Private-Sector Expertise and Management

For a long time and given the poor performance of the refineries and especially because of the corruption and the attendant drain by the refineries on the National treasury, there have been series of calls from industry experts, commentators, stakeholders, and oil and gas enthusiasts for the privatization/sale of these refineries like the telecommunication and electricity sectors.[21] On the other hand, some stakeholders have always argued that these refineries should not be privatized as they

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18 See,<https://www.reuters.com/world/africa/nigeria-spent-25-bln-fix-refineries-outgoing-parliament-2023-05-31/>, accessed 25th August, 2025.

19 [The Nigerian Lawyer, "Refinery Lost N300-500 million Monthly While Operating" — NNPCL GCEO Says Port Harcourt Plant Produced Less Than 40% Output - TheNigeriaLawyer, accessed on 29th August 2025.

20 Okoro, E., Dosunmu, A., Igwilo, K., Anawe, P. and Mamudu, A. (2017) 'Economic Advantage of In Country Utilization of Nigeria Crude Oil' *Open Journal of Yangtze Oil and Gas*, 2, 226-236. doi: 10.4236/ojogas.2017.24018, accessed 25th August 2025.

21 Peter Olaoye Olalere, "Nigerian Refineries | A Case For Urgent Privatization For Better Management", *QM Law & Business Journal*, Issue 2 –[THE SOPHISTS] 24-27 <http://www.law.qmul.ac.uk/docs/news/136646.pdf – July 2014http://www.law.qmul.ac.uk/docs/news/136646.pdf – July 2014> accessed 25th August 2025; Fidelis Esira Arong & Egbere Michael Ikechukwu, International Journal of Public Administration And Management Research (IJPAMR), Volume 2, Number 1, October, 2013: <http://www.rcmss.com> ISSN 2350-2231(Online) ISSN 2346-7215(Print), accessed 29th August 2025; A; Olusola Joshua Olujobi, Deregulation of the downstream petroleum industry: An Overview of the Legal Quandaries and Proposal for Improvement in Nigeria, Heliyon, Volume 7, Issue 4, 2021, e06848, ISSN 2405-8440, <https://doi.org/10.1016/j.heliyon.2021.e06848> accessed 29th August 2025.

are national assets. After several failed efforts at resuscitating the refineries with a view to bringing them to ultimate performance, President Obasanjo had sold majority shares in two of the refineries (Warri and Port Harcourt) to private businessmen (Dangote and Otedola) at the twilight of his administration.

Unfortunately, the next administration of President Umar Musa Yar'Adua cancelled the sales, refunded the buyers and returned the refineries to their state of abysmal performance and eventual moribundity. Obviously, those who benefit from keeping the refineries in their non-functional states were able to convince the late President Yar'Adua in 2007, four months after assuming office, resulting in his reversal of President Obasanjo's privatization of two of the refineries.

President Goodluck Jonathan also gave very serious consideration to the sale of the moribund refineries in 2013/2014, but with the national election in the offing at the time, the government dropped the idea again. Consistently, successive Federal governments have continued to spend money on TAM from administration to administration. In 8 years of President Muhammadu Buhari's tenure, huge sums of money were borrowed with a view to carrying out TAM on the refineries. These huge sums have obviously gone down the drain. Sadly, it appears President Bola Ahmed Tinubu might also have been deceived that the government-owned refineries can work under the ownership, control and management of the NNPC Limited. The messaging has changed first from privatization to concession and finally now to retention of the current ownership, control and management that have brought the refineries to their current state.

It is noted that the attempts to privatize the refineries have consistently been vehemently resisted by the two major labour unions in Nigeria i.e., the Nigerian Labour Congress (NLC) and the Trade Union Congress (TUC) and the top management staff members of the refineries, on the basis, amongst others, that privatization undermines government's control on utilities that directly affect the ordinary citizens. These unions and stakeholders pressure the government most times to succumb to government control and ownership. Thus, rather than heed the economically viable advice to stop the national treasury from continuously bleeding via the unending TAM mirage, and annual budgetary allocation to the refineries, the Federal Government and the labour unions prefer to consistently but needlessly insist on keeping these refineries without the capacity or willingness to effectively turn them around.

Sadly, contrary to the arguments of those who are in favour of keeping the refineries as government-owned and government-controlled assets for the benefit of the ordinary

Nigerian, to date, those refineries have failed to effectively supply refined Premium motor spirit (PMS/petrol), automotive gas oil (AGO/diesel fuel), and kerosene to the same ordinary Nigerians, who are the real owners of the assets. Thus, apart from their preservation as national relics, the decision to keep these refineries under government ownership, control and management makes little or no economic sense.

5. Conclusion and Recommendation

Clearly, and from all indications, it is undeniable that neither the Federal Government nor the labour unions can resuscitate, turn around, maintain, or sustain the refineries as a going concern under the ownership and management of the government and the civil service. If these refineries were private sector assets, they would long have been voluntarily wound up, liquidated, acquired by or merged with other viable refineries, or foreclosed by the creditors. The workers would have been laid off. The regulator(s) of the industry and owners of the refineries would have investigated the refineries and their management staff members and maybe prosecuted individuals, or group(s) found culpable. The best time to sell these refineries off to private businesses, with expertise for better management was yesterday, and the next best time to do so is NOW. We hope that the current administration will not allow the refineries to go the way of the old Nigerian Telecommunication Limited (NITEL). A stich in time saves nine!

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