POLITICS OF PLUNDER: UNDERSTANDING ALLOCATION OF FUEL IMPORT LICENSES TO INDEPENDENT MARKETERS AND INVESTORS IN THE DEVELOPMENT OF REFINERIES IN NIGERIA

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Abstract
This paper attempts to capture the link between allocation of fuel import licenses politics and challenges encountered by investors in the development of refineries in Nigeria. It highlights how class interests and power relations factor affect policies and policy outcomes. Using empirical evidence from primary and secondary sources of data which build upon the politics of prebendalism, this article unravels how the daily surge in resources through fuel importation to the Nigerian dominant class, has made investment opportunities in the downstream oil and gas sector impossible in a capitalist society. This paper suggests the deregulation of the downstream oil sector through the passage of Petroleum Industry Bill (PIB) abandoned in the parliament since 2009 that will boost the private sector- led development of the refineries.

Keywords: Allocation of fuel import licenses, independent marketers, investors in the Development of refineries, Prebendalism, Petroleum Industry Bill.

Introduction

Nigeria owns four (4) refineries which were constructed or installed between 1965 and 1989 with the total capacity of 445,000 barrels per day. These are the Old Port Harcourt Refinery (OPHR) with an installed capacity of 60,000 Barrels Per Stream Day (bpsd) commissioned in 1965; the New Port-Harcourt Refinery (NPHR) with a simple 150,000 bpsd commissioned in 1989; Warri Refining and Petrochemical Company (WRPC) built to initially process 100,000bpsd but was later expanded to process 125,000 bpsd in 1987 and Kaduna Refining and Petrochemical Company Ltd (KRPC) which was built and commissioned in 1980 with the installed capacity of refining 100,000bpsd.

These refineries during the 1980s were able to meet local consumption or demand while surplus was exported to the neighbouring countries in the West Africa sub-region. However, with a daily growing population of over one hundred and seventy million (170,000,000) people, coupled with the increasing daily consumption of Premium Motor Spirit (PMS), estimated at about 40 million litres per day, the four state-owned refineries are apparently insufficient to meet domestic demand, even when fully operational (Chikwem, 2014:9; Nigeria Extractive Industrial Transparency Imitative (NEITI), 2006:55). For instance, Balouga (2013:33) noted that “for the past 20 years or so, they have operated under 40 percent capacity and currently supply only about 20 percent Nigeria’s gasoline demand”. As at July 2015, only two refineries NPHR and WRPC have started operating after the successful Turn Around

Maintenance (TAM). While the NPHR produces 38,906 premium motors spirit (reformate), the WRPC, produces, 31, 551m^3 (Light Naptha = 9679m^3 and reformate =21,872) (Ministry of Petroleum Resources, 2015:5). Implying that the status of the refineries operations is still far from meeting the consumption requirement of between 40 and 42 Million liters/day for petrol in Nigeria.

This invariably made the Nigerian government to look for alternative means abroad through the Nigeria National Petroleum Corporation (NNPC), as the only source then for importing fuel to augment the existing four refineries in Nigeria. However, the administration of Obasanjo (1999 to 2007) abolished the Monopoly of importation of fuel by NNPC and introduce the independent marketers followed by the setting up of Petroleum Stabilization Fund later tagged Petroleum Support Fund (PSF) to finance the subsidies which was passed into law on February 5th 2003 and May 22nd 2003 respectively.

With the PSF fully operational, the number of fuel importers increased from an initial figure of six (6) in 2006, 36 in 2007, 49 in 2009 and 140 in 2011 (House of Representatives *Ad-hoc* Committee Report (HRACR), 2012:75). However, the PSF turned to avenue of looting the public treasury through all forms of patronages by the Nigerian ruling class by inflation of contracts, importation of substandard fuels, underreporting of fuel import; to the neglect of building of new refineries in Nigeria. In fact, Nigeria has subsidized fuel importation more between 1999 and 2013 than the past 35 years before 1999 (Chikwem, 2016:19). Also, a parliamentary probe, in April 18th 2012, found "that graft in the fuel subsidy scheme cost Nigeria \$6.8 billion between 2009 and 2011" (Agande, 2012:5). Hence:

> The oil sector is utilized as a conduit for patronage and cronyism, such that allocation of oil blocs and appointment as fuel importer/marketers are seen as spoils of office freely deployed by successive Nigerian governments to facilitate unbridled and mindless looting of the nation's resources (Oluwajuyitan, 2011:2).

In this light, this study investigates the allocation of fuel import licenses to independent marketers and investors in the development refineries in Nigeria from 2006 to June 2015. Following this introduction, conceptualizing prebendalism, fuel allocation: the requirement in Nigeria, mapping the trajectory of prebendalism on allocation of fuel import licenses in Nigeria are presented in sections two, three, and four respectively. Unraveling the paradox: understanding how allocation of fuel import licenses discourages investors in the development of refineries in Nigeria is discussed in section five; section six concludes the discussion.

Conceptual and analytical framework

The crippling dysfunctional governance on Africa's most populous nation Nigeria can best be explained more broadly and specifically by the concept of prebendalism. Richard, A. Joseph is usually credited with first using the term prebendalism to describe the endemic corruption through patron-client or neopatrimonialism, in his book titled Democracy and prebendal politics in Nigeria: the rise and fall of the second republic published in 1987. He adopted the Catholic Encyclopedia definition of a prebend as the "right of member of chapter to his share in the revenues of a Cathedral" (Joseph, 2014:3).

According to the concept of prebendalism, as stated by Joseph (2014:3), "state offices are regarded as prebends that can be appropriated by office holders, who use them to generate material benefits for themselves and their constituents and kin groups". Joseph also used the term to describe the sense of entitlement that many people in Nigeria feel they have a right to a share of government revenues. Hence, in Joseph's adoption of this concept to Nigerian politics as well as many other Africa's peripheral capitalist nations, he noted that:

> The term prebendal refers to patterns of political behaviour which reflected as their justifying principle that the offices of the existing state may be competed for and then utilized for the benefit of office- holders as well as that of their reference or support group. To a significant extent, the 'state' in such a context is perceived as a congeries of offices susceptible to individual cum communal appropriation. The statutory purposes of such offices become a matter of secondary concern, however, much that purpose might have been codified in law or other regulations or even periodically cited during competitions to fill them (Joseph, 1999:55).

Thus, prebendal politics in relation to allocation of fuel import licenses in Nigeria becomes an exercise to ingratiate political loyalists, cronies, relatives and close associates of power of the day. The political class achieved this through manipulation of policies, structures, programs and projects of the state in order to amass wealth for themselves, cronies and above all, broaden their political base. This suggests that both the formal and informal structures of governance that are inevitably in apposition nevertheless buoy the system that allows "spoils politics", insecurity, and corruption as part of the institutionalized means of governance (Allen, 1999, Smith, 2007).

Similarly, Omoweh (2006:49) brings out the patronage politics more clearly and distinctly when he stated that:

> Patronage has ruled the operations of both the up and downstream sectors of the country's oil and gas industry since 1960 when Nigeria gained political independence… virtually all the nation's past and present heads of state and presidents have been indicted as major players either directly or by proxy in the country's energy sector. They have, both when in office and after retirements, continued to maintain strong links with the oil sector, deciding

> who gets which oil blocs and its renewal, licenses to lift crude oil and refined petroleum products, among others.

In the same vein, Olarinmoye (2008:30) noted that "the redistribution 'art' is central to the legitimizing and accumulation of political capital that permits the continued access to state resources. The elites are known for excelling in the art of redistribution". Therefore, politics in Nigeria, as elsewhere in Africa, is an exercise in the art of redistribution, dominated by the elite (Ugochukwu, 2004; Daloz, 2003).

The House of Representatives *Ad-hoc* Committee Report (2012:107) also shared the above view when they noted that:

> The allocation process through the Petroleum Support Fund (PSF) guidelines on prequalification and monitoring completely broke down and the scheme became an avenue for all forms of patronage. The number of importers increased from an initial figure of 6 in 2006, 35 in 2007, 49 in 2009, and 140 in 2011 created room for the violation of the processes, abuse of the procedure, and fraudulent increase in the number of importers (HRACR, 2012:75).

This confirmed the manipulation of policy process (prebendalism) which is associated with allocation of fuel import licenses in Nigeria. It is therefore understandable why transparency would undermine patron-client networks in Nigeria, such that the successive leaderships in Nigeria have always paid lip-service to ensuring that there is a level playing ground in the allocation of fuel import licenses in Nigeria. Even when the Petroleum Products Pricing Regulatory Agency (PPPRA) wants to do the right thing, contrary orders must come from the top. The above fact was attested to by KPMG professional services (2011:10) who noted in their report that "the PPPRA was ordered by the NNPC to pay importers without any verification of vouchers submitted by them. Thus, the PPPRA –a regulatory agency is being regulated by NNPC".

The concept of prebendalism suits the analysis of the above topic and shows how the dominant class uses allocation of fuel import licenses to consolidate power through patron-client politics. This patron-client mentality has caused the state to lose a lot of resources that would have been channeled to the wellbeing of the populace and governance instead of settling a political client.

Fuel Allocation: the requirement in Nigeria

Following the setting up of Petroleum Support Fund (PSF) to administer the relevant laws and regulations relating to fuel importation passed by Nigerian parliament on May 2003, as Petroleum Products Pricing Regulatory Agency (PPPRA) Act No. 8, NNPC seizes to coordinate and manage the importation of refined petroleum product in Nigeria. The PPPRA Act officially started in 2006 with the admission of a few major and independent marketers. The PPPRA, as a regulatory agency, among other things, have the following mandate:

i. To maintain constant surveillance over key indices relevant to pricing policy and periodically approve benchmark prices for all products;
ii. To moderate volatility in petroleum products prices, while ensuring reasonable returns to the operators;
iii. To establish parameters and codes of conduct for all operators in the downstream sector of the petroleum industry;
iv. To prevent collusion and restrictive trade practices harmful to the sector;
v. To exercise mediatory role as necessary for all the stakeholders in the sector;
vi. To regulate the supply and distribution of petroleum products;
vii. To establish an information data bank through liaison with all relevant agencies to facilitate the making of informed and realistic decisions on pricing policies;
viii. To identify macro-economic factors relating to prices of petroleum products and advice the Federal Government on appropriate strategies for dealing with them; and
ix. To establish firm linkages with key segments of the Nigerian society and ensure that its decisions enjoy the widest possible understanding and support. (PPPRA, 2009:5)

However, before proceeding to examining the requirements for fuel allocation in Nigeria, let us quickly examine what is the PSF.

The Petroleum Support Fund (PSF)

The PSF is a "pool of fund provided in the budget and contributed to by the three tiers of government (Local Government Areas, States and Federal Government) to stabilize the domestic prices of petroleum products against the volatility in the international crude and products prices, to be a supplementation with the accruals during the period of over-recovery; (over recovery here refers to the period at which the Petroleum Products Price Regulatory Agency, (PPPRA) recommended ex-depot price is higher than the landing cost of petroleum products)" (House of Representatives *Ad-hoc* Committee, 2012:28; PPPRA, 2009:5). The PSF guidelines are aimed at ensuring efficiency and prudence in the importation, distribution, marketing and availability of petroleum products to Nigerians at Government regulated prices. These "PSF guidelines are classified into principles, responsibilities of stakeholders/ operators and eligibility for drawing from the fund" (PPPRA, 2009:7).

Nevertheless, the PSF guidelines for importation of fuel have undergone three stages between 1999 and 2013. The first was published by PPPRA in 2006; second, in June 2009 and finally, the current guidelines released by PPPRA in 2012, after the House of Representatives Probe in 2012. However, to understand the current guidelines, we have to highlight the 2009 guidelines for a comprehensive understanding and assimilation.

1. Eligibility for drawing from the PSF as amended in June and published by PPPRA in 2009.

Oil Marketing/Trading Companies are expected to meet the Rules and Regulations set by the PPPRA on the management/administration of the Petroleum Support Fund (PSF) as follows:

1. Applicant must be an Oil Marketing/Trading Company registered in Nigeria with the Corporate Affairs Commission (CAC) to conduct petroleum products business,
2. Beneficiary/Claimant must possess the following:
    i. Proof of Ownership or a valid through-put agreement of storage facility with a minimum of 5,000 metric tons for the particular product. Ownership of retail stations is an added advantage.
    ii. Possession of a valid DPR import permit.
3. Having satisfied 1 and 2 above, an applicant shall submit application for participation in the Scheme to the PPPRA.
4. Successful applicants shall sign an Agreement with the PPPRA to become a participant under the Scheme.
5. Approval to import shall be expressly conveyed by the PPPRA to the Participant Importer.
6. Beneficiary/Claimant must notify PPPRA within a minimum of three (3) days ahead of cargo arrival in the country and furnish the PPPRA with the relevant documents including copies of invoices, bills of lading, source of funding and expected date of arrival for documentation.
7. The product loading and arrival time must be within a maximum of 30 days and must meet products specification by the DPR.
8. All approvals for importation are valid for a maximum of three months based on the current PPPRA quarterly importation plan.
9. Deliveries must be made to depot locations approved by the DPR and witnessed by PPPRA Operatives, External Auditors and the Industry Consultant (Independent Inspectors).
10. All documents forwarded to the PPPRA must contain shore tank report duly signed by PPPRA Representatives at discharge locations.
11. (i) All out-turn deliveries to approved locations must be through invoices at approved ex-depot prices.

(ii). Marketers shall, render out-turn delivery returns which must contain the invoiced ex-depot prices and volumes to the PPPRA as part of conditions for continued participation in the Scheme (PPPRA, 2009:15-17).

The below Table 1 serves as PPPRA proposed payment to major/independent marketers. From 1st and 20th of every month, marketers must submit a complete import document to PPPRA. This is followed by data processing computation and forwarding of the documents by PPPRA from 21st, 25th and 26th of every month respectively, etc.

Table 1: Petroleum Support Fund (PSF) Proposed Payment Schedule

S/N	TIME FRAME	ACTIVITY	COMMENT
1.	1st - 20th of the month	Submission of complete import documents to PPPRA	Not counted as part of the processing/payment time. This is because liability of submission of complete import documents within the period lies with marketers and not with the government.
2.	21st -25th of the Month	Data processing computation by PPPRA	
3.	26th of the month	PPPRA forward documents to the Ministry of Finance	48 days payment agreement starts counting
4.	27th -30th of the month	Ministry of Finance forward documents to the Auditor	
5	2 weeks (10 days)	Auditing	
6	2 weeks (10 days)	Payment/HMF/AGF/CBN	

Source: Adapted from PPPRA (2009:11). Revised Guideline for the administration of petroleum support fund (PSF), *http://www.resourcedat.com/wp-content/uploads/2012psfguidelines.pdf*, 01/05/2015.

2. PPPRA issues fresh guidelines for fuel importation, published in 2012

The PPPRA, through the former Executive Secretary, Reginald Stanley, rolled out a fresh guideline to regulate the importation of petroleum product into Nigeria. According to him, all stakeholders are expected to conduct their businesses in compliance with global best practices. These guidelines (PPPRA, 2012) include:

i. Allocation of import permit to importers will henceforth be based on performance and capability.
ii. Import licenses will be issued to oil marketing companies owning depots with the capacity to store products for distribution, while importers are only allowed specific time frame for discharge of petroleum products.
iii. Oil marketers granted permit for the third quarters, but are unable to meet their importation obligations are expected to take steps to do so before the end of each year or forfeit the permits.

To ensure efficiency and transparency in the delivery of fuel in seaport, he outlined these measures taken by PPPRA:

i. An international independent cargo inspectors system would be introduced and charged with the inspection of every cargo of petroleum products imported into the country to ensure efficiency and transparency.

ii. Establishment of a three-tire inspection system that would take cognizance of the arrival of imported fuel volume at the port, the discharge volume and the truck out volume; enforcement of daily opening and closing stock of all the terminals as well as chain all Premium Motor Spirit (PMS) in-let discharge valves after completion of discharge, while the valves can only be opened when the next cargo arrives.
iii. To sanction any importer found to have defaulted in its import obligations.

Mapping the Trajectory of Prebendalism on Allocation of Fuel Import Licenses in Nigeria

The deeply entrenched culture of domestic capitalist accumulation by the dominant class through politics of prebendalism, have become the dominant and defining characteristics of the Nigerian state, with successive governments since 1999 mismanaging the allocation of fuel imports which they award indiscriminately. The patron-client network makes the state officials to ignore or water down the guidelines of PSF scheme to satisfy private and prebendal ethno-regional interest such as cronies, brothers, friends and stakeholders. Tables - 2, 3, 4, 5 and 6 give a bird's eye view of how the PSF scheme was watered down to accommodate patronage distribution of special favours through fuel importing licenses in exchange for political or electoral support.

Table 2: Fuel Marketers not registered with PPPRA before they got first allocation for product supplies

S/N	Names of Marketers	Date of registration with PPPRA	Date of 1st allocation
1	Anosyke Group of Companies	24 th Jan. 20 11	18 th Jan.2011
2	Brila Energy Ltd	I5 th Oct. 2010	8th Oct. 20 10
3	Cadees Oil and Gas Ltd	8 th April 20 11	9 th Feb.2011
4	Ceoti Ltd	26 th Jan.2011	18 th Jan.2011
5	Downstream Energy Source	15th Oct. 20 10	8th Oct. 20 10
6	Duport Marine	5 th Nov.2010	8 th Oct.2010
7	Eco-Regen Ltd	20th Jan.2011	18 th Jan.2010
8	Frad.ro	20th Jan.2011	18th Jan. 2010
9	Fresh Energy Ltd	5th Aug. 2011	2nd Aug. 2011
10	Linetrale Oil	1st Feb. 20 11	30 th Dec.2010
11	Lingo Oil and Gas Company	15th Oct. 20 10	8th Oct. 2010
12	Lottoj Oil and Gas Ltd	12 th Aug. 20 11	18 th Dec. 2009
13	Menol Oil and Gas Ltd	28th Jan. 20 11	18 th Dec. 2009
14	Naticel Petroleum Ltd	1 0 th Dec, 20 10	10 th Aug. 20 10
15	Oakfield Synergy Network	5th Aug. 20 11	2nd Aug. 2011
16	Oilbath Nig Limited	4th Aug. 20 11	2nd Aug. 20 11
17	Rocky Energy Ltd	27th 2011	1st Jan. 2011
18	Prudent Energy and Service	12 th Aug. 20 11	2nd Aug.2011

19	Spog Petrochemicals Ltd	23rd June 20 10	4th June 20 10
20	Yanaty Petrochemicals Nig	15th Oct. 20 10	8 th Oct. 2010

Source: Adapted from House of Representatives *Ad-hoc* Committee Report (2012:149), *http://www.africa-confidential.com/resources/1/uploads/ documents/ Farouk_Lawan_Subsidy_Probe_Report.pdf. 05/01/2015.*

Data in table 2 shows how marketers registration with PPPRA which is a pre-condition for the agency's documentation and appraisal of marketers legal status with respect to incorporation and compliance with the provision of Companies and Allied Matters Act of 1990, among others, was jettisoned by PPPRA to accommodate private economic interest of the ruling class. For instance, while Anosyke Group of Companies registered with PPPRA on 24th of January 2011 got their first allocation of fuel product supplies on 18th of January, 2011; Brila Energy Ltd registered with PPPRA on 15th October 2010 and got their 1st allocation on 8 October 2010; Cadees Oil and Gas Ltd registered on 8th April 2011 and got their first allocation on 9th February 2011. Likewise, others from number 4 to 20. All these show that they have gotten their allocation to import before they were registered. The implication of this is that due process was not followed in allocating petroleum product supply by PPPRA. This is a clear indication of manipulation of policy process through patronage.

Table 3: Fuel Marketers that did not make first application to PPPRA for supplies before they got their first allocation

No	Names of Marketers	Date of 1st Allocation	Date of First Application to PPPRA	Quantity Allocated
1	Cadees Oil & Gas Ltd	9th February 20 11	13th June 20 11	15,000MT
2	Lottoj Oil & Gas Ltd	18th December 2009	11th May 2011	10,000MT
3	Mob Integrated Services Ltd	8th October 2008	20th April 20 10	I5,000MT

Source: Adapted from House of Representatives *Ad-hoc* Committee Report (2012:150), *http://www.africa-confidential.com/resources/1/uploads/ documents/Farouk_Lawan_Subsidy_Probe_Report.pdf. 05/01/2015.*

Statistics in table 3 suggests that the above marketers (Cadees Oil and Gas Ltd; Lottoj Oil and Gas Ltd and Mob Integrated Services Ltd) were found not to have made any application to PPPRA for supplies of petroleum products before they got their first allocation. For a valid contract, there must be an offer and acceptance. This implies that PSF guidelines were not followed in allocating petroleum products to be supplied.

Table 4: Fuel Marketers that never applied to PPPRA at all but were given allocation to supply products

	Qty Litres	Amount ₦
a. Nasaman Oil Services Ltd	49,691,912	3,411,253,193
b. Sifax Oil & Gas Co. Ltd	42,928,602	3,589,063,041
c. Conoil	46,664,121	3,027,526,589
d. AX Energy Ltd	20,048,627	1,471,969,643

Source: Adapted from House of Representatives *Ad-hoc* Committee Report (2012:150-151), *http://www.africa-confidential.com/resources/1/uploads/documents/ Farouk_Lawan_Subsidy_Probe_Report.pdf. 05/01/2015.*

Table 4 contains a breakdown of marketers that never applied at all to PPPRA but were allocated fuel to supply. Under the basic rules of contract, PPPRA and the marketers are in blatant breach of the guidelines, ostensibly to satisfy private economic interest. This has shown how the Nigerian ruling elites try to satisfy their relatives and political associates.

Table 5: Fuel Marketers that did not obtain forex but claimed to have imported petroleum products based on which they have collected subsidy.

S/N	Names of Marketers	2010 subsidy as per Accountant General	2011 subsidy as per Accountant General
1	Bovas & Company	-	10,992,583,784.50
2	Brila Energy Ltd	-	963,796,199.85
3	Ceoti Ltd	-	2,944,681,700.17
4	Eco - Regen Ltd	-	1,988,141,091.10
5	Eurafic Oil & Coastal Services Ltd	-	3,189,069,707.43
6	First Deep Water Discovery	257,396,183.68	4,061,148,533.35
7	Knight Bridge	1,685,869,439.29	2,706,273,858.82
8	Mobil Oil Nig. Pic	3,991,754,441.53	3,060,232335.26
9	Nadabo Energy Ltd	247,184,147.50	2,660,902,801.58
10	Ocean Energy Trading & Services Ltd	-	1,778,180,051.20
11	Origin Oil & Gas Ltd	-	2,703,454,122.11
12	Somerset Energy Services	959,012,939.72	2,056,208,548.22
13	Sulphur-Stream Ltd	-	4,758,693,052.00
14	Swift Oil	-	5,062,403,548.18
15	Frapro International Ltd	-	1,486,837,448.90
16	Fradro International Ltd	-	1,148,792,391.50
17	Vivendi Energy Nig Ltd	-	1,095,790,255.02
	Total	7,141,217,151.72	55,019,978,401.14

Source: Adapted from House of Representatives *Ad-hoc* Committee Report (2012:147-148), *http://www.africa-confidential.com/resources/1/uploads/ documents/Farouk_Lawan_Subsidy_Probe_Report.pdf.05/01/2015.*

Analysis of marketers that did not obtain forex as contained in table 5 indicate that some marketers may have utilized their offshore funds to import petroleum products without purchasing forex from CBN even though by procedure, they were supposed to have obtained Form "M", or forex as a pre-condition to import petroleum products. This shows that the PSF guidelines have been jettisoned for patronage purposes.

Table 6: Fuel Marketers who obtained Forex but did not import petroleum products

S/N	**Names of Marketers**	**2010 $**	**2011 $**
1	Business Ventures Nig Ltd	22,927,339.96	
	East Horizon Gas Co. Ltd	20,735,910.81	
	Emadeb Energy	6,606,094.30	
	Pokat Nig. Ltd.	3,147,956.19	
	Synopsis Enterprises Ltd	51,449,977.47	
	Zenon Pet & Gas Ltd.	232,975,385.13	
	Carnival Energy Oil ltd		51,089.57
	Downlines		4,756,274.94
	Ice Energy Petroleum		2,131,166.32
	Trading Ltd		6,438,849.64
	Index Petroleum Africa		4,813,272.00
	Ronad Oil & Gas W/A		4,813,360.75
	Serene Greenfield Ltd		16,947,000.00
	Supreme & Mitchelles		15,900,000.00
	Tridax Energy Ltd		8,916,750.00
	Zamson Global Res.		
	Total	**337,842,663.86**	**64,767,763.22**

Source: Adapted from House of Representatives *Ad-hoc* Committee Report (2012:141), *http://www.africa-confidential.com/resources/1/uploads/documents/ Farouk_Lawan_Subsidy_Probe_Report.pdf. 05/01/2015.*

These marketers in table 6 were found to have obtained forex in 2009, 2010, and 2011, but did not import fuel. They were not dragged to relevant anti-corruption agencies for prosecution. They might have exploited the subsidy regime, because of patronage, to engage in money laundering activities.

Unraveling the paradox: Understanding how Allocation of fuel import licenses Discourage Investors in the Development of Refineries in Nigeria

Prebendal allocation of fuel import licenses has discouraged numerous investors in the development of refineries in Nigeria. Prominent among them, is Femi Otedola, President and CEO of Zenon Petroleum and Gas, the largest supplier of diesel fuel in Nigeria who the bid to purchase the Port-Harcourt refinery but the activities of international fuel marketers made him to change his mind. He confessed to US embassy in Abuja, Nigeria that:

> He initially won the bid to purchase the Port-Harcourt refinery offered for privatization, but he later told President Obasanjo he will not invest in the refinery so long as NNPC purchases fuel from traders in other countries and leasing ships itself to deliver fuel to Nigeria. These traders arrange for the vandalization of crude oil feeder pipelines, which keep the refineries at Port-Harcourt, Warri and Kaduna closed or under capacity. International traders generally receive at least one million dollars per shipload of fuel to Nigeria and have grown accustomed to the easy money Nigerian offers as long as its refineries remain down (Wikileaks, 2012:2).

Besides, the Asian National Oil Companies (ANOCs) from China, Taiwan, India, and South Korea who wanted to invest in refineries development in the downstream oil sector were discouraged because of fuel importation benefits to Nigeria's dominant class. The idea was for the ANOCs to acquire oil blocks for an exchange for investment in the downstream oil sector, power projects or infrastructural development. This was later to be known as the concept of the "oil-for-infrastructure deal" made with the ANOCs. According to Vines *et al* (2009:7),

> The ANOCs were given the Right of First Refusal (RFR), and discounted signature bonuses on a number of oil blocks in return for their commitment to invest in downstream and infrastructure projects. The concept of the 'oil-for-infrastructure' deal was novel but its introduction compromised the much-proclaimed transparency of the oil licensing rounds of 2005, 2006 and 2007.

Accordingly, these oil blocs bid round of 2005, 2006 and 2007 awarded to the Asian companies in an oil-for-infrastructural deal are presented in table 7 below

Table 7: Blocs offered to the ANOCs on RFR Terms, 2005 -2007

ANOC	Blocks with RFR	Round	Taken Up
Korean National Oil Company (KNOC)	**2**	**2005**	**2**
	1	2006	None
	4	2007	None
(ONGC-VL)	2	2006	None
ONGG Mittal Energy Ltd (OMEL)	3	2006	2
	1	2007	None
China National Petroleum Corporation (CNPC)	4	2006	4
	1	2007	None

China National Offshore Oil Corporation (CNOOC)	4	2007	None
Chinese Petroleum Corporation (CPC)	2	2005	None
	1	2006	None
PETRONAS	1	2007	None
Total	**26**		**8**

Source: Computed by the Author from data from the Department of Petroleum Resources (DPR), April 2008

Table 7 shows that KNOC had two blocks in 2005 round; ONGC/Mittal, two blocks in 2006 and a third which is *subjudice;* and CNPC four blocks and one in 2007. Taiwan's CPC ended with none following its withdrawal from Nigeria after unwittingly caught up in political intrigue.

Also, table 8 contains the summary of the precise oil blocs to the ANOCs. While KNOC in 2005 has OPL 321 and 323; CNOOC in 2006 has OML 130 and OPL 229 etc.

Table 8: Total Oil Blocs Assets of the ANOCs in chronological order 2005- 2007

ONGC	May 05	JDZ Bloc 2	9% share/Equator 6% = 15%
Sinopec	May 05	JDZ Bloc 2	28%; operator wef Mar 06
KNOC	2005 Round	OPL 321 & 323	strategic Deal
CNOOC	Jan 06	OML 130	Bought Contractor rights for US$ 2.3 bn
CNOOC	Mar 06	OPL 229	Bought 35%
CNPC	2006 round	OPL 471, 298,732,721	Strategic Deal
OMEL (ONGC/Mittal)	2006 Round	OPLs 279 &285	Strategic deal
OMEL (ONGC/Mittal)	Sept. 06	OPEL 297	Discretionary award still *sub-judice*

Source: Computed by the Author from the Department of Petroleum Resources, April 2008.

These ANOCs in return promised strategic investments in Nigeria. See Table 9 for more clarifications on their respective promises. While South Korea promised two integrated gas power station at Abuja and Kaduna including gas pipeline. China promises core investment in the Kaduna refinery and so India, Taiwan and Malaysia.

Table 9: Summary of Strategic Deals with ANOC

South Korea	- Gas pipeline from Ajaokuta to Kano via Abuja with Spur to Katsina - 2 Integrated gas power station at Abuja and Kaduna - Construction of the Port-Harcourt –Maiduguri railway

China	- Core investor in the Kaduna refinery - Construction of double track, standard guage Lagos-Kano railway - Construction of an HEP complex at Mambilla (3 gorges project)
India	- Build a Greenfield refinery 180,000bd capacity - Build a 2000mw independent power plant - Feasibility study for a new east-west railway Lagos to Delta
Taiwan	- Core investment in Port Harcourt refinery - Unspecified IPP (Power plant)
Malaysia	- 2.5m ton pa petrochemical projects in Delta State with creation of 7000 jobs.

Source: Compiled from data from the Department of Petroleum Resources, April 2008.

However, allegations that trailed the last round of bids in 2005, 2006 and 2007 made the administration of President Umaru Musa Yar'Adua to set up a panel headed by Olusegun Ogunjana to investigate the level of transparency in the award of oil blocs (Including the oil-for-infrastructure deal with Asian firms) awarded by the Obasanjo's administration. The panel reported that all the oil blocs be revoked because the manner they were obtained failed to meet the best practices in the industry. According to the committee:

> The deals were opaque, the financial arrangement were unsatisfactory and due process had not been followed… many companies took advantage of the oil-for-infrastructure scheme to have access to concessions with high potentials without fulfilling their commitment to government by the commencement of downstream or infrastructure projects of strategic importance which formed the basis of philosophy (Wong, 2009:13).

This recommendation received the approval of Sadiq Mahmood, permanent secretary in the ministry of petroleum who forwarded it to the President for the revocation of the oil blocs (including the oil-for-infrastructure deal) awarded by Obasanjo's administration (Akukwe, 2012). The President subscribed to the above advice and ordered for the revocation of all the oil blocs. But Falana (2012:17), however, objected by insisting that since "the past five years, the Chinese have offered to build refineries for us in exchange for oil blocs which are doled out, even to girlfriends, when the government frustrated the Chinese to promote fuel importation, they moved to Niger and Chad to build two refineries which have since been commissioned". This also applies to India and other ANOCs because it was in the same 2005, 2006 and 2007 bidding and the same oil-for-infrastructure deals offered.

Beyond the ANOCs frustration from Nigeria, is the eighteen (18) local Nigerian companies who secured licenses on June 14th 2004 and was revoked in 2006 by the Department of Petroleum Resources (DPR) as a result of government hostile investment conditions in the downstream oil sector to protect fuel importation benefits. These 18 local companies are represented in Table 10 below.

Table 10: Local oil companies that secured licenses to build refineries in 2004

S/N	LOCAL COMPANIES
1	Akwa-Ibom Refineries and Petrochemicals Ltd
2	Badagry Petroleum Refinery Ltd
3	Clean waters Refinery
4	Ilaje Refinery and Petrochemicals
5	Niger Delta Refinery and Petrochemical Ltd
6	NSP refineries and Oil Services Ltd
7	Ode-Aye Refinery Ltd
8	Orient Petroleum Resources Ltd
9	South Land Associates Ltd
10	Southwest Refineries and Petrochemicals Ltd
11	Stares Petroleum Refinery Ltd
12	The Chasewood Consortium
13	Tonwel Refinery
14	Total Support Refineries
15	Union Atlantic Petroleum Ltd
16	Sapele Petroleum Ltd
17	Rivgas Petroleum and Energy Ltd
18	Owena Oil & Gas Ltd

Source: Adapted from *Tell Magazine*, April, 2007.

Indeed, there were no motivational conditions by Nigerian government to encourage these indigenous oil companies. Even when the Association of Private Refineries Owners of Nigeria (APRON), under the then Chairmanship of, Olatunde Ilori, tabled the financial involvement in 2007 to President Obasanjo and begged to grant their members right to lift crude oil to part-finance the project, Obasanjo turned down the offer and this situation has remained till date. The enormous capital involvement scared these indigenous private firms away. For instance, as one of the directors who got the license revealed:

> It would require about $1.5 billion (N193.5 billion) to build a new refinery. He said that having paid $50,000 (N6.5 million) application fees… market studies gulped between $75,000 (N9.7 million) and $100,000 (12.9 million), site studies attracted between $250,000 (N32.5 million) and $500,000 (N65 million), while Environmental Impact Assessment, EIA, cost between $500,000 (N65 million) and $1 million (N129 million). According

> to him, liquefaction process modelling costs between $200,000 (26 million) and $250,000 (32.5 million). These were not the only costs needed to start the project. He said detailed feasibility report and basic engineering design attract between $1.5 million (N193 million) and $3.5 million (N452 million) and $2.5 million (N297.1 million) and $5million (N545 million) respectively while FEED takes between $15 million (1.6 billion and $20 million (N2.2 billion) (*Tell*, 2007).

This lack of government encouragement and turning down of the request from APRON to lift crude oil to part-finance the project put a final seal to any hope that any private refinery will come on stream in the tenure of the Obasanjo administration. According to Obasanjo "I don't want a situation where someone will take crude oil and resell it just because he has a licence" (*Tell*, 2007). This development put an end to private refinery development during Obasanjo's eight years administration (1999-2007). However, apart from all these, Akpatason quoted in Ajanaku (2008:4) who was the former President of NUPENG, noted that the "18 licences were revoked because of continued participation of the Nigerian National Petroleum Corporation (NNPC), in product distribution through its Mega-Filling Stations, which dispense fuel at prices relatively lower than those of major and independent marketers".

In addition, the former Minister of Trade and Investment, Mr. Olusegun Aganga, in 2011 formally entered into agreement with an American and Nigerian Joint venture group, Vulcan petroleum Resources Limited and Petroleum Refining and Strategic Reserve limited, for the construction of six modular refineries. The six refineries, which are estimated to gulp $4.5bn (N697.5 bn), will have a combined capacity of refining 180,000 barrels of oil per day. Two of the refineries are expected to be completed within the next 12 months, while the others will be completed within the short/medium term. The refineries are to be located in areas where there are crude oil pipelines and will be built in collaboration with the Nigerian National Petroleum Corporation. When completed, each modular refinery will refine up to 30,000 barrels of crude oil per day and produce up to five million litres of petrol, diesel and kerosene. Speaking on the signing of the agreement, Aganga said:

> The event represented a major milestone in the federal government's plan towards industrial revolution, job creation and wealth generation. This is a historic moment and a big step for us as a country. Apart from power, one of the critical areas, which President Goodluck Jonathan has made a priority, is to have functional refineries. My understanding is that by the time the whole project is completed, the cost is estimated at about $4.5bn. This is the beginning of changing our old paradigm from exporting just raw materials and exporting jobs to the western countries. There is no nation that has moved from being a poor

> nation to a rich one by exporting raw materials without having a vibrant industrial base (Onuba, 2012: 5).

The Chairman of Petroleum Refining and Strategic Reserve, Mr. Jim Mansfield and Mr. Edozie Njoku, signed on behalf of their respective companies. Aganga said “the Ministry would work together with the ministry of petroleum resources and the NNPC to ensure the actualization of the projects”. Unfortunately, NNPC later disowned the above Memorandum of Understanding (MOU), insisting that they were not carried along (Onuba, 2012:5). According to the report released by NNPC to *This Day* Newspapers:

> The corporation had no hand in the project and is currently not in partnership with either the trade ministry, US firm or the Nigerian company in respect of the said modular refinery project. As far as we are concerned, we don’t know anything about six refineries project. The NNPC was not consulted, nor its consent sought by the Ministry of Trade. The NNPC was not invited at the said signing ceremony and was also not represented. We are not collaborating with any company on any such project (Amanze-Nwachuku, 2013:3).

This conflictual allegation by NNPC and Trade Minister over consultation and non-consultation stalled this Joint Ventures agreement between US and indigenous firms and Trade Minister till date to promote fuel importation benefits.

Conclusion

From the forgoing, it is evident that the Nigerian petroleum sector exhibits the characteristics of Pork-barrel sector in which those who have captured power (state officials) dispense fuel import licenses arbitrarily in a prebendal manner, not minding the cost to the sector and the state. Although it is difficult to ascertain for sure the extent to which political intrigues and clientelistic inclinations of state officials influenced all the fuel importing licenses allocated between 2006 and 2014, it is obvious, however, that fuel importing licenses have become perks of office distributed not only to the ruling elite coalitions, but also to their cronies. This underpins why the four (4) state-owned refineries have been in a moribund state despite the injection of $1.78bn in the last twelve years on TAM (*Tribune* Saturday 24 December 2011). This prebendal politics helped the dominant class to keep the Nigerian downstream oil sector unproductive and investors unfriendly, while at the same time making fuel importing businesses attractive and lucrative. That explains why Nigeria has to depend almost entirely on importation of fuel since 1999. To make matters worse, Nigerian laws, constitutions, Economic and Financial Crime Commission (EFCC) and Independent Corrupt Practices and Other Related Offences Commission (ICPC) are ineffectual due to politicization. This explains why there are weak policy implementations due to class interests and power relation factors. As such, the ruling class uses these laws and institutions to further their political and economic interests through plundering the economy. Hence, Nigeria trapped in the politics of plunder.

Therefore, for a successful reform in the downstream oil and gas sector that will eradicate prebendal politics in the allocation of fuel-import licenses, the Nigerian government should fast track the passage of PIB bill abandoned in the national Assembly since 2009. This bill will eliminate all the controversies surrounding the reform of the oil sector because of its legal, fiscal and institutional frameworks that will assist in the governance of the operations and activities of the oil and gas sector in Nigeria.

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