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Nigeria's oil curse

Discovery of more petroleum reserves will impede regional efforts to squash Boko Haram

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On Nov. 8, the head of the Nigerian National Petroleum Corporation, Emmanuel Ibe Kachikwu, announced (<http://www.vanguardngr.com/2015/11/nigeria-closer-to-oil-find-in-chad-basin-nnpc/>) that the state-run company was on the verge of a major oil discovery in

the Lake Chad area after years of failed (<http://www.vanguardngr.com/2015/11/nigeria-closer-to-oil-find-in-chad-basin-nnpc/>) exploration attempts.

Kachikwu estimated that the new fields could contribute a significant amount to the NNPC's projected 2016 revenue (<http://www.ibtimes.com/nigeria-could-unearth-major-oil-reserves-lake-chad-area-nigerian-national-petroleum-2175334>) of \$20 billion as early as next year. He also suggested the bolstered budget would allow the company to fund more exploration (<http://www.vanguardngr.com/2015/11/nigeria-closer-to-oil-find-in-chad-basin-nnpc/>) projects. Given that the cratering oil prices and drop-off in oil revenue has contributed significantly to the country's economic stagnation (the national statistics bureau estimates the national second quarter growth at 2.35 percent as compared to over 6 percent at the same time last year), many Nigerians greeted the announcement with enthusiasm. However, a more thorough examination suggests that this discovery is neither new, nor a blessing. Adding oil to already volatile social and geopolitical factors in the Lake Chad Basin — an ecological region that spans Nigeria, Niger, Chad, Cameroon and the Central African Republic — is a recipe for further instability.

Nigeria's claims of "significant oil find" in the Lake Chad Basin are not new. It's long been established that the region has immense potential for petroleum exploration. Chad has been producing oil on its side of the border since the 1970s with production reaching estimated 100,000 barrels a day (<http://news.yahoo.com/significant-oil-possible-lake-chad-basin-nigeria-132036070.html>) in 2013.

The area is so valuable that Nigeria and Chad fought a series of border skirmishes in the 1970s (<http://qz.com/368116/to-understand-why-west-african-nations-are-finally-teaming-up-against-boko-haram-follow-the-money/>) over control of the basin. Their disputes remain unresolved. There is still ambiguity over ownership of a number of islands in Lake Chad. There's been ongoing diplomatic posturing and local communal conflicts between Nigeria, Chad and Cameroon over control of the ecological basin (<http://www.irinnews.org/report/34503/nigeria-border-issues-around-lake-chad-cause-concern>). Nigeria's intention to drill new oil fields will only heighten the stakes of these tensions and lead to violence.

Boko Haram's insurgency may have temporarily eclipsed the standoff over drilling rights. But tensions remain. Communities around the Lake Chad Basin have borne the brunt of the insurgency, which has claimed an estimated 20,000 lives and has displaced at least 4 million people since 2009. (<http://www.connectsaisafrica.org/research/african-studies->

publications/social-violence-nigeria/) Any serious attempt at drilling by Nigeria will require subduing the insurgency. However, amid diplomatic wrangling over national boundaries in the basin, regional cooperation on larger security issues remains complicated. Already, the deployment of the 8,7000 member force — drawn from Chad, Niger, Nigeria, Cameroon and Benin — has been delayed due to logistical and political tensions. In particular, Chad has accused Nigeria for not pulling its weight (<http://www.dailymail.co.uk/wires/afp/article-3014587/Chad-president-accuses-Nigeria-failing-help-fight-Boko-Haram.html>) in the offensive against Boko Haram, heightening tensions between the two countries.

“ Nigeria’s oil discovery in the Lake Chad Basin highlights the urgent need for reform and greater regional cooperation to quell the Boko Haram insurgency. ”

Even if Boko Haram is subdued to make way for oil drilling, the group has shown a remarkable resilience and could re-emerge to take advantage of the oil bunkering. As seen in Nigeria’s oil-rich Niger Delta, discontent among local communities in the Lake Chad Basin could lend support to Boko Haram or subsequent militant groups. In the mid-2000s, oil theft, and the vast revenue it produces, allowed for a conflict to accelerate and metastasize in the Niger Delta

(http://www.usip.org/sites/default/files/blood_oil_nigerdelta.pdf). The United States Institute of Peace estimates that the Nigerian economy lost approximately \$100 billion (http://www.usip.org/sites/default/files/blood_oil_nigerdelta.pdf) to oil theft from 2003 to 2008. The consequences of Boko Haram tapping into such a robust revenue stream could be cataclysmic. It is already Nigeria’s single biggest and most lethal (<https://www.washingtonpost.com/blogs/monkey-cage/wp/2014/10/06/the-boko-haram-insurgency-by-the-numbers/>) crisis since the civil war of the late 1960s (<http://www.history.com/this-day-in-history/civil-war-in-nigeria>).

Nigeria has proven incapable of protecting oil pipelines from theft and ensuring that oil extraction does not harm local ecologies and communities. There were more than 7,000 oil spills (<https://www.globalcitizen.org/en/content/oil-in-nigeria-a-cure-or-curse/>) from 1970 to 2000 in the Niger Delta. An estimated 15 percent of Nigerian oil was stolen in 2014, resulting in a loss of 300,000-400,000 barrels per day (<http://www.ibtimes.com/low-oil-prices-bad-stability-nigeria-amid-boko-haram-violence-upcoming-elections-1758668>).

The problem with Nigerian oil production does not stop there; there is also the specter of corruption. According to a recent report by the Natural Resource Governance Institute, a New York-based think tank that provides policy analysis and research, the NNPC withheld more than \$12 billion

(http://www.resourcegovernance.org/sites/default/files/NRGI_InsideNNPCOilSales_CompleteRep from the sale of 110 million barrels of oil over the past 10 years, “spending the money in a secretive, off-budget

(http://www.resourcegovernance.org/sites/default/files/NRGI_InsideNNPCOilSales_CompleteRep manner.”

President Muhammadu Buhari has initiated a serious effort at reducing corruption, especially in the petroleum industry. But the recent arrests of six senior central bank officials by Nigeria’s anti-corruption agency (<http://www.bbc.com/news/world-africa-32958635>) are not sufficient to entrust the petroleum agency to pursue new drilling operations. In fact, the premature announcement of the new oil discovery appears to be part of an effort to make up for falling oil revenues. It could undermine Buhari’s agenda by fracturing the regional effort against Boko Haram and leading to additional loot before institutional reforms can be implemented.

The effects of resource curse (<http://www.theguardian.com/global-development/2012/oct/25/natural-resources-blessing-curse-developing-countries>) and misuse of natural resource wealth, especially in the extractive industries, are well documented. Nigeria appears to be looking gleefully past those lessons and its own experience with oil extraction in the Niger delta (<http://www.theguardian.com/environment/gallery/2010/mar/05/curse-black-gold-nigeria>). Nigeria’s oil discovery in the Lake Chad Basin should not be taken as a blessing. If anything, it highlights the urgent need for reform and greater regional cooperation to quell the Boko Haram insurgency.

Hilary Matfess is a research analyst at the National Defense University’s Center for Complex Operations. The views expressed in this article are those of the author and do not reflect the official policy or position of the National Defense University, the Department of Defense or the U. S. government.

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