EVALUATION OF PETROLEUM PRODUCTS MARKETING IN A GLOBALIZING ECONOMY: A CONCEPTUAL EVIDENCE FROM NIGERIA

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ABSTRACT: The downstream sector of the Nigeria’s petroleum industry is a key sector in the country’s economy having four refineries with a nameplate capacity of 445,000 barrel per day, more than eight (8) major and over three hundred and fifty (350) independent petroleum products’ marketers, all active in marketing, distribution and retailing of petroleum products in the country. The state-owned Nigerian National Petroleum Corporation (NNPC) has had an all-encompassing control over the Nigeria’s petroleum industry, while the Petroleum Product Pricing Regulatory Agency (PPPRA) is involved in fixing and regulation of wholesale and retail prices of petroleum products across the country. Consequent upon this, Nigerians have experienced several decades of shortages of refined petroleum products and this has led to increased imports to meet the domestic demand. Nigeria’s petroleum industry has experienced enormous problems such as poor management and lack of turnaround maintenance resulting in the refineries operating below full capacity. The PPPRA, the NNPC and other stakeholders in the downstream sector of the Nigeria’s petroleum industry are to take all necessary measures to sustain the current petroleum products supply stability in the system, while there should be adherence to approved official pump prices ceiling by petroleum products marketers.

KEYWORDS: Petroleum products, Globalized economy, Marketing, Downstream sector, Nigeria.

INTRODUCTION

Prior to 1960, the Nigerian economy was greatly characterized by the dominance of exports and commercial activities. There was no viable industrial sector. After independence, agriculture continued as the mainstay of the economy (Ango-Abdullahi, 2002). The various Marketing Boards generated much revenue, the surplus of which was used by government to develop the basic infrastructure needed for long term development. The main thrust of the policy was to maximize the benefits of the export-led development strategy. However, before the oil boom, the Nigerian economy was characterized by the predominance of subsistence activities; narrow disarticulated production base, with ill-adapted technology; neglected informal sector; lopsided development due to the bias of public policies; excessive dependence on external factor inputs; continuous siphoning of surpluses from the economy; weak institutional capabilities (Ajakaiye and Akinbinu, 2000). The various policies of the pro-oil boom era ‘failed’ to address these identified features of the economy. The discovery of oil in commercial quality in the mid-1950s, coupled with the oil boom resulting from the Arab oil embargo on the United States of America (USA) in 1973, affected the
agricultural sector adversely. In 1971, the contribution of agriculture to the Nigeria’s gross domestic product (GDP) stood at 48.23 per cent. In 1977, it had declined to almost 21 per cent. Agriculture exports, as a percentage of total exports, which was 20.7 percent in 1971, reduced to 5.71 percent in 1977 (Central Bank of Nigeria, 1994). The economy became heavily dependent on oil. By this time, oil revenue represented almost 90 percent of foreign exchange earnings and about 85 percent of total exports.

In the 1970s, Nigeria was able to generate tremendous wealth as a result of the increase in the world oil price. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (now the Nigerian National Petroleum Corporation [NNPC]) in 1977. The NNPC is a state-owned company as well as a major player in both the upstream and downstream sectors of the Nigerian oil and gas industry. Nigeria, as a country, attained the status of the major oil producer ranking seventh world in 1972, and has ever since grown to become the sixth largest oil producing country in the world. There is no gainsaying that petroleum products marketing and export has been playing a dominant role in the Nigerian economy. However, the oil boom also created serious structural problems in the economy, although it afforded the government much needed revenue. Despite the oil boom, the private sector remained weak (Hichliffe, 1989). The existing macroeconomic policies continued to encourage consumption rather than production. The austerity measures introduced by the government were short-lived because structural problems were not addressed (Ake, 1981). Consequently, the economy entered the recessionary phase, requiring further stabilization measures to reverse the gloomy situation. These are the fundamental issues that informed the concepts behind this study.

LITERATURE REVIEW

Conceptual Clarification
Crude petroleum happens to be one of the mineral resources being produced in commercial quantity in Nigeria. The petroleum sector, therefore, serves as the main supply of energy in the country (Aigbiremolen and Aigbiremolen, 2004). Since petroleum and natural gas are the major suppliers of commercial energy in the, most populous African country, an evaluation of petroleum products marketing in such an economy is a step in the right direction. The petroleum and natural gas reserves are usually found where there are crude oil reserves (www.naturalgas.org). Therefore, there are petroleum and natural gas reserves association with crude oil and non-associated reserves in the country. Petroleum production in commercial quantity in Nigeria has led to rapid increases in oil revenue, GDP and foreign exchange earnings (Aigbiremolen and Aigbiremolen, 2004).

The link between product marketing and economic development is quite obvious (Ogunsanya, 1999). According to most marketing academics and practitioners, the concept of exchange is central to the understanding of marketing (Fill, 2009). For an exchange to take place there must be two or more parties, each of whom can offer something of value to one another and who are prepared to enter freely into the exchange process, a transaction. It is against this backdrop that Kotler and Keller (2006) refers to marketing as identifying and meeting human and social needs profitably. However, the American Marketing Association (2009) formally remarks that marketing is an organizational function and a set of processes of creating, communicating and delivering
value to customers and managing customer relationships in a way that benefits the organization and its stakeholders.

In today’s competitive environment, marketing is highly visible. Accordingly to Achumba (2000), the concept of exchange leads to the concept of the market. Kotler and Armstrong (2006) refer to the market as a phenomenon consisting of all the potential customers sharing a particular need or want; who might be willing and able to engage in exchange to satisfy that need or want. The new marketing concept, according to Aigbiremolen and Aigbiremolen, (2004), is essentially the idea that the enterprise should be oriented towards the satisfaction of customer needs and wants. Changing social and economic conditions in the technically advanced world were fundamental in the marketing concepts evolution.

In spite of the fact that the marketing concept evolved in the advanced countries, the boundaries of marketing have extended remarkably to various frontiers. Generally, marketing strives to serve and satisfy human needs and wants. Therefore, marketing can be considered as a strategic factor in the economic structure of any society. This is because it directly allocates resources and has a great impact on other aspects of economic and social life. It becomes imperative to emphasize that in any society where exchange takes place, marketing must be there, even if it is in its crudest form.

Globally, the major role of marketing is to ensure the continuance in growth of economies and the individual’s standard of living (Baker, 2000). Marketing however can be useful in countering non-economic obstacles, such as people’s values, attitudes and ways of life, which do not alter in the face of economic opportunity (Aigbiremolen and Aigbiremolen, 2004). Meanwhile, since marketing is concerned with a social system and operates within it, it is able to identify opportunities and promote economic development which corresponds with a society’s value (Osuagwu, 1999). From all indications, marketing can act as a catalyst to economic development. It can also lag behind it; this is a function of whether marketing is being used actively, or it is allowed to evolve in a passive fashion (Onwuchuruba, 1996). The multiplier effects which effective marketing will have on the rate of economic development can better be imagined than described. According to Aigbiremolen and Aigbiremolen, (2004), sales promotion, advertising, publicity and the introduction of innovative products can stimulate expenditure, investment, productivity and consumption.

THEORETICAL FRAMEWORK
This study, however, adopts economic theory as the theoretical framework. This theory is in consonance with the new dimension to transactional marketing, most especially in this contemporary regime of fairer trade in goods and services via market liberalization and deregulated global economy. Economic theory assumes that energy is a commodity and that consumers will adapt their usage in response to price signals. According to this theory, financial incentives have some impact on energy-using behaviour and energy related investments, with the size of incentive affecting the scale of response. Although, in the literature, customers react in quite different ways to price levels and price changes, and even if significant opportunities to save energy and money are present, only those with certain rationalistic styles may be able to appreciate that fact (Lutzenhisier, 2002).
In the overall consumption pattern and demand-shifting behavior in the UK, it was discovered that household gas customers reduced their usage by marginal 12 per cent between 2005 and 2007 in response to higher prices. Real price rises for domestic energy between 2005 and 2007 suggested a marginal demand reduction in 2007. Despite real price rises, demand for domestic energy rose by mere 2.4 percent in 2008 when the winter was colder. Ultimately, the price increases notwithstanding, the consumers will rather choose extra heat than to save money if the weather is very cold (Owen and Ward, 2010).

PETROLEUM PRODUCTS MARKETING AND THE NIGERIAN ECONOMY

The antecedents of oil or refined petroleum products marketing in Nigeria date back to the early 1930s when precursors of Shell and Mobil engage in the distribution of petroleum products. The prominent brand of cooking oil or kerosene then was ‘sunflower’. The domestic petroleum products market was dominated by the downstream arms of the multinational oil prospecting companies: National Oil (now Conoil), Mobil Oil, Elf, Total Nigeria, Agip Nigeria, British Petroleum (later African Petroleum, now Forte Oil), and Unipetrol (now Oando). Royal Dutch/Shell Petroleum use to own 40 per cent equity in the former National Oil. Other shareholders were Nigerian government through NNPC (40 per cent), while the remaining 20 per cent of the equities was held by the Nigerian public. However, it becomes imperative to state that a number of these multinational oil companies have been indigenized or fully privatized, while most of the major petroleum marketing companies are quoted on the daily official list of the Nigerian Stock Exchange (www.nigeriabusinessinfo.com). The local oil market in Nigeria is still largely regulated. Pump prices of fuels, such as premium motor spirit (PMS) – petrol, automotive gas oil (AGO) – diesel, and domestic pure kerosene (DPK) – kerosene, are fixed by government. In the past, the bulk of domestic fuel requirements were supplied by local refineries. However, the bulk of local fuel consumptions are now being supplied via importation of refined petroleum products due to parlous state of refineries in the country. Massive importation of refined petroleum products commenced in 1996 under the military regime headed by Late General Sani Abacha.

In 1998, the erstwhile military regime of General Abdulsalami Abubakar moved towards deregulation, which the industry has always wanted, by allowing the oil marketing companies to import fuel directly. In the past, this was only done by government through the NNPC. Moreso, as importation was unattractive to the major oil marketing companies due to the local fixed price regime. The major oil marketing companies, as well as independent oil marketers (the small -to- medium sized indigenous oil marketing companies) began to import fuels directly following the new policy. At the time, this helped to stem the growing supply shortfalls which had caused serious economic problems, and aggravated the country’s economic downturn. A typically scenario were fuel queues that stretched for miles at virtually all parts of the country especially during the military regime. But the respite was short lived.

Meanwhile, the low international price of crude oil, $9 – 12 per barrel at the time, made fuel imports economic, rising prices of crude oil in the year 1990 made the oil marketing stop imports of fuels, particularly PMS (petrol), AGO (diesel) and DPK (kerosene). By the second half of 1999, the NNPC had become the major importer of fuels for domestic consumption, which it had to do
for strategic reasons, to avoid a political backlash that may have security implications (www.nnpcgroup.com/history).

The civilian administration of Olusegun Obasanjo also continued importation of fuels while every attempt to complete the refurbishment and turnaround maintenance of local refineries failed. Obasanjo- led civilian administration increased pump price of petroleum products: PMS (petrol) – from ₦20 to ₦65 per litre, AGO (diesel) – from ₦19 to ₦70 per litre, and DPK (kerosene) – from ₦17 to ₦57 per litre. The unilateral price increases by the then President caused widespread protests and strikes, led mainly by the civil society and organized labour. The present administration of President Goodluck Jonathan has continued importation of refined petroleum products, while some efforts are being made to enhance maximum capacity utilization of the local refineries in the country.

**Refining and Distribution**

Nigeria’s total installed refining capacity is 445,000 barrels of crude oil per day, as at 1990 till date. On paper 300,000 barrels of crude oil per day is allocated to local refining and consumption. But on average, about 240,000 barrels is given to the local refineries on a daily basis, up till the mid – 90s. The breakdown of refineries and lack of adequate turn-around maintenance (TAM) between 1996 and 1998 under the military junta have contributed in no small measure to the reduction of the local capacity in processing crude oil into refined petroleum products. For instance, Warri and Port-Harcourt refineries presently operate at 30% capacity, while Kaduna refinery is still undergoing another round of TAM (www.nigeriabusinessinfo.com). The refineries are meant to process crude oil to the various component functions like: PMS (petrol), AGO (diesel), DPK (kerosene), coal tar, heavy oils, such as engine oil, petroleum jellies, lubricants, etc. Initially, Nigeria was planned to be self-sustaining in terms of these various by-products, however due to cumulative negligence and poor maintenance culture, most of these products are now being imported for local consumption Amanze-Nwachukwu (2010). The major oil depots in Nigeria are situated in Aba, Benin, Enugu, Ibadan, Gombe, Ilorin, Jos, Kaduna, Kano, Lagos (Ejigbo), Maiduguri, Markurdi, Mosimi (via Shagamu), Ore, Port Harcourt and Warri. All these oil depots are under direct monitoring, supervision and management of the NNPC.

**Oil Marketing and Export Process**

In Nigeria, major oil marketers comprise of mainly multinational oil firms that operate in the downstream sector as well as some indigenized oil enterprises, these include Mobil Oil Nigeria PLC, Total Nigeria PLC, Oando PLC, MRS Oil Nigeria PLC, Forte Oil PLC, Conoil PLC, Afroil PLC, Eternal Oil and Gas PLC, Beco Petroleum Products PLC, and Zenon Oil Limited, among others. Many of these oil firms are listed under the petroleum marketing sector in the Nigerian Stock Exchange.

In addition, the NNPC as a state-owned oil company also has a marketing arm that engage in oil retail sales management and this is the arm that ensure thorough re-distribution of petroleum products via the NNPC ‘Mega’ or ‘Micro’ filling stations nationwide. Nevertheless, there are several independent oil marketers that operate in various nooks and crannies of Nigeria. Independent oil marketers comprise of mainly indigenous oil enterprises. There are over three hundred and fifty (350) of these marketers in the country as at September 30, 2012.
These independent marketers range from one-station based to fairly large multi-station ones. Notable among them are: Nigerian Independent Petroleum Company (NIPCO) Limited, Fagbems Oil Limited, Diamond Pearls Petroleum Limited, Ibeto Oil Lubricants Limited, Fowobi Oil Limited, Iluobe Oil Limited, Raboil Limited, Lenoil Limited, Ladegbewa Oil Limited, Sea Petroleum Limited, Rainoil Limited, among others. However, the crude oil produced at various plants is used to be exported in order to gain relevant foreign exchange earnings for the country. Hence, there are terminals set up to enable the export process of crude oil from the country. In setting up these terminals, care was taken to locate them near the means of transportation, which is basically shipping. Nigeria, as a country, has six (6) major crude oil export terminals set up for the exportation of crude to foreign countries. The following are their statistical information:

- **Bonny Export Terminal**
  Operator: Shell Petroleum Development Company Limited
  Location: About 560km South-East of Lagos
  Loading capacity: 6,500 T/Hr*
  **22km of sea line with 2 single buoy moorings for tankers loading up to 300,000-230,000 DWT.**

- **Forcados Export Terminal**
  Operator: Shell Petroleum Development Company Limited
  Location: About 260km South-East of Lagos
  Loading Capacity: 11,000 T/Hr*
  Total storage capacity (for both Bonny and Forcados): 1.3 million barrels
  **26km of sea line with 2 single buoy moorings for tankers loading up to 254,00 DWT.**

- **Escravos Export Terminal**
  Operator: Chevron Nigeria Limited
  Location: About 220km South-East of Lagos
  Loading Capacity: 3,750 T/Hr*
  Storage capacity: 3.6 million barrels
  **30km of sea line with 2 single buoy mooring for tankers loading up to 350,000 DWT**

- **Qua Iboe Export Terminal**
  Operator: Mobil Producing Nigeria Unlimited
  Location: About 650km South-East of Lagos
  Loading capacity: 3,750 T/Hr*
  **21km of sea line with 2 single buoy mooring for tankers loading up to 285,000 DWT**

- **Brass Export Terminal**
  Operator: Nigerian Agip Oil Company (NAOC) Limited
  Location: About 470km South-East of Lagos
  Loading capacity: 3,000 T/Hr*
  Storage capacity: 3.6 million barrels
  **26km of sea line with 2 single buoy mooring for tankers loading up to 300,000**

- **Pennington Export Terminal**
  Operator: Chevron Nigeria Limited
  Location: About 370km South-East of Lagos
  Loading capacity: 2,000 T/Hr*
**For tankers loading up to 250,000 DWT**
*T/Hr = Ton(s) per hour; **=Additional information

**Gas Supplies and Transmission System**

Feed gas is supplied to the plant from the onshore concession areas of the eastern part of Niger Delta, where about 50% of Nigeria’s proven gas reserves are located. The bulk of the gas for base project is mainly non-associated gas supplied from the following gas supplier fields:

- Shell Petroleum Development Company (SPDC) Limited, Soku;
- Nigerian Agip Oil Company (NAOC) Limited, Obiafu Obrikom;
- Elf Petroleum Nigeria Limited (EPNL), Obite.

The NNPC/SPDC/NAOC/EPNL Joint Venture is currently supplying gas from the Soku field, later to be supplemented mainly by associated gas from other fields. The NNPC/EPNL Joint Venture gas is derived from the Ibewa and Ubeta fields while the Obagi field is available for back-up supply purposes. The NNPC/NAOC/Philips Joint Venture is supplying gas mainly from the Idu, Mbede and Obiafu-Obrikom fields with Omoku, Ebegoro, Ogbogene and Ebocha as back-up fields. The gas is supplied at three transfer points at Soku, Obite, and Obiafu. The Gas Transmission System (GTS) consists of pipelines with a total length of approximately 201 km. The pipelines were installed in trenches and back-filled through-out its length on dry land, swamp and water crossings. The pipeline was also weight-coated in the swamps and at water crossings. A telecommunication and telemetry system controlled at the Liquefied Natural Gas (LNG) plant’s Central Control Room (CCR) monitors pipeline operation (www.naturalgas.org).

The bulk of gas for train-three will contain more of associated gas from which both LNG and LPG will be produced. However, the low utilization of natural gas has been due mainly to the fact that the competing fuels, fuel oil, diesel oil, electricity, and other sources of energy, which are being used in the industries, are much cheaper because Government has heavily subsidized them. Moreover, the non-availability of an integrated pipeline quality gas from the production centers to the industries where it will be used has seriously hampered the marketing channels for natural gas market in Nigeria. Similarly, lack of appropriate marketing policy, which includes a well stipulated pricing policy and incentives to encourage improved domestic consumption of natural gas, has affected the growth of natural gas market in Nigeria. Since the domestic demand for natural gas is relatively small in the most populous African country, it therefore becomes imperative for most of the market to be based outside the shore of the country.

**Petroleum Products Pricing**

In Nigeria, the fixing of prices for a number of petroleum and petro-chemical commodities is strictly the prerogative of the Petroleum Products Pricing Regulatory Agency (PPPRA). The agency is the one that is responsible for processing the certification of oil marketers that imports fuels and collect subsidy from the Federal Government under the Petroleum Support Fund (PSF) scheme. According to Ejiofor (2010), it is the responsibility of the PPPRA to delist non-performing oil marketers from the scheme so as to enhance transparency in the petroleum products prices regulation.
Under the current guidelines for import allocation, a prospective participant in fuel importation must be an oil marketing or trading company, registered in Nigeria with the Corporate Affairs Commission (CAC) to conduct petroleum products business. The applicant must possess proof of ownership (or a valid throughput agreement) of storage facility with a minimum of 5,000 metric tons for the particular petroleum product. Nevertheless, the prospective participant must also obtain a valid import permit from the Department of Petroleum Resources (DPR), while ownership of retail filling station(s) is an added advantage.

Furthermore, sequel to the call for expression of interest and submission of planned import by the marketers for a given period, the PPPRA allocates appropriate quantity based on marketer’s historical supply performance, quantity of products requested, capital investment base, ability to finance products imports, projected consumption level, and funds available in government treasury to subsidize products. The PPPRA takes this stringent measure in an attempt to justify the huge amount of money being spent by the Federal Government on subsidizing the importation of PMS (petrol), AGO (diesel) and DPK (kerosene) into the country.

EVALUATION AND CONCLUSION

Nigerian oil and gas industry has witnessed sustained inflow of investment both in the upstream and downstream sectors. Taking cognizance of the pivotal role that the oil and gas industry plays in the Nigerian economy, the Federal Government through the Ministry of Petroleum and Mineral Resources is doing so much to ensure that the atmosphere in the industry is conducive to increase and sustain inflow of investment. The recent interest of investors like China Civil Engineering and Construction Company (CCECC), the China’s largest engineering company to build three Greenfield refineries and one petro-chemical plant in the country is a testimony in this regard. Constructing additional refineries will go a long way in increasing the nation’s refining capacity. This will consequently enhance petroleum products availability.

In keeping with the desire to continue with the reform of the oil and gas industry in Nigeria, the Government has reinvigorated the drive for the passage of the Petroleum Industry Bill (PIB), which would provide a legal framework for the reform. In this regard, Federal Government through the Ministry of Petroleum and Mineral Resources has reopened negotiations with various stakeholders who have expressed reservation with the proposed law. These new vista of friendship and conviviality with stakeholders has also manifested in improved relationship with the petroleum industry unions like National Union of Petroleum and Natural Gas Workers (NUPENG), Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN), Independent Petroleum Marketers Association of Nigeria (IPMAN), Major Oil Marketers Association of Nigeria (MOMAN), and Depot and Petroleum Products Marketers Association (DAPPMA), among others.

The face of the oil and gas industry in Nigeria was changed for good with the coming of the Nigerian Oil and Gas Industry Content (NOGIC) Act, which was signed into law by President Goodluck Jonathan. The law, among other objectives, sought to ensure that Nigerians and Nigerian companies participate actively in the oil and gas industry with a view to boosting the local economy. The multiplier effects of this new law are enormous considering the anticipated growth
that the PIB would herald in respect of the national oil and gas asset portfolio. The unveiling of agenda for the gas sector to meet the aspiration of government to deliver enough gas to the power stations to ensure adequate power supply in the country is also a welcome development. The new pricing regime for gas yielded its first major dividend with the signing of a Gas Supply and Purchasing Agreement (GSPA) between the NNPC/Pan Oceanic Joint Venture and recently unbundled Power Holding Company of Nigeria (PHCN). The GSPA is a key milestone in the drive to reposition the Nigerian domestic gas market for sustainable growth; and with the new gas pricing regime, the gas market was set for unprecedented growth propelled by the demand from the power sector and other gas-based industries. Similarly, the government is fast-tracking the implementation of a sustainable commercial framework for domestic gas through a review of the gas pricing to encourage local consumption, as well as to secure bankable agreements towards the transformation of Nigeria into a regional hub for gas-based industries by signing up world class investors in the petrochemicals, methanol and fertilizers sub-sectors.

Furthermore, the Federal Government has already made spirited moves to build up the Nigeria’s proven oil reserves through exploration of new frontiers for oil and gas production. The NNPC is escalating its search for more oil funds and is putting finishing touches to a comprehensive framework designed to herald the intensification of exploration activities in the Chad Basin. Interestingly, the search is not limited to the Chad Basin alone but covers extensive inquest in the entire Nigerian Frontier Sedimentary Basins which include the Anambra, Bida, Dahomey, Gongola/Yola and the Sokoto Basins alongside the Middle/Lower Benue Through. Finally, there is no gainsaying the fact that this current civilian administration led by President Goodluck Jonathan had never hidden its attitude of zero tolerance for the scarcity of petroleum products in any part of the country. It is not surprising that Nigeria had witnessed an unprecedented stability in the supply and distribution of petroleum products throughout the length and breadth of the entire federating units that make up the country. The result, according to Okonji (2010), was that with supply far out-witting demand for the petroleum products, the laws of economics is pushing the price of ₦97 per litre (for PMS), for instance, in some parts of the country, notable in the East and far North, which has hitherto never enjoyed price parity with the rest of the country let alone price reduction.

To ensure that the current petroleum products availability is sustained, the Federal Government has directed the Federal Ministry of Petroleum Resources and the NNPC to design and implement practical measures to ensure steady supply of fuels to all parts of the country on sustainable long-term basis. Also, the refineries at Warri, Port Harcourt and Kaduna are being renovated to drive increased local refining capacity. In distribution, events as at the third (3rd) quarter of the year 2013 have witnessed an aggressive drive by the state-owned NNPC to increase its hold on the downstream sector via expansions of its retail outlets: NNPC Retail. As at the last count in October 2013, NNPC Retail has acquired 487 affiliate stations in addition to its 37 mega stations and 24 floating filling stations. This is part of its strategic plan to own more than 50 per cent of the entire filling stations in the country with the aim of squelching future artificially induced fuel scarcity.
RECOMMENDATIONS

From the evaluation done and conclusion drawn from the conceptual analysis above, the following recommendations therefore become imperative:

- Oil is presently, the mainstay of the Nigerian economy, and it is interesting to know that emerging stakeholders in the sector will have great impact on macroeconomic stability, therefore Nigeria must insist on the maximization of national interest, most importantly for the economic benefit, as well as for the empowerment of the Nigerian consumers of petroleum and petrochemical products.
- Nigeria, as petroleum resource owner, must find the common ground and the path to partnerships that would benefit all stakeholders in the oil and gas industry. The government is encouraged to use a pragmatic and cooperative approach to ensure a win- win situation for itself and its partners in energy production, distribution and consumption.
- Federal Government must ensure that the Petroleum Industry Bill (PIB) respects existing commitments on which investments had already been made, because without the investors’ confidence, there may be no incentives to invest; therefore revisions to the petroleum fiscal and regulatory regime should not introduce multiple taxes, high royalties and remove incentives; if these impediments are introduced, oil and gas projects would not be economical for investors.
- The challenges of low level of production capacity at the refineries and infrastructural bottlenecks that led to moving products by road rather than pipelines or railway; thus pushing up petroleum products prices should be addressed by all concerned stakeholders.
- Provision for adequate import reception/ discharge facilities, which constitute a major bottleneck to petroleum supply into the country, become imperative. This will help at reducing higher-than-expected demurrage and finance cost on the imported vessels, and consequently reduce the landing costs of refined petroleum products in Nigeria.
- The challenges in the downstream sector of the Nigerian oil and gas industry via long years of neglect and anti-deregulation policies should be dealt with vigorously. Public enlightenment campaigns should be made to sensitize all pressure groups that made it difficult to prosecute the deregulation programme as the international market continues to record high prices.
- The interest of all the stakeholders in the downstream sector of the Nigerian oil and gas industry must be safeguarded. In allocating the petroleum products, however, priority must be given to the Nigerian National Petroleum Corporation (NNPC), because the NNPC has the largest facilities in the country. The next group is the major marketers, then the depot owners before the other group.
- The Petroleum Products Pricing Regulatory Agency (PPPRA) is encouraged to hint the general consuming public on a regular basis about the state of petroleum products’ supply and distribution, petroleum products pump prices updates, products import permit allocation, import performance, implementation of the Sovereign Debt Instruments (SDI) and subsidy verification.
- Finally, the PPPRA, the NNPC and other stakeholders in the downstream sector of the Nigerian oil and gas industry should endeavour to take all necessary measures to sustain the current petroleum products supply stability in the system. Nevertheless, there should be adherence to approved official pump prices ceiling by petroleum products marketers, while the competitive prices observed in some locations is a welcome development, which should be sustained for greater efficiency in the Nigerian oil and gas industry.
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