

PETROLEUM SECTOR DIVERSIFICATION PLAN FOR NIGERIA

(A Paper Presented By Joseph Idiong (PGD Candidate) To The Communication Skills Class, Post Graduate Diploma In Advertising & Public Relations (PGDAP), International Institute of Journalism Abuja, Affiliate of University of Maiduguri, Nigeria. March 2009).

- *“President Obama’s ‘Alternative Energy Conservation Plan for USA’ Is A Catalyst To Nigeria’s Economic Growth, Not A Threat” – Joseph Idiong*

Are you among Nigerians of diverse backgrounds that have joined in the ongoing discussion of the current world economic downturn, popularized as ‘economic meltdown? I guess you are, because it has touched people at all levels in one way or the other. The Nigerian capital market is hard hit and that has affected investors in stocks offered by banks and other erstwhile profitable companies quoted on the Nigerian Stock Exchange.

At the governmental level, the Three Tiers of Government are hit by the unprecedented fall in the crude oil price since our Governments are dependent on crude petroleum income for survival.

It has virtually grown into a near panic situation and that gives cause for concern, especially with the recent pronouncements by the Governor of the Central Bank of Nigeria Professor Charles Soludo that the decision of the New United States Administration to find Alternative Energy to drive their economy, in place of petroleum would cripple Nigeria’s economy.

This is serious. But must we weep and look helpless?

Imagine the irony. On January 20, 2009, Nigerians from all works of life were in celebration mood as Mr Barack Obama was sworn in as the First African-American President of the United States of America.

At the government level, the Nigerian President Alhaji Umaru Yar-Adua sent a Special Representative in the person of Amb. Emeka Anyaogu, the Former Secretary General of the Commonwealth while the Nigerian Minister of Foreign Affairs also led a powerful diplomatic delegation to the inauguration.

Two days earlier, January 18, 2009, the Nigerian Embassy in Washington DC had played host to some three hundred and fifty African Americans in an Obama Pre-Inaugural Party sponsored by **The Motherland Group LLC**, an investment company which has Hon Gary Loster as President and Mr. Marlon Jackson of the famous Jackson Entertainment Family as a Director and Spokesperson. Nigerian Foreign Affairs Minister graced the occasion.

But back home as Nigerians were still celebrating Obama, just some twenty four hours after President Obama’s inauguration, the Governor of Nigeria’s Central Bank Prof Charles Soludo caused a **scare** while briefing the House of Representatives Committee on Banking and Currency by warning that *‘the energy policy of the new Obama Administration may spell doom for the Nigerian economy’*.

According to media reports including that of This Day Newspaper of January 22, 2009, Prof Soludo said Obama’s proposed vigorous search for alternative energy to drive the world’s largest economy poses "great dangers" for Nigeria whose economy is highly dependent on revenue from oil.

- Prof. Soludo disclosed that the global economic recession which began in the United States had started to take its toll on Nigeria in terms of the crash in the price of crude oil, declining revenue, depleting foreign reserves and pressure on the exchange rate.
- He also disclosed that Nigerian banks are witnessing limited foreign trade finances, and expressed fears that credit lines may dry up for some banks and Nigeria may return to the scenario in the early 1980s when government at all levels was broke and unable to pay salaries.
- He however advised that the Nigerian government must take urgent measures to diversify the economy especially towards agriculture since the crash in the price of crude oil in the international market may worsen if the search for alternative sources of energy begins to bear fruit.

It is important to note two things:

(1) Nigeria is the fifth largest exporter of crude oil to the USA.

(2) Over 90% of Nigeria's revenue is from crude oil.

Can you now understand why that Pronouncement by Prof. Soludo has caused panic, especially within the government hierarchy?. BUT IS PANIC THE WAY OUT? NO.

The Obama Alternative Energy Plan is good for America as the plan seeks to:

- Help create five million new jobs by strategically investing \$150 billion over the next 10 years to catalyze private efforts to build a clean energy future
- Within the next ten years, save more oil than America currently imports from the Middle East and Venezuela combined.
- Build in America by year 2015, one million plug-in hybrid cars, - cars that can get up to 150 miles per gallon
- Ensure 10% of electricity in the US comes from renewable energy sources by 2012, and 25% by 2025
- Provide relief to Americans facing pains at the filling stations' pumps
(See text of "Barrack Obama and Joe Biden: New Energy For America")

NOTE: There are over 130 operating oil refineries in the United States.

Prof. Soludo and most commentators have recommended diversification towards agriculture and solid mineral. That's Great. But this is not a new economic thinking in Nigeria.

While I support their position, I am proposing that the diversification starts from 'petroleum up-stream crude oil dependent economy' to 'petroleum down steam refining and manufacturing economy'.

As America has launched 'ALTERNATIVE ENERGY CONSERVATION PLAN', let Nigeria launch 'ALTERNATIVE ENERGY DIVERSIFICATION PLAN'.

To attain this, the Nigerian Local Content Policy for the Petroleum Sector should make local refining of a good percentage of crude oil mandatory to oil explorers in order to provide raw materials for industries.

Where that's done, the about 18 investors said to have been given licenses to set up refineries would be sure of crude oil for their refineries, and shall start to build the refineries. The private refineries should have access to crude oil the same way that the government refineries do.

Do you know that when Nigeria exports crude oil as 'one commodity', the country is actually exporting raw materials that could be used to manufacture over six thousand products?

Go and search the internet for ‘products made from petroleum’ and you will confirm that over 6000 manufactured products that Nigerians are importing daily are made from petroleum. ***Find herewith, a list of forty four (44) of such products made from petroleum for your review.***

The fact that crude oil bi-products can yield 6000 manufactured products provides a good reason for you to agree with me that **Nigeria’s economic diversification should begin within the oil sector, for ‘charity begins at home’.**

To advise Nigeria to diversify from petroleum to agriculture and mining, though sensible, is telling half truth. The government’s sense of income generation is already focussed on oil. Government understands oil language than that of agriculture or mining. Let’s therefore speak the oil language to the government. Let us use what we have to get what we need.

Nigeria deliberately entrenched oil sector dependency by selling crude oil to be refined in other countries, only to turn back to import the refined products from them; while the refining countries use the petroleum bi-products to manufacture some 6000 products which Nigerians again go daily to shop in places like Dubai and China.

Nigerians should see the Obama Alternative Energy Plan as a challenge, a mandatory opportunity, indeed a CATALYST needed to diversify Nigeria’s crude oil based economy and grow a manufacturing economy driven by refined petroleum derivatives and raw materials for manufacturing.

It is important to note that a long and sustained advocacy led to the Obama Alternative Energy Plan. Nigerians need to carry out serious advocacy to let the policy people understand and embrace our proposal for - ‘NIGERIA’S ALTERNATIVE ENERGY DIVERSIFICATION PLAN TOWARDS LOCAL REFINING OF CRUDE OIL TO PROVIDE RAW MATERIALS FOR SMALL AND MEDIUM SCALE MANUFACTURING’.

Advocacy helped a lot to make the new US Energy Conservation Plan possible through efforts of organizations like –

- (i) Reenergize Advocacy Organizations America:** a coalition working to inspire a transition to renewable energy sources because of the devastating health, economic, and national security consequences of U.S. reliance on fossil fuels. They’re online at www.reenergizeamerica.org.
- (ii) Set America Free:** a coalition working to end U.S. dependence on imported petroleum, primarily for the sake of national security but also recognizing the economic and ecological consequences. They’re online at www.setamericafree.org.

Let’s not watch from the sideline. Let’s not sit on the fence.

Let’s contribute through advocacy to reposition the Nigerian Oil Sector, to diversify from Crude Oil Sales to Mandatory Refining to provide Petroleum bi-products in support of local manufacturing sector.

It is Possible. The time is now

PARTIAL LIST OF PRODUCTS MADE FROM PETROLEUM (144 OF 6000 ITEMS)

One 42-gallon barrel of oil creates 19.4 gallons of gasoline. The rest (over half) is used to make things like:

Solvents	Diesel	Motor Oil	Bearing Grease
Ink	Floor Wax	Ballpoint Pens	Football Cleats
Upholstery	Sweaters	Boats	Insecticides
Bicycle Tires	Sports Car Bodies	Nail Polish	Fishing lures
Dresses	Tires	Golf Bags	Perfumes
Cassettes	Dishwasher	Tool Boxes	Shoe Polish
Motorcycle Helmet	Caulking	Petroleum Jelly	Transparent Tape
CD Player	Faucet Washers	Antiseptics	Clothesline
Curtains	Food Preservatives	Basketballs	Soap
Vitamin Capsules	Antihistamines	Purses	Shoes
Dashboards	Cortisone	Deodorant	Footballs
Putty	Dyes	Panty Hose	Refrigerant
Percolators	Life Jackets	Rubbing Alcohol	Linings
Skis	TV Cabinets	Shag Rugs	Electrician's Tape
Tool Racks	Car Battery Cases	Epoxy	Paint
Mops	Slacks	Insect Repellent	Oil Filters
Umbrellas	Yarn	Fertilizers	Hair Coloring
Roofing	Toilet Seats	Fishing Rods	Lipstick
Denture Adhesive	Linoleum	Ice Cube Trays	Synthetic Rubber
Speakers	Plastic Wood	Electric Blankets	Glycerin
Tennis Rackets	Rubber Cement	Fishing Boots	Dice
Nylon Rope	Candles	Trash Bags	House Paint
Water Pipes	Hand Lotion	Roller Skates	Surf Boards
Shampoo	Wheels	Paint Rollers	Shower Curtains
Guitar Strings	Luggage	Aspirin	Safety Glasses
Antifreeze	Football Helmets	Awnings	Eyeglasses
Clothes	Toothbrushes	Ice Chests	Footballs
Combs	CD's	Paint Brushes	Detergents
Vaporizers	Balloons	Sun Glasses	Tents
Heart Valves	Crayons	Parachutes	Telephones
Enamel	Pillows	Dishes	Cameras
Anesthetics	Artificial Turf	Artificial limbs	Bandages
Dentures	Model Cars	Folding Doors	Hair Curlers
Cold cream	Movie film	Soft Contact lenses	Drinking Cups
Fan Belts	Car Enamel	Shaving Cream	Ammonia
Refrigerators	Golf Balls	Toothpaste	Gasoline

*Americans consume petroleum products at a rate of three-and-a-half gallons of oil and more than 250 cubic feet of natural gas per day each! But, as shown here petroleum is not just used for fuel.