

# Political Economy of Informal Oil-Economy in Niger Delta Region of Nigeria: The Case of Artisanal Refineries

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## **Abstract**

*Militancy in the oil-rich Niger Delta has hindered Nigeria's socio-economic development and political stability and created conditions for the emergence of an informal oil economy which altered the existing social order in the area. This has increased instability, environmental devastation and disrupted social hierarchy in the area. The study objective was to establish the nexus between informal oil economy and the growth of artisanal refinery and provide evidence of social class formation. The political economy approach was utilized to explain capitalist relations, resource extraction and class conflict in the area. It identified the background of the informal oil economy and its metamorphosis from agitation for socio-economic justice to political economy construct. The study used the historical/descriptive research method with a sample population of 450 individuals drawn from the study population comprising the three states in the Niger Delta. The study relied on primary and secondary data derived from questionnaires and text documents which were analyzed using qualitative and quantitative data analysis methods. The study revealed the relationship between artisanal oil refining driven by the wealth accumulated through informal oil economy activities. The study concluded that there is a nexus between the artisanal oil refining and environmental devastation in Niger Delta. It also identified artisanal oil refining and crude oil theft as the main driving forces of this economy. The study recommended the need to engage oil-bearing communities directly in the formal oil economy and design a bottom-top development blueprint for the area.*

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**Keywords:** *Artisanal Refineries; Informal Oil Economy; Militancy; Political Economy; Political Stability*

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## **1.0: Introduction**

For over five decades, Nigeria's economy has relied chiefly on revenue from proceeds of sales of crude oil and natural gas, and these resources abound mainly in the Niger Delta region. When oil was discovered in commercial quantity in 1956 at Oloibiri, present-day Bayelsa State, Nigeria, joined the league of oil-producing countries. Nigeria has expanded its production capacity to be rated the seventh oil-producing country globally and among Africa's most

significant oil exporters. The proven oil reserves are more than 39 billion barrels, and natural gas reserves of more than 190 trillion cubic feet (Onwuemenyi, 2016).

Between 1958 and 2019, a period of sixty years, Nigeria earned over US\$3.6 trillion from crude oil and natural gas sales, which translates to about ₦1,512 trillion using today's conversion rate of N420/\$1 as of June 2022 (This Day Newspaper July 16, 2020). Paradoxically, this considerable revenue failed to improve the living standards of the local population in the oil-producing communities of the Niger Delta region but benefited a few elites, Government, and the oil multinationals. Indeed, oil exploration has brought severe environmental devastation, widespread pollution, and poverty to the people of the Niger Delta. This leads to a distorted socio-economic lifestyle by the composition and structure of crude oil exploration and production, manifesting in the form of violence and numerous armed groups that besiege the region.

As Government and oil companies made their fortunes through crude oil earning, the local populace suffered because of the destruction of their natural sources of livelihood like fishing, farming, and traditional craft. This study sought to establish the nexus between artisanal refineries and the illegal oil economy in Nigeria's Niger Delta region.

### *1.1 Statement of the Problem*

This study revolves around the political economy as the bedrock of the relationship between resource allocation and the struggle and competition involved in the process. According to Keefer (2004), political economy explains how society allocates resources. These social relations provide the structures for the relationship among the population and the determinants of who gets what, how and when. The problem of the study arises from the distortion of the traditional economy of the Niger Delta region in Nigeria because of crude oil exploration, exploitation, and production. This situation has been exacerbated by militancy-induced activities like artisanal oil refining, illegal oil bunkering, and pipeline vandalization.

There is a political economy in the Niger Delta region created by militancy, as seen in the above assertion. The locals embrace these militancy-induced activities because they offer jobs and put food on their tables without formal jobs. These activities have succeeded in creating a complex supply chain in the business of artisanal oil refining. Braide (2013), Naanen and Tolani (2014) and Odolonu (2016) elaborated on how the business of artisanal oil refining creates employment for loggers, camp operators, camp security, liaison personnel, food caterers, boat builders, boat operators, jerrycan sellers among others, playing critical roles in the business value chain.

The business is intertwined with illegal oil bunkering and pipeline vandalization which supplies feedstock for artisanal oil refining. The artisanal oil refinery is the creation of the political economy of militancy and is what this study refers to as the informal oil economy. At this point, a distinction must be made between those employed by the business and those who own or control it. The individuals who own the camps and the local oil refineries have become wealthy and powerful from the refining proceeds, with the implication that they have become a new social class with the means of changing the existing social order and hierarchy across the region. These persons are transformed from ex-militants and militants to political leaders, traditional rulers and business moguls. This study will explore how the wealth is created,

assessing the implications of the wealth in communities and if it is luring more individuals into militancy and the informal oil economy.

Therefore, the study will also investigate the possible impact of artisanal oil refining and illegal oil bunkering in the Niger Delta region. It will also investigate how the informal oil economy affects daily existence in the communities across the region and its effect on the politics, social cohesion, environment, social order, stability, and security of the region and, by extension Nigeria, given the critical contribution of the region to the country's economy. The environmental devastation caused by artisanal oil refining and associated activities in parts of Niger Delta like Gokana and Asari-Toru local government areas of Rivers state identified in this study reveals the extent of damage to the delicate mangrove vegetation, ecology, and health of the local population. There is strong evidence linking the constant atmospheric soot that envelopes Port Harcourt and its environs with the activities of artisanal oil refiners.

Is the informal oil economy model sustainable and suitable as an alternative to youth unemployment, poverty, and marginalization in the Niger Delta? As the informal oil economy expands, it becomes more difficult to discourage youths from engaging in these activities which offer employment and wealth. It also becomes increasingly harder to stop communities from allowing artisanal oil refining on their land, seeing how Government and oil companies abandoned them to their fate. How can the informal oil economy be stopped in the Niger Delta region, and are present strategies like destroying artisanal oil refineries achieving results? Against this background, the study investigates evidence of a nexus between the informal oil economy and artisanal refineries.

#### *1.1.1 Aim and Objectives of the Study*

The specific objectives of the study are to;

1. Identify the role of actors in the informal oil economy in the Niger Delta, which has led to increase in artesinal refineries.
2. Establish the nexus between the informal oil economy and artisanal refineries in Niger Delta manifesting in oil theft and pipeline vandalism.
3. Determine the socio-economic, environmental, and political impact of informal oil economy-induced activities in the Niger Delta and the implications for Nigeria's economy and stability.

#### *1.1.2 Research Questions*

4. What is the role of actors in the informal oil economy in the Niger Delta which has led to increase in artesinal refineries?
5. What is the nexus between the informal oil economy and artisanal refineries in Niger Delta, manifesting in crude oil theft and pipeline vandalism?
6. What is the socio-economic, environmental, and political impact of informal oil economy-induced activities on the Niger Delta and the implications for Nigeria's economy and stability?

#### *1.1.3 Scope of the Study*

The scope of the study focuses on the informal oil economy primarily centred around artisanal oil refining activities between 2006-2016 and relates it to the formation of a new social class.

The study focused on the three states in the Niger Delta, which are Akwa Ibom, Cross River, and Rivers State. Three Local Government Areas from each of the nine states were purposively chosen as the study's sample population. Akwa Ibom: Nsit-Atai, Udung Uko and Mbo; Cross River: Bakassi, Akpabuyo and Odukpani; and Ose and Rivers State: Gokana, Asari Toru and Okri.

## **2.0 Literature Review**

### *2.1 Informal Oil Economy of Niger Delta*

The Informal oil- economy in the Niger Delta is the aggregation of informal and illegal activities associated with the oil industry. It includes but is not limited to crude oil theft and pipeline vandalism. This assertion places the informal oil economy as a flip side of the regulated formal oil industry under government control and funds the national budget. The informal oil economy is a clear manifestation of what happens when oppressed and deprived people decide to co-exist with a formal economy but remain outside its sphere of control to benefit from their natural resources. Rather than confront the government endlessly and get nothing out of it, the informal oil economy is a form of home-grown social safety net which continues evolving and has created an entire complex political economy which puts food on the table of the locals.

The advent of the informal oil economy of Niger Delta can be located around the mid-life of the Presidential Amnesty Program between 2012 and 2013. However, a study by the Stakeholder Democracy Network (SDN) cited in Braide (2013) asserts that the informal oil economy existed underground in the early 2000s and maybe much earlier but began to assume a structural form around 2011 when disaffected youths of the region took to large-scale crude oil theft and artisanal oil refining as a means of livelihood. It is well known that crude oil theft, also referred to as illegal oil bunkering, has always been a part of the oil economy of Nigeria in a complex criminal web controlled by highly connected individuals. Katsouris and Sayne (2013) estimated that crude oil theft had risen from about 50,000 barrels per day in 2003 to between 100,000 to 150,000 barrels per day (bbl./day) by 2013.

The informal oil economy is structured around networks of militant groups comprising experienced ex-militants excluded from the Presidential Amnesty Program and new entrants lured by the expected rewards. This observation was supported by Umoru (2017), who described the new militants as mostly recently formed groups which do not align with previous ex-militants who were offered amnesty and operate beyond the influence of elders, politicians, and opinion leaders from the region. He further pointed out that most of these agitators hide under the guise of Niger Delta marginalization to engage in illegal oil refining.

The nexus between the illegal economic activities that stimulate the growth of the informal oil economy can be in the wealth it creates among teeming youths in the region that have well-fortified camps located within and outside the Niger Delta region. Ebiede and Arinim (2017) further assert that powerful interests within the Government and communities benefit from the informal oil economy through local taxes collected by camp leaders who control the illegal operations of pipeline vandals and artisanal oil refiners. Episode and Arinim described the

elaborate and well-coordinated networks of those who vandalize these pipelines, operate the artisanal refineries and supply refined petroleum products to the market.

### *2.1.1 A Connected Elite and An Economic Void*

This form of crude oil theft elaborate operation involves powerful connected elites, top military echelon, militant leaders, and foreign criminal networks in collusion with oil industry executives. While illegal oil bunkering has always been a consistent feature of Nigeria's oil economy, a more recent trend is stealing crude for local artisanal oil refining. This is the primary driving force propelling the informal economic paradigm in the Niger Delta region, referred to in this study as the informal oil economy. Ebiri (2014) identified that no less than 50,000 bbls/day of crude oil stolen from pipelines and flow stations traversing the entire region are used to supply feedstock for artisanal refineries located in most oil-producing communities in the Niger Delta.

Secondly, artisanal oil refining filled an economic vacuum created by the destruction of legitimate livelihoods like farming and fishing by the oil economy caused by large-scale environmental destruction. This informal oil industry employs thousands of youths in the region who sustain millions of dependents. Feeling the oil economy's direct ecological, environmental, and socio-economic impact with no tangible benefit, this illegal operation has become the mainstay of the informal oil economy.

In precise terms, Ebiede and Arinim (2017) estimate that artisanal oil refining is a vast business worth up to \$2 million per day or nearly \$730 million per year (about N305bn using an exchange rate of N420/\$1), which far exceeds fair allocations received by the oil-bearing communities from the government. It also indicates that the informal oil economy is much more supportive and lucrative than the legitimate oil economy. The products of artisanal oil refining are in high demand within and outside the region, providing much-needed income, employment, and cheaper petroleum products.

### *2.1.2 Military Build in the Niger Delta Region*

The main consequence of the illegal operations associated with the informal oil economy is increased military confrontations in the Niger Delta communities. Nevertheless, this has not deterred the militants, who have increased the refining capacity of their operations despite the military outfit's "Operation Delta Safe" attempts to incapacitate them. The Nigerian military also launched "Operation Crocodile Smile" to confront those termed to be criminals masquerading as militants and, in the process, bring armed conflict back to the region. The response of the militants to the military build-up in the region and the efforts by the government to disrupt the illegal activities of the informal oil economy were appropriately met.

According to Odalonu (2016), Operation Crocodile Smile, the military operation in the region, destroyed 748 illegal artisanal refineries and impounded 545 assorted boats, 26 barges, and 18 vessels and arrested 498 suspects between 2015 and 2016 alone. Unfortunately, the main sponsors are hardly apprehended or disclosed, confirming the suspicion that politically connected individuals and high-ranking military officials may be involved. This illegal business is richly rewarding than legitimate jobs and pays much more than the N65000 stipend received by participants in the Presidential Amnesty Program.

### *2.1.3 Consequences of Illegal Oil Economy*

A Social Action (2010) report, a civil society and advocacy organization, estimates that Nigeria spends close to \$2 billion (Dollars) annually to combat illegal oil bunkering and artisanal

oil refining. However, this huge figure did not stop the country from losing N3.8 trillion (Naira) to the illicit business in 2016 alone. The huge gains from the operations fund arms purchases in the region cause frequent deadly clashes between security agents and the militants. The report also criticizes the mode employed by the military in destroying illegal oil refineries, which adds to the environmental damage to the region. It also bemoans the quantity of crude oil condensate and by-products produced and dumped in the environment by artisanal oil refining operations as only 20% of their crude oil feedstock can be feasibly distilled using their low-level local refining technology.

Braide (2017) evaluated the informal oil economy and points out that artisanal crude oil refining further compounds the environmental damage in the region, increasing pollution through ruptured pipelines, explosions, and widespread oil spills. Furthermore, it serves as a convenient excuse for the oil companies operating in the region and regulatory agencies not to act in cases where cleanup and remediation are required. A recent case indicating the environmental impact of the informal oil economy is the atmospheric soot that enveloped the city of Port Harcourt on January 15, 2022, which was the result of black carbon emissions from the artisanal crude oil refiners who use disused tyres for their operations. The Governor of Rivers state Chief Barrister Nyesom Wike had to lament on National Televisions that he was personally leading the team to destroy these artisanal refineries in his state, which was the hotbed for the informal oil economy (Punch News, January 19, 2022). The Governor ordered the state's 23 Local Government Area chairpersons to destroy every identified illegal crude oil bunkering and artisanal refinery site in Rivers State. He also tasked the Rivers State Commissioner of Police and other security chiefs to provide adequate security for the Local Government Area chairpersons as they embark on the mass destruction of illegal sites across the 23 LGAs of the state (Godwin & Nwaoku, 2022).

## 2.2 *Who Gains?*

By creating pockets of wealth in the hands of militants, the informal oil economy has altered the power structure in the region, with some of them having overbearing influence in their communities. They have taken over the decision-making processes in the region and destabilized the social structure of parts of the region where they operate. Esosa (2016) elaborates on the informal economic model in the Niger Delta and draws a parallel between the impact of the oil economy and the informal oil economy on the people of Niger Delta, the only difference being that external forces controlled the former while the latter is driven internally by the local populace. Thus, the people may view the informal oil economy as their right to extract their natural resources. However, it presents much more significant environmental, ecological, socio-cultural, and even political challenges to the region than the formal oil economy.

Youths with wealth acquired from illegal activities in the informal oil economy have become powerbrokers and dominate their communities, with occasional power struggles erupting when one group is pitched against the other in their quest to control the market and petroleum products. This is behind the incessant invasions of communities in the Niger Delta and clashes between militants and the military, which have recently increased. These impacts aside, the informal oil economy has created a gulf between political and traditional leaders in the Niger Delta and the militants who control the illegal activities. Indeed, these militants see the political leadership as part of the problem and do not recognize them preferring a direct interface with the Government rather than through these leaders. They allege, with some facts, that these leaders and elders merely use the incessant conflicts in the region to line their pockets and advance selfish interests. Indeed, they believe that the tensions in Niger Delta are instigated by these

influential individuals who are always at the forefront of negotiations with the Government whenever representations are sought from the region.

Besides, the informal oil economy has created a new political economy paradigm which benefits the boat-building industry that provides "Cotonou boats" used in transporting refined products, jerrycan sellers, firewood sellers who clear forests for the establishment of artisanal refineries and owners of the land where these refineries are built. Therefore, the entire community is involved in the informal oil economy with their products, also called 'Asari fuel' found throughout the region in licensed petroleum products stations. All of these take place under the watch of security agencies, thus exposing the scope and extent the informal oil economy has permeated the Niger Delta region and beyond. The impact of the informal oil economy is profound and visible all over the region.

### *2. 2.1 What Can Be Done Differently*

Different solutions have hinged on decriminalizing artisanal oil refining as a panacea to the problem. Ebiede and Arinim (2017) believed that the technological expertise used by the illegal oil refineries could be deployed to legitimize illegal crude oil refining. This stance is behind the clamour for the establishment of modular refineries in the Niger Delta region, which was adopted by the Federal Government and announced by the then Acting President, Professor Yemi Osinbajo, in November 2016 during his confidence-building tour to the Niger Delta states.

Indeed, as acknowledged by Ekanem (2017), modular refineries present an opportunity to legitimize artisanal crude oil refining and a means to create jobs for youths engaged in illegal operations in the informal oil economy. He cites that then Minister for Petroleum (State), Dr. Ibe Kachukwu proposed the establishment of six modular refineries in each of the nine states of the Niger Delta, bringing the total to fifty-four with each refining 10 000 barrels of crude oil per day. This position is further re-echoed by the current Minister for Petroleum (State), His Excellency Chief Timipre Sylva, that the Government hopes to address unemployment by creating jobs in the modular refineries and bringing their operations within a legal economy that can regulate and control the environmental and ecological impact. The idea of establishing modular refineries in the region has received support and considerable criticism mainly because of its environmental cost.

The solution to the informal oil economy in the Niger delta has remained an engaging academic discourse, with some experts suggesting that the region needs to move beyond oil. For example, Okolie-Osemene (2015) asserts that the best approach to the issue is diversification with emphasis on agro-allied industries, food processing and aquaculture in which the region has a comparative advantage. The challenge facing this development strategy is the environmental devastation already wreaked in the region by the oil industry over the decades, which has contaminated the soil and water bodies. Therefore, shifting their focus to agriculture is an uphill task without the required political will and guaranteed income. Therefore, the required alternative to an informal oil economy must move beyond subsistence farming and incorporate mechanization organized around large-scale commercial farming, turning the region into a modern agricultural hub. Other approaches to confronting the informal oil economy propagate the idea that it would be impossible to eradicate the illegal activities which define the economy, particularly artisanal oil refining, because of its amorphous nature and the challenging geographical terrain of the region.

Ebiri (2014) suggested that an "ownership mentality" should be created among the region's people to make them willing to protect the oil infrastructure in their communities. Ebiri opined

that this could only be possible when the communities are fully incorporated into the oil industry through initiatives like community-based pipeline surveillance contracts and oil infrastructure protection funds granted to communities who do most to protect oil installations. This view is supported by Ekanem (2017), who argued that oil-pipeline surveillance and protection contracts must be community-based, not the previous system of using them to enrich ex-militants and influential political leaders. He faulted this approach, blaming it for being behind the increase in disaffection in oil-producing communities who see these contracts as double rewards for ex-militants who already benefit from the Presidential Amnesty Program.

### *2.2.2 Informal Oil Economy as an Alternative*

As argued by Odalonu (2016), the people of the Niger Delta mainly participate in these illegal crude oil bunkering and refining operations on a subsistence level. However, these operations have expanded as more deep-pocketed and powerful actors fund their operations, provide expensive logistics like barges and drilling pumps, and create markets for refined products and stolen crude. These actors shield the key sponsors of the lucrative operations and leave the minor operators regularly paraded by security agencies to be the known faces of the informal oil economy to the outside world. Clearly, while it may be possible to lure the ordinary locals to legitimate economic livelihood through well-articulated policy initiatives, the same cannot be said of the key sponsors who benefit most from the informal oil economy and spend substantial amounts to equip armed gangs and militants who protect the illegal racket.

According to Naanen and Tolani (2014), the ideal economic model for the Niger Delta region must go beyond tackling the menace of artisanal crude oil refining and crude oil theft to creating a workable industrialization policy that would focus on petrochemicals, agro-processing, fish processing and tourism which the region already has the potentials to fulfill. Likewise, education and information communication technology would greatly benefit the youths who engage in illegal activities and equip them to work in formal industries. However, most importantly, the informal oil economy can be dismantled only when Government chokes off those highly connected public and private individuals who sustain these illegal activities, reap from the proceeds, and leave the Niger Delta communities environmentally devastated, politically destabilized, and economically volatile amid great natural resources wealth.

The quantum of employment created by the informal oil economy is a pointer to its importance to the region's people. It also reveals the volume of products supplied to the market daily. This volume is replicated in many parts of the Niger Delta. When juxtaposed with the negligible operating capacity of Nigeria's three oil refineries, it reveals the percentage of petroleum products supplied by artisanal oil refineries to the country's market. Interestingly, bitumen supplies made to road construction companies expose the operations' growing sophistication and the increasing dependence of the formal economy on the informal oil economy.

Various scholars' arguments have established those illegal activities like artisanal oil refining, crude oil theft, and pipeline vandalization have given rise to an informal set of economic opportunities that keep attracting people within and outside the region. Without viable formal job opportunities, people are left with no option but to engage in these activities regardless of the risks. Ebiede and Arinim (2017) describe the situation in the Niger Delta as displacement, which



has created a dual economy where on the one hand, the formal oil economy represented by the oil companies and the Federal Government has failed to provide jobs, social amenities, and good governance for the people of the region. On the other hand, there are opportunities in the informal oil economy, particularly artisanal oil refining, where millions of youths are directly and indirectly engaged.

### *2.2.3 Informal Oil Economy as Threat to Mainstream Oil Economy*

The question of an informal oil economy is aptly answered by the observation of Ekanem (2017) that the growth rate of artisanal oil refining in the region is a severe challenge to the formal oil economy. In this context, his assertion lends credence to the size of these economic activities, which are estimated to be worth between (\$6bn to \$9bn) per annum. Also, those who control these huge funds can usurp political and traditional authorities by destabilizing the communities.

Therefore, the Government's policy must shift to turning artisanal refineries into modular ones and allowing oil-producing communities to protect oil infrastructures in return for a share of oil proceeds. It is also why there are growing calls to decriminalize militants who engage in artisanal oil refining because it helps bridge the supply gap in the nation's petroleum products market. Also, as more ex-militant leaders become legitimate power brokers, they can influence policymakers and those in government to soft-pedal actions and policies that negatively affect artisanal oil refining in their communities. In some cases, these operations are directly or indirectly controlled by ex-militant leaders themselves. They also take cuts from the production quota of the refineries that operate within their areas of influence. What these communities lose in environmental and pollution costs, they gain immediate economic benefits for their daily existence.

In effect, they see their participation in the informal oil economy as a logical response to being deprived by the government and the oil companies. It is a much better economic option than toiling in polluted rivers and farmlands to eke a living. In contrast, they could enjoy the oil benefits in their communities in collusion with the militants. Consequently, the local population, including those who otherwise would not have engaged in artisanal oil refining, are deeply involved in the activity.

These social relations are central to understanding the informal oil economy and its dynamics. For example, it is essential to know the relationship between the security agencies and the artisanal oil refiners and why there is helplessness on the path of the Government to eradicate artisanal oil refining. It is also imperative to determine where the products of artisanal oil refining end up beyond the region and how the supply chain operates. There is also the question of the beneficiaries of the informal oil economy in the government who, although it creates instability in the region, still allow these illegal activities. The implication is that the informal oil economy, though a considerable loss to Nigeria's economy, also engages restive youths who would have created problems for the political class, thus allowing a situation where government turns a blind eye but makes policy pronouncements to the effect it wants to stop artisanal oil refining, pipeline vandalization and the large-scale illegal oil bunkering going on throughout the region.

#### 2.2.4 *The Missing Imperative*

What is missing in the Niger Delta narrative is why there are no concerted efforts to unmask the key actors who make the informal oil economically viable. In contrast, the Government expends enormous resources to stop this informal economy. It is a paradox that the same communities blamed for the devastating impact of the informal oil economy apportion blame on the Government and its security agents for attaching a seal of legality on their illegal operations by collecting settlement money from them and only exposing those who do not co-operate with them as criminals.

This study unearths the complexities of the informal oil economy. It identifies the factors that make the present situation acceptable despite its negative impact on the environment, politics, socio-cultural relations, and economic structures of the people of Niger Delta. The study further understands the interest of communities in the region who participate in the informal oil economy and, at the same time, bear the direct consequences of these activities, which disrupt their lives. When these are dissected, it becomes easier to conceive and implement tailor-made policies applicable to the complexities and peculiarities of the Niger Delta region.

The central argument is that without militancy, there may not have been an informal oil economy, especially one which functions systematically and seamlessly. The fight for social justice became subsumed in a struggle to benefit from the oil resources, with one objective reinforcing the other. For example, Odalonu (2015) articulated the goals of recent militant leaders as a fight to improve their living standards through extracting the oil in their land, which hitherto had been the exclusive preserve of the Federal Government and the oil companies. He gave the clear view that there is no more militancy than an economic militancy which is pointedly a response to poverty at its initial stage before progressing to capital accumulation as more oil resources are stolen, locally refined and sold. These militants are now complete-fledged entrepreneurs whose businesses exist alongside the formal oil companies and whose political economy incorporates even security agencies sent to stop their illegal operations in the region.

In another contribution, Jeremiah (2017) asserted that artisanal oil refining springs daily in the Niger Delta because of the considerable employment gap, especially among the youths. The need for them to be engaged and economically empowered has reinforced their determination to embark on a dangerous, environmentally costly, and risky venture. According to his observation, the artisanal oil refineries are the highest employer of labor in the region. This is further highlighted by the perception that they own the oil and must participate in its exploration, production, and management. They believe oil is their natural gift and have been shortchanged over the decades by the Government and the oil companies. A BBC news report (July 26, 2016) on militancy and the artisanal oil economy reveals that almost 400 individuals work in a single production site in a remote part of Ogoni land and produce around 11,000 litres of diesel every night. They also produce and sell bitumen to road construction companies. Boats are used to go and collect the crude oil for feedstock. The operators acknowledge it is a hazardous business, but they need to survive and said they settle the military to make their operations smooth.

### **3.0 Conceptual Framework**

The political-economic approach deals with class formation, capital accumulation and exploitation, resulting in inevitable class conflict. From the Niger Delta case study, the metamorphosis of militants hitherto seen as victims of the repressive economic system represented by Nigeria's corrupt oil economy to a class of influential power brokers who have created an alternative economic system can be seen as class mobility. This transformation from militant leaders fighting in the hinterland creeks to accepting the Presidential Amnesty Programme and becoming business entrepreneurs is evidence of the formation of a nascent social class which challenges the established hierarchy and social order in the region.

This phenomenon is also evidence of the fundamental basis of the political economy approach, which is premised on the interdependence of the political and economic dynamics which shape human societies. It explores critical questions like how and why militant leaders replaced their agitations for social justice and political marginalization with the present quest to accumulate wealth and capital through government patronage.

### 3.1 Population for the study

The study population for this research cut across three states of the Niger Delta region of Nigeria. They are Akwa-Ibom, Cross River, and the Rivers States. An estimate by the National Bureau of Statistics (NBS Report, 2016) puts the population of the region at about 12 million, which is distributed in the table below:

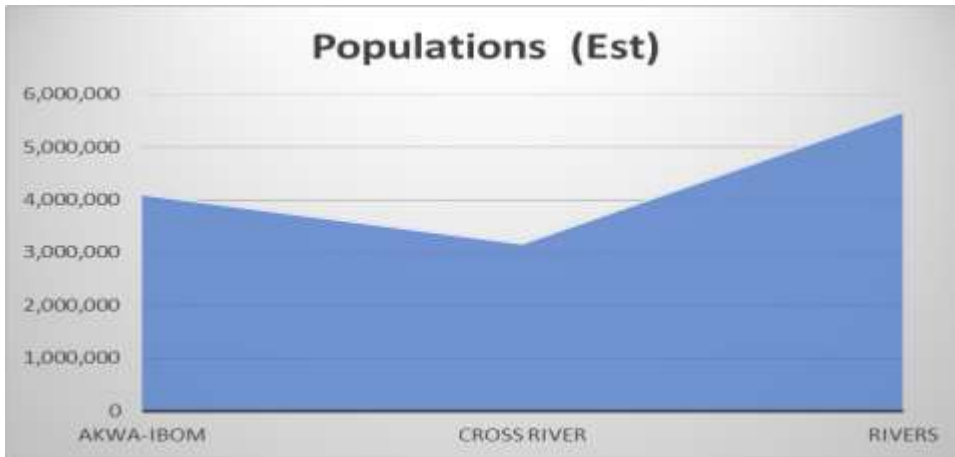


Figure 1: Showing population of each state

State	Local Area	Government	Evidence of Informal Oil Economy			
			Artisanal	oil	Crude theft	oil
Akwa Ibom	Nist –Atai Udung Nko Mbo		√		√	
Cross River	Bakassi Akpabuyo					

	Odukpani		√
Rivers	Gokana	√	√
	Asari-Toru	√	√
	Okrika	√	√

Table 1: Distribution of associated activities of the Informal oil economy in Sample L. G. As

### 3.1.1 Sample and Sampling Techniques

Figure 1 shows the population distribution of the sample states that account for over about 40% of the country's enormous oil and gas resources. The study sample is representative of the study population and consists of adult male and female respondents between 18 to 65 years in the nine states. They are those factors associated with or affected by militancy and the informal oil economy as participants, beneficiaries, dependents, sponsors, opinion leaders, youth leaders, traditional rulers, ex-militants, militants etc. The cluster sampling technique was applied because it is suitable in studies of this nature where the respondents are specially selected from areas where the research phenomenon is endemic and observable. From each of the nine states in the Niger Delta region, three local government areas were selected based on extensive evidence derived from earlier studies by Braide (2013). These are presented in tabular form below for ease of explanation.

The sample size was arrived at using the Taro Yarmane formula, which is  $n = \frac{N}{1 + N}$

(e) 2. It has a confidence level of 95%, leaving a 5% margin of error. This calculation of the cumulative population of the states, which is 12,994,574, gave a sample size of 450 men and women after approximation which was broken down into one hundred and fifty respondents from each of the nine states and fifty respondents from each of the twenty-seven Local Government Areas selected for the study.

A total of 450 questionnaires were distributed among the respondents, out of which 432 were accurately filled and returned, 15 were wrongly completed, and the respondents did not return 3. 432 copies of questionnaires were collated and analyzed for the study using responses given by the respondents. In each of the three states, 150 copies of questionnaires were distributed. Rivers and Cross River states returned every Questionnaire distributed, which is a 100% rate of return. However, Akwa Ibom state returned 132 copies of the questionnaires, giving a return rate of 98.6%. The primary data were obtained from copies of questionnaires distributed to the sample population.

## 4.0 Results and Discussion

### 4.1 Research and Analysis

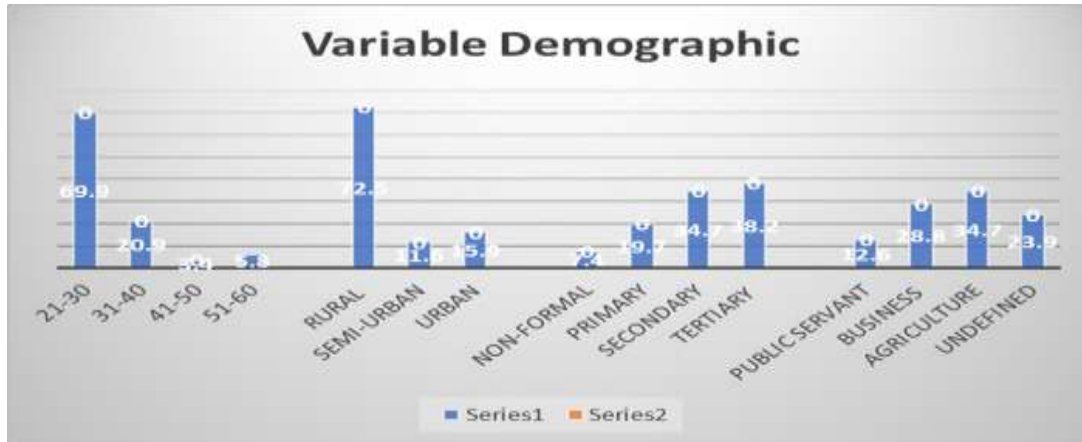


Figure 2: Showing Pictorial Description of key socioeconomic characteristics

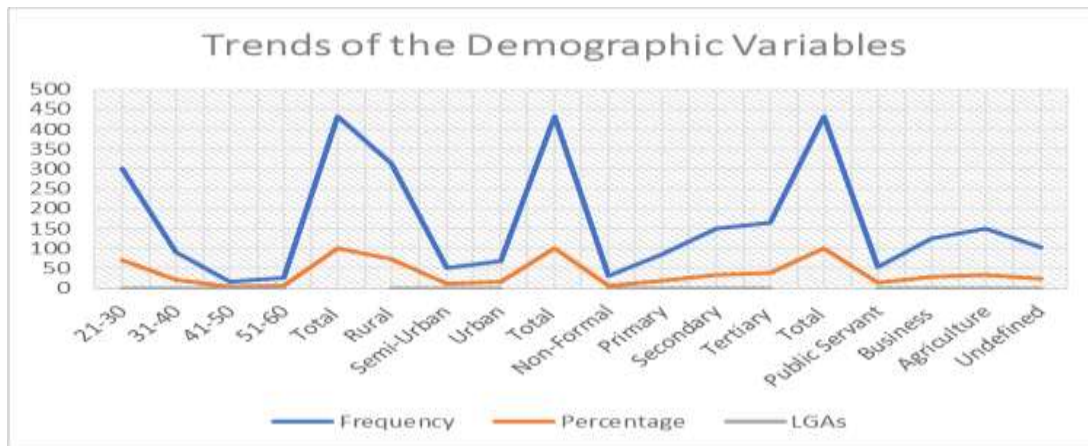


Figure 3: Showing Trends of the Demographic Variables

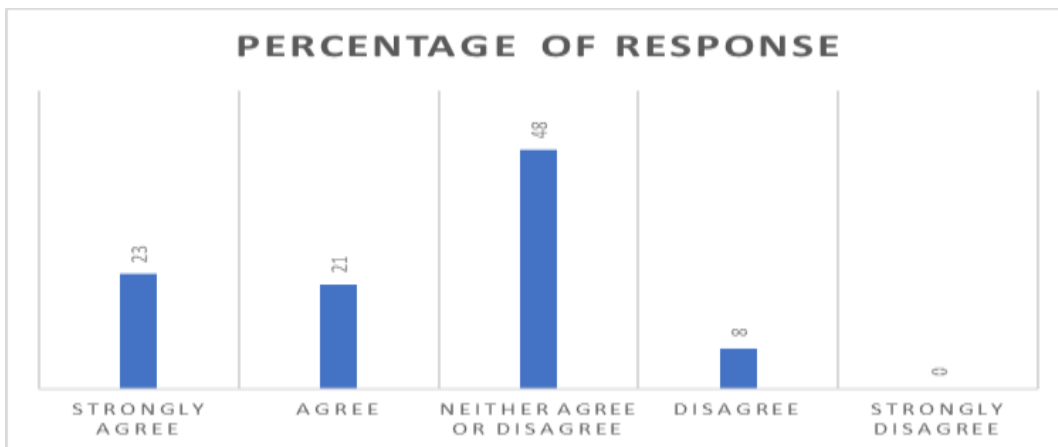


Figure 4: Responses to if militancy and militancy-induced activities like artisanal oil refining and illegal oil bunkering are the solutions to the problems of Niger Delta region.

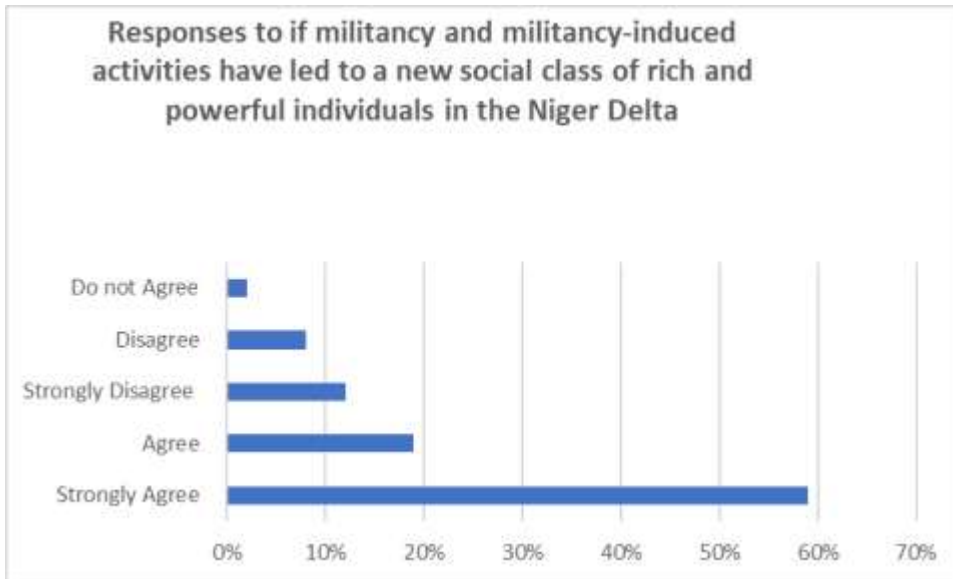


Figure 5: Responses to if militancy and militancy-induced activities have led to a new social class of rich and powerful individuals in the Niger Delta

Militancy-induced activities like illegal oil bunkering, artisanal oil refining, pipeline vandalization, sea piracy and kidnapping are attributed to the prevailing insecurity in the region which creates the environment for these unlawful activities to proliferate. Surveys conducted in the study showed that the key sponsors and actors who engage in these activities are mostly militant (46%) and ex-militants (20%). The interviews also exposed the participation of communities (8%), security agencies (16%) and politicians (10%) in these identified activities, and this trend shows why the informal oil economy is pervasive and intractable making it hard to tackle. As shown in figure 4.1, those who are key actors and sponsors of the informal oil economy are entrenched and localized.

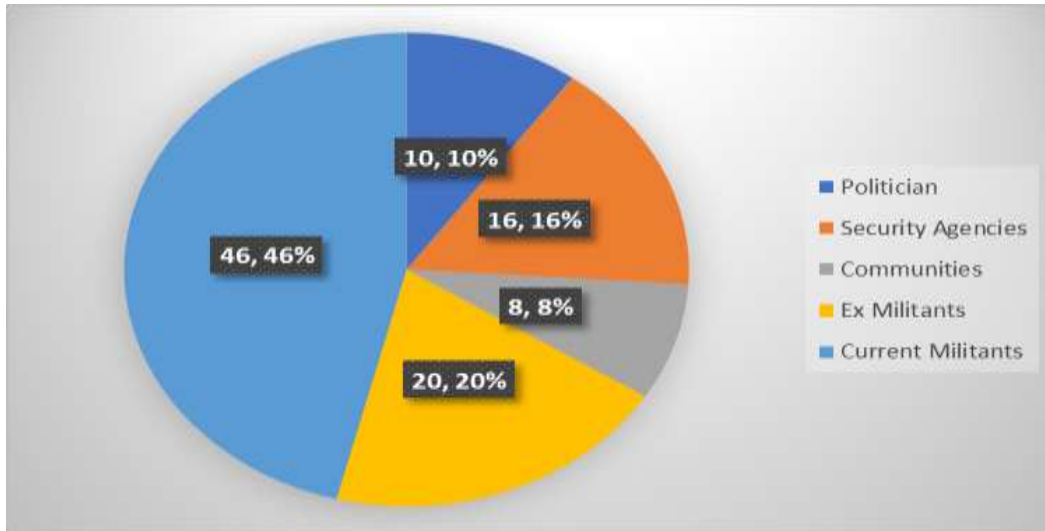
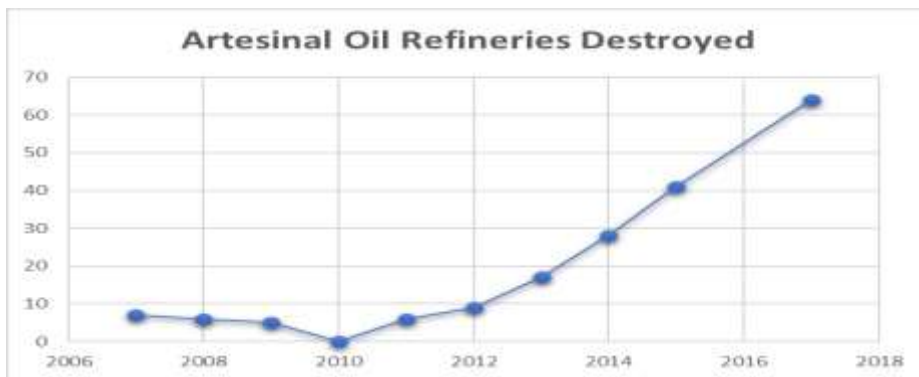


Figure 6: Responses to ‘who are key actors and sponsors of artisanal oil refining and is based on surveys and interviews conducted by researchers (May 2018 and September 2018).

Figure 3 - 5 Showing increasing evidence of a growing oil economy and increased activities in artisanal oil refining, sea piracy, pipeline vandalization and illegal oil bunkering. Chart 4.4 presents the number of successful convictions by the government against pipeline vandals, illegal oil bunkers and artisanal oil refiners between 2010 and 2016.



**Sources:** NSCDC; Operation Delta Safe; Nigerian Navy (2016)

Figure 7: Artesinal Oil Refineries Destroyed in The Niger Delta (2007-2016)

Figure 7: presents the recorded number of artisanal oil refineries destroyed by security agencies, including the Nigeria Navy, NSCDC and Operation Delta Safe, between 2007 and 2016. There was a geometric increase from only seven artisanal oil refineries destroyed in 2007 to 64 in 2016. There was a lull in activities between 2009 and 2012 as the security agencies attributed this to the immediate impact of the Presidential Amnesty Programme (PAP), which created calm in the Niger Delta. This figure started to increase in 2013, reaching its peak in 2016, which shows that the impact of the PAP had diminished, and these activities have rebounded in the region.

However, the increased number of artisanal oil refineries destroyed is also an indication of the increased proliferation of the business, which means that more artisanal oil refineries are in existence, hence increasing the possibility of more destruction of the refineries by security agencies. The charts confirm the growth of militancy-induced activities aligned with the informal oil economy, indicating the increased impact on the region's social, political and economic well-being and Nigeria's oil-based economy.

### **Analysis of Research Questions**

**Research Question 1:** What is the nexus between militancy and the informal oil economy in the Niger Delta?

Figure 4: shows respondents' responses to the relationship between militancy and informal economic activities like artisanal oil refining and illegal oil bunkering in the Niger Delta region. 71% of the respondents gave "strongly agree" responses, while 16% agreed with the research question that the two indices are related. The overwhelming responses contrast with 9% and 2% who strongly disagreed and disagreed with the hypothesis that there is a nexus between militancy and the informal economic activities identified. They believe that those who engage in these activities are not militants but individuals seeking a means of livelihood because of the high level of youth unemployment and poverty in the region.

The positive response shows an affirmation of the respondents and acceptance that the two phenomena sustain each other. They cite that militancy sources funds from these activities to buy weapons and carry out their activities. The respondents argue that the militants also use these activities to acquire wealth which are artisanal oil refining, sea piracy, illegal bunkering, kidnapping, and pipeline vandalization.

These activities also create instability and violence in the region, negatively affecting the region's local economy and breaking down social cohesion in the oil-bearing communities. The relationship between militancy and the informal oil economy is evident, as shown in the responses by most of the respondents across the nine states in the Niger Delta region. The more they accumulate wealth from these activities, the more these individuals acquire weapons to protect their wealth and businesses from security agencies and rival militant groups. This self-sustaining system makes it an intractable problem to resolve as more individuals are attracted to acquire wealth and sustain their existence.

**Research Question 2:** what are the socio-economic, environmental, and political impacts of the informal oil economy in the Niger Delta?

Figure 5 show evidence of a growing oil economy and increased activities in artisanal oil refining, sea piracy, pipeline vandalization and illegal oil bunkering. Figure 6 presents the recorded number of artisanal oil refineries destroyed by security agencies which comprise the Nigeria Navy, NSCDC and Operation Delta Safe, between 2007 and 2016. There was a geometric increase from only seven artisanal oil refineries destroyed in 2007 to 64 in 2016. However, the increased number of artisanal oil refineries destroyed is also an indication of the increased proliferation of the business, which means that more artisanal oil refineries are in existence, hence increasing the possibility of more destruction of the refineries by security agencies. The figure confirm the growth of militancy-induced activities aligned with the informal



oil economy, indicating the increased impact on the region's social, political, and economic well-being and Nigeria's oil-based economy.

## 4.2 Discussion of Findings

In summary, there is evidence of the existence of an entirely new economic model which was created by militancy as a fall-out of disaffected individuals who were omitted by the Presidential Amnesty Program (PAP) and who decided to attract the attention of the government through activities like kidnapping, sea piracy and crude oil theft. Their operations expanded into artisanal oil refining when they were convinced they could create an alternative oil economy that provides a livelihood favorably with government-supplied petroleum products. They supply the national market, which is often beset with product scarcity. Refined petroleum products of artisanal oil refineries are popularly known as "Asari fuel," Most respondents acknowledge these supplies from the informal oil economy are far cheaper yet of almost equivalent quality to the country's imported supplies. Therefore, the informal oil economy has continued to grow and could be why the government is acquiescing to its continued existence regardless of its substantial social, economic, political and environmental impacts.

By 2011, the security agencies recorded the destruction of 6 illegal oil refineries, nine refineries in 2012 and 17 in 2013. From all indications, 2013 marked a turnaround in artisanal oil refining because there were growing agitations against the lop-sided implementation of the PAP, including allegations that many genuine militants were dropped in favour of those who had political connections and links with militant leaders.

This led to a growth in artisanal oil refining and other illegal activities as more individuals embraced it as a means of survival in the creeks. This figure rose to 208 arrests as the government intensified its clamp-down on artisanal oil refining to stem the enormous loss to the country's economy. These increases are partly attributable to the influx of more individuals to the business, especially youths and women. The greater the pool of individuals engaged in the business of artisanal oil refining and other aspects of the informal oil economy, the higher the number of arrests made which implies that the increases recorded in arrests do not necessarily translate into the effectiveness of security agencies but the fact that more people have become engaged in the informal oil economy. Also, more influx of people increases the openness of the informal oil economy, making it more likely for security agencies to collude or apprehend the participants.

Data obtained from field surveys conducted by the researcher to ascertain the sources of petroleum products sold in select states, which are Akwa Ibom, Cross Rivers and Rivers, by petroleum products dealers between June 2017 and January 2018 showed that these dealers mainly were reticent when asked how they sourced their products. Under anonymity and when assured their information was highly confidential and purely academic, 83% accepted to give information.

This survey was done in Akwa Ibom, Cross River and Rivers States between Feb - June 2017 which coincided with a period of acute scarcity of petroleum products. Another survey during the same period by the research assistant in Gokana and Okrika Local Government Areas in Rivers showed that 68% of the products of artisanal oil refiners popularly known in local business parlance as "Asari fuel" were sold to petroleum product dealers from the formal sector,

leaving 23% for use or sale in the local community, while 9% went for settling security agencies or unknown sources.

### ***5.1 Conclusions***

The analysis of the data obtained during the study showed that there is a clear and robust correlation between artisanal refinery and the informal oil economy in the Niger Delta region of Nigeria. The people created an alternative oil economy to survive and benefit from their oil wealth. The informal oil economy is a complex, multi-layered operation that permeates all facets of the Niger Delta region. The oil-bearing communities protect the illegal activities associated with the informal oil economy because it creates jobs and provides a means of livelihood. Its rewards are also far more significant than they can arm from non-existent legitimate jobs. In practice, the informal oil economy is sustained through a collusion network between oil industry officials, security agencies, traditional rulers and influential government elites who benefit from any given stage of these illegal activities. This is why the informal oil economy has become endemic, intractable and entrenched in the region.

The impact of the informal oil economy on the Niger Delta is visible and profound. Artisanal oil refining, illegal oil bunkering and pipeline vandalism have greatly magnified the environmental devastation of the region. Sea piracy and kidnapping for ransom have made the entire region unsafe and unstable. The waterways of the region, which are usually the only means to get around the oil-rich communities, have become operational. As wealth created from illegal activities ends up in the wrong hands, sustaining social order in the communities becomes difficult.

Those who control the informal oil economy have become affluent members of the community with the ability to influence decisions, control community resources and even occupy the top of the social hierarchy in the affected communities. The creation of a new social class from militancy-induced activities, mainly artisanal oil refining and crude oil theft, further reinforces the view by youths in the communities that the informal oil economy is their national cake and entitlement.

### ***5.2 Recommendations***

Based on the findings of the study, the following recommendations were made.

1. At the root of the problems in the Niger Delta is the relationship between the oil-bearing host communities and the oil companies. Evidence in this study shows that in each community, two different worlds exist side by side. On the one hand, the oil companies live in very comfortable, fortified living quarters, whereas the local communities lack basic amenities like potable water, power, and healthcare facilities. There is a need to create a legal framework for the government to make the provision of these facilities' compulsory in host communities before any oil company commences production. This will go beyond the current practice of signing an inconsequential memorandum of understanding (MOU) flouted by the oil companies, which is behind regional conflicts.
2. The government needs to de-militarize the Niger Delta as part of confidence-building measures. The numerous military deployments and operations have failed to pacify the region but have created avenues for corruption for security agencies. In its place, the government can explore the feasibility of creating community-based security outfits paid

to guard oil facilities in their localities. The advantages are obvious; they know the environment, and they know the environment, and they are paid according to the production output of the installations. It is also a better approach than awarding centralized pipeline surveillance contracts that made a few ex-militants obscenely wealthy and powerful.

3. Affirmative action should be implemented in the Nigerian oil industry. For example, the allocation of oil blocks should be reformed to reserve a proportion for the host communities. Also, companies should engage the people in management and professional levels beyond the current practice of employing them as low-level staff.

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