

# Good research paper on the effect of oil exploration and drilling in nigeria

[Business](#), [Company](#)



(Nigeria vs. Shell)

## **Abstract**

This is a proposal for a research on the topic ‘ The Effect of Oil Exploration and Drilling in the Niger Delta (Nigeria vs. Shell)’. It seeks to introduce the reader to the topic of the research in addition to providing a preliminary review of literature. It highlights the proposed methodology and provides a provisional questionnaire for the formed for the purpose of data collection and analysis.

### 1 Introduction

The topic chosen for this research is ‘ The Effect of Oil Exploration and Drilling in the Niger Delta (Nigeria vs. Shell)’. The research aims to provide a more comprehensive, unbiased understanding on the impact of oil exploration and drilling in the Niger Delta, with a focus on effects on the environment, communities and the region’s economy. While shareholders of a company are primarily concerned with profitability and share values, it should be noted that both these factors also depend on the success of the company to draw the cooperation from two other stakeholders, namely: a) the government, and b) the community. Governments stand to benefit from the Foreign Direct Investment or FDI that oil giants such as Shell inject into the economy. Corporate giants have also been known to contribute greatly to local infrastructure development in addition of CSR initiatives aimed at developing the local community. These corporations generate employment and hence are also favored by communities. While the presence of oil companies presents Nigeria, with great scope for development and growth, there are several regulatory hurdles that need to be addressed. NGOs and

human rights organizations operating in the region have raised concerns about environmental protection, safety and rights of workers, taxation and audit requirements and consumer rights.

In the context of an oil spill, the perception of stakeholders towards the entire process of preventing accidents to emergency responses and clean up post a spill will differ based on their personal interests. While the shareholders, as well the company itself, would be primarily interested in curbing the loss of oil, controlling the damage done to its image and ensuring that the impact on its stock value is minimal, the government would find itself torn between retaining the benefits, legal as well as illegal, that Shell has been delivering for all these years and taking a strong and firm action that would seem fair in the eyes of the public. The communities, on the other hand, would be most concerned about the impact that the spill would have on their environment. While the company may be providing employment as well as running CSR initiatives, these would be pointless if the locality becomes unfit to reside in. In addition, the health concerns arising from contaminated water and human exposure to the same would be far too great. Hence, the outlook of the community would be to first have the spill cleaned up as swiftly and thoroughly, followed by possible compensation claims for damaged caused against the company.

In order for each of the stakeholders to understand the full impact of an oil spill, they would first need to understand the role that each should ideally be playing in the prevention of such disasters. Just as the profitability and success of a company proves to be beneficial to every stakeholder, the responsibility of safety is also shared. In such disaster scenarios, it is

common for stakeholders to start a 'blame game'. Trying to pass on the blame to others not only wastes precious time and resources that could otherwise be channeled towards clean up and emergency efforts, it also takes away the focus from learning from the incident. This learning is crucial if such disasters are to be prevented from happening in the future.

## 2 Literature Review

Considering the scale of presence of oil companies in Africa, there have been several and varied views on the impact that they have on the local economy of the host country as well as several ethical concerns regarding the method of their operations. While most scholars agree that having offshore oil drilling operations in developing countries can have a highly positive economical impact on both, the home country as well as the host nation. Oil companies have often been accused of influencing the local governments through bribery or by simply executing the power they hold over the area's economic development. It can be questioned whether the oil companies are considering the welfare of the people of the host countries or are only looking after their own interests. While the corporation would like to exercise power over government regulations and this can be achieved only by gaining the authority's cooperation, at the same time, oil companies are constantly looking for ways to exploit loop holes in existing regulations and often attempt to bypass the law to maximize profits.

Environmental Justice can be defined as "the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies". Environmental Justice

defines the right for every human being in on the planet to have a clean, unpolluted and sustainable environment for the current and future generations. Irresponsible manufacturing by businesses to reap the maximum amount of profits as well as blind consumerism on the part of consumers without taking into account the impact that such behavior has on the environment is viewed as injustice to everyone on Earth. Modern day environmentalists are pushing for policy reforms at a government level that will ensure that businesses will function in a manner that keeps the economy as well as the environment healthy .

Economic theories have always been defined keeping mind the profitability of businesses and the health of a nation's economy. As there are no defined rules and regulations governing the formation of economic policies as well as company strategies with relation to environmental justice, environmentalists are calling for the nullification of three basic environmental inequities, namely :

- Procedural Inequity: To begin with, environmentalists are calling for government policies and regulations to be formed keeping in mind the equality of people not just within a country but across the world. They allege that, thus far, policies have mainly been formed with the interest of the business community in mind and not the common man. They are also calling for any such rules to be drafted in various languages, instead of providing all English laws to communities that can hardly understand the language.
- Geographical Inequity: It is a known fact that industries use third world countries as dumping grounds for waste, albeit with the permission of the governments of the nations. Environmental justice calls for benefits like job

creation, community service as well as tax revenues to be shared equally across geographies to eliminate discrimination.

- Social Inequity: The decision making power, even in democracies, ultimately lies with a set majority of people and so policies are formed keeping in mind the benefits to this section. This is discrimination at the very base level as minority communities are then exempted from the environmental considerations that they have a constitutional right to. Environmental justice calls for the sharing of the decision making power with commoner alike.

The industrial threat to our environment is very real and dealing with these problems at an economic level is a tough and daunting task. While there has been a whole lot of debate between economists and environmentalists about the importance of social justice, the economists have so far had the upper hand. This is because, despite ongoing efforts around the world, there is not centralized body of work that lists out the various theories that environmentalists agree to as one about the topic of environmental justice. When the force that is driving the environmental justice movement is not decided upon what theories, laws and regulations to be incorporated into current government policy, there is not anything concrete for environmentalists to work by. There are two vital questions that need to be answered most urgently .

Once the theories on environmental justice have been condensed to form a well defined set of rules and regulations that environmentalists wish to push for, then begins the task of evaluating just how feasible it is for such reforms to be put into place. A nation economy is like a finely balanced house of

cards. Even the slightest careless move can bring the entire economy tumbling down. The global economic downturn of 2009 is the most recent proof how crashing can have a domino effect all over the globe. With the economic situation being delicate as it is, pushing for a major overhaul for sake of the environment is a tough call, no matter how urgent or important. It should be noted that there has been a positive levels of progress in the past few years, especially in the US . Every three years, the EPA selects a set of enforcement priorities by which it focuses its enforcement resources on crucial environmental and sustainability issues arising mainly from instances of non-compliance. For fiscal years 2011-2013, one of the EPA's proposed enforcement priorities is environmental justice. Taken together, these developments could lower the threshold at which potential environmental justice concerns would be likely to impact individual permitting and enforcement decisions .

In order to prevent oil spills such as Shell's oil spill in the Niger Delta or the massive BP Deepwater Horizon oil spill in 2010 from happening in the future, the following key factors need to be considered:

The Government's role in enhancing safety in offshore operations - 3 critical problem areas can be identified pertaining to the manner in which regulatory functions are performed by the government which contributed to such disasters. To begin with, there was a substantial lack of expertise which had grown over time and had become inadequate to address the increasingly challenging environments in offshore drilling. Secondly, organizations which were in charge of public interest protection were not granted sufficient autonomy and hence lacked integrity. Finally, there existed a great deficit in

the resources allotted to regulatory and leasing agencies that were hence unable to meet requirements for the fulfillment of tasks that fell under their jurisdiction .

Adopting a safety based approach would prove to be beneficial in addressing the above issues. An internationally coordinated effort for the formation of strong standards in terms of pollution prevention and safety is also the need of the hour. Safety regulation authorities should be made autonomous, and sufficient, regular and guaranteed resources and funding should be made available to regulatory authorities .

The industry's role in enhancing safety in offshore operations – There are astonishingly low levels of safety as a part of organizational culture by the most eminent industry stakeholders who had a role in the Nigeria oil spill. In numerous cases, emphasis was laid on time issues when crucial decisions were being made and hence key risks remained either unnoticed or simply not considered in the process. In order to address this crucial problem, a private institution should be established by the industry with the aim to define clear standards for excellence. Through this means, continuous improvement in terms of safety may be ensured. Further, every player within the industry should look towards international cooperation to boost safety standards as well as enhance readiness to cope with oil spills .

With regards to the response to an oil spill, the following actions can be taken by the stakeholders to ensure that emergency responses and clean ups are swift and efficient:

The industry's role in enhancing safety in offshore drilling – It noted that advancements in drilling technologies and tools had been the focus of



investments in the oil industry. As a result, the development of efficiencies in responses to possible results of a disaster has been significantly ignored.

This was seen as a major contributor towards the astonishing lapse in preparedness within the industry to cope and respond to an oil spill as massive as the one in Nigeria .

In order to address these issues the oil industry must form ready to deploy rescue, response and containment resources and maintain them at all times. This would ideally include the creation of rescue, response and containment capabilities such as logistics, procedures and equipment, which are adequate to address large scale accidents. Further, all personnel on offshore units must be fully trained and put through rigorous drills and exercises in a full scale setting.

Enhancing the planning, capacity and response to oil spills – There are three key reasons why the response to the Shell oil spill fell short. To begin with, there was poor planning to address a spill of this magnitude and difficult operating circumstances. Secondly, there was extremely poor coordination between various government levels that were relevant to the response. As a result, the government agencies in charge of response were also misaligned. As a result of the confusion, instead of cooperating with each other, stakeholders began to have conflicts and compete. Finally, what resources were available for the response were not used effectively. This can be attributed to the lack of experts within the government to supervise the efforts .

In order to address the above mentioned problems government agencies responsible for a response to an oil spill should have clearly defined

responsibilities and corresponding plans and tasks to action. They should also be fully aware of the roles that other agencies in the network are to play. Response plans and relevant information should be made available for the scrutiny of other agencies as well as the public so that shortcomings could be identified and rectified. Secondly, for response plans to be effective, their scope should be clear as well as the circumstances under which they are to be brought into action. The debated issue of chemical dispersants also falls under this recommendation. These aspects of response need to be developed on the basis of research and scientific knowledge.

### 3 Data Research (Qualitative, Quantitative, Questionnaires, Case Study)

This thesis is a qualitative, descriptive, retrospective case study of the ‘Effects of Oil exploration in Nigeria’. The study relies on both, primary as well as secondary research to form its basis. Qualitative data is each and every one of the non-numeric data or data that cannot be quantified and can be a product of all research strategies such as experimentation, investigation, case study, action research, ethnography. It assists in helping the researcher develop theory from his/her data. This approach will provide the reader with sufficient findings. Basically, collection of secondary descriptive data as well as field studies for onward analysis is necessary here. The strategies used in researches provide them with real direction towards the development of the design pattern and at such examines the research features from reality. Basically, there are two major sources of data collection in researches and they include:

- Primary source: The researcher could gather these from face to face interview, questionnaires, direct observation or other means that could be

modified to his/her requirement to give answers to questions that concern him/her from a suitable sample.

- Secondary source: This involves re-analysing data that have been collected previously for one intention or the other. They come from people's facts and figures which may be surveys carried out by other people; sets of government information or records such as population census, company report, academic research journal report.

In the process of carrying out this dissertation, the researcher employed the use of primary and secondary data through the under listed sources. These sources will help in accessing data that could have been almost impossible to get; save time and also cheaper to access.

a) Community Survey: The researcher will undertake an online, self-administered survey that will target members of the Nigerian oil exploration and drilling community as well those considered to be impacted by such actions. Through the survey, the researcher will seek to record community perspective of the impact of oil drilling operations in the region. The proposed questionnaire will consist of several multiple choice questions. This method will enable more accurate analysis of the data as the responses will be easier to measure.

b) Case Study: In order to understand the role that governments and corporations play in controlling the negative impacts of oil drilling in the Niger Delta, the researcher will conduct a case study of Royal Dutch Shell's operations in the region. With a focus on various oil spills associated with the company, the researcher will also analyze court proceeding and rulings where community members sued the company. The response of the

government to these cases, and other allegations of poor accountability and responsibility on the part of the company will also be noted.

c) Historical Review: This came in form of an empirical approach whereby data of past incidences that relates to the study in question are collected and evaluated systematically.

Once the data has been collected from various sources, they will be compared with existing theories and research on the subject of oil exploration standards, and impact of such activity on the environment and local communities. For this purpose the researcher will be relying on the qualitative data analysis method. This method has been chosen for the following reasons:

- Qualitative research is less influenced by the personal opinion or assumptions of the researcher and is hence less biased.
- Instead of relying purely on numerical or mathematical data, it seeks to understand participants and situations in a well rounded social context. This would be suitable considering the nature of the topic of research .

#### 4 Data Trends

- Niger Delta ranks among the top five global ecosystems to have been damaged by petroleum
- Between 1958 and 2012, 1300 exploration wells were drilled in the Niger Delta
- 50 years of drilling has led to 9 to 13 million barrels of oil being spilled into the Niger Delta .
- Between 1989 and 1995, Shell Petroleum Development Company or SPDC was responsible for 221 spills every year on an average, which equates to 7,

350 barrels spilled per annum .

5 Questionnaires

Of the numerous stakeholders that a company may have, the three that will be considered here are: a) Shareowners, b) Communities, and c) Governments. The success of a company depends greatly on how well the interest of each stakeholder is managed. The more complex and widespread the operations of a company, the more complicated its stakeholder management would be . In the case of the Bonga oil field, 55% interest was held by Shell Nigeria, 20% with ExxonMobil, and 12. 5% each with Elf Petroleum and Nigerian AGIP. Similarly, depending upon the geographical location of an oil field, the company will need to deal with different governments and communities, each of which will have diverse and frequently conflicting interests.

The researcher will be using the survey method to seek the perception of the Nigerian community towards the effects of oil exploration and drilling in the Niger Delta. The following set of questions will form the foundation of the finalized questionnaire that will be used for data collection during the research:

**Q1: How would you rate yourself in terms of awareness of oil exploration and drilling operations in the Niger Delta?**

- Highly aware
- Moderately aware
- Less than averagely aware
- Not aware

Q2: Do you believe that the Nigerian economy is truly benefitting from the oil

exploration and drilling operations of foreign companies such as Shell?

- Yes
- No
- Undecided
- Do not know

Q3: How would you rate Shell's actions in terms of maintaining standards pertaining to environmental protection, human rights, worker welfare and community responsibility?

- Excellent
- Good
- Average
- Below Average
- Poor

**Q4: Do you believe that existing government laws regulation oil exploration and drilling in the region are sufficient?**

- Yes
- No
- Undecided
- Do not know

**Q5: Do you believe that the government and Shell are failing to fulfill their responsibilities towards the community?**

- Yes,
- No
- Undecided

- Do not know

Q6: Which of the following would you rate as the most important benefit derived from Shell's operations in Nigeria? (1 being most important, 5 being least important)

- Generating employment
- Payment in taxes
- Encouraging local business
- Community and worker welfare initiatives
- Environmental protection initiatives

Q7: Which of the following would you rate as the most important disadvantage arising from Shell's operations in Nigeria? (1 being most important, 5 being least important)

- Environmental degradation
- Poor working conditions
- Negative impact on local community habitat
- Encouraging government corruption
- Influencing government policies

## 6 Case Studies

Royal Dutch Shell is the world #2 oil and gas company, ranked below Exxon Mobil. A majority of the company's oil is extracted from Oman, Nigeria, the US and the UK. Shell has the largest network in terms of retail fuel, with over 43, 000 fuel stations located globally. The oil giant has operations in over 80 nations and, as on 31st December 2011, has an employee base of nearly 90, 000. In addition to fuel, the company also manufactures chemicals and refined products through 30 refineries, is involved in the transportation of

natural as well as trade gas and electricity. It is also actively developing sources of renewable energy. The company has been highly profitable, with a 53.6% increase in net profit from FY 2010 to FY 2011. By comparison, its revenues had grown by 27.7% during the same financial period .

Although Royal Dutch Shell and its subsidiaries are considered to be one of the most respected and admired companies in the world , its reputation in terms of Corporate Social Responsibility or CSR and Sustainability have been the subject of great public debates in the face of several scandals in the past two decades. The first in a string of controversies was the 1995 announcement by Shell that it planned to sink the Brent Spar, a decommissioned platform, in deepwater as it was a cheaper option when compared to recycling. After widespread public outcry and protesting by the NGO Greenpeace, the platform was finally brought to land in 1998 for recycling. The scandal cost Shell \$100 million at the time. The company was next sued by Ken Wiwa, the son of Ken SaroWiwa, an Ogoni environmental activist who had been campaigning alongside Movement for the Survival of the Ogoni People or MOSOP against the environmental impact that years of oil drilling in the Niger Delta had caused. Ken Wiwa claimed that his father was murdered by the Nigerian military and that Shell was involved in the murder. The company was also accused of bribing government officials, supplying arms to the local police for illegal raids as well as sponsoring other kidnappings, tortures and murders of activists and potential whistleblowers. Although the company denied any role in the murder or any such activities at the time, it eventually paid a \$15.5 million settlement to Ken Wiwa and other plaintiffs in addition to founding the Kiisi Trust that not only



addressed the legal costs incurred by MOSOP but also funds prospective initiatives towards education and welfare

Within Nigeria, Shell has been the subject of intense accusations of being responsible for several oil spills. In Ogoni, the company stands accused of two oil spills, one in 2008 and another in 2009. The fishing community in Bodo claimed that these spills have greatly damaged their environment and have destroyed their livelihood . However, on 20th December 2011, Shell's Bonga oil field was the site of the worst oil spill in Nigeria in a decade.

According to the company's estimate, the disaster resulted in 40, 000 barrels or 1. 68 million gallons of oil being spilled, covering a region of 900 square kilometers. Although the company claimed that it had curbed the spill before it reached the Nigerian shoreline, oil was found on the shores of 13 coastal communities in Nigeria . With the Nigeria Delta being increasingly known as a common site for oil spills, Shell's role in the environmental destruction caused in the past decade and its responses have been the subject of great scrutiny and disputes.

## 7 Conclusion

Through this research, the researcher seeks to contribute to the existing body of knowledge on the impact of oil exploration and drilling in the Niger Delta by attaining a holistic and unbiased understanding of the perception of three key stakeholders, namely: a) Organization/ shareholders, b) government, and c) community. The research will highlight both, positive as well as negative impacts of oil exploration and drilling in the region and will seek to provide practicable recommendations to address gaps in the mitigation of its ill effects.

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